

TC 665A

part 1

trade barriers: an overview

Report to the
Committee On Finance
of the United States Senate
and its
Subcommittee On
International Trade

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE

of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 1 OF 11

CHAPTER I. SUMMARY

PART I. TRADE BARRIERS: AN OVERVIEW

CHAPTER II. INTRODUCTION

CHAPTER III. THE PRINCIPAL DETERMINANTS OF
TRADE AND THE VOLUME AND
DIRECTION OF TRADE FLOWS



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Washington, D. C.
April, 1974

UNITED STATES TARIFF COMMISSION

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THE CHAIRMAN

UNITED STATES TARIFF COMMISSION

WASHINGTON, D. C. 20436

April 9, 1974

Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Tariff Commission has concluded the study of tariff and nontariff trade barriers made pursuant to a request from you and Senator Abraham A. Ribicoff, Chairman, Subcommittee on International Trade of the Senate Finance Committee, dated April 21, 1971. Copies of the Commission's report on its investigation are being sent to you and to Senator Ribicoff.

You will see from the Commission's report that world traders must cope with an almost endless variety of practices by both government and private organizations which they have reported to the Commission as trade barriers.

The Commission's study of trade barriers has been conducted with considerable difficulty stemming from two sources. First, the subject is virtually boundless. Secondly, although much work has been done in particular areas, such as tariffs and some of the more important quantitative restrictions, relatively little has been done in the way of systematic assembly of information on the entire range of practices which have been described by businessmen and others as trade barriers. Some of the practices so characterized are intended specifically to limit or direct trade flows, while others, such as measures taken to protect the environment, are imposed for reasons totally unrelated to trade but unavoidably affect trade.

It is hoped that this report will be helpful to the Committee in its deliberations.

Sincerely,

Catherine Bedell
Chairman



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UNITED STATES TARIFF COMMISSION

WASHINGTON, D. C. 20436

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Chairman, Subcommittee on International
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Sincerely,

Catherine Bedell
Chairman

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April 8, 1974

The Honorable
Catherine Bedell
Chairman
United States Tariff Commission
Washington, D. C.

Dear Madam Chairman:

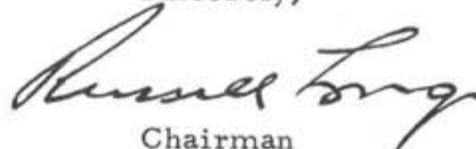
The Committee on Finance requested several major studies from the Tariff Commission on foreign trade and investment matters. The Commission has done a magnificent job in studying these issues in tremendous depth. The latest study on nontariff barriers appears to be the most detailed study ever done on the subject by any institution.

I would like to take this opportunity to congratulate the staff on the Commission who have labored long and hard on these studies. In connection with the multinational corporation study, Mr. Robert Cornell should be singled out for his diligence. A thorough job was done by Mr. Dana Law in the customs valuation study with important contributions by the General Counsel, Russell Shewmaker, who many consider the "father" of the Tariff Schedules of the United States. Finally, Mr. William Hart should be singled out for his patience and perseverance in completing this latest study on tariff and nontariff barriers.

We hope the Commission will continue to work together toward the common objective of providing the Congress with facts on the many complex trade and related issues with which we deal.

With every good wish, I am

Sincerely,



Chairman

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Chapter I

SUMMARY

Trade is normally the most important peacetime relationship among nations. During the past 25 years, world trade has grown at double the pace of the beginning quarter of this century, which in turn was roughly double the pace of the last quarter of the 19th century. World exports were valued at \$56.7 billion in 1950, \$280.7 billion in 1970, and \$372.4 billion in 1972. U.S. exports amounted to \$10.3 billion in 1950, \$42.6 billion in 1970, and \$70.2 billion in 1973, while U.S. imports were valued at \$8.7 billion in 1950, \$39.8 billion in 1970, and \$68.7 billion in 1973.

The Major Determinants of Trade

The principal determinants of trade have been gross national product (GNP) performance, the international monetary system, the diffusion of technology, and the general trading climate created by commercial policies of the principal trading nations. Trade barriers generally are reflections of various aspects of commercial policies of nations as they attempt to control foreign trade, investment and shipping to their particular advantage, but trade barriers may also result from measures taken for purposes not related to commercial policy.

For developed market economies, GNP performance is the engine of trade growth and, by far, the dominant factor affecting trade performance. Commercial policies may be conducive to trade growth (which has been generally the case for the past 25 years), or they may be antagonistic to the extent that they severely damage economies and may even provoke hostilities.

The Volume and Direction of Trade Flows

World trade is overwhelmingly concentrated among the major market

economies, all of which are highly industrialized with fairly comparable technology, and all of which have manufactured goods as their leading exports and imports, except Japan where only 30 percent of imports are manufactures. For the industrialized countries as a whole, about 12 percent of trade is in agricultural products, 88 percent is in the industrial area. The European Community (as composed of six nations before enlargement), ^{1/} the United States, the United Kingdom, Japan, and Canada together account for about 57 percent of total world trade.

The volume and direction of the major world trade flows can be seen in the following table.

Table 1-A.--Volume and direction of major trade flows in 1970

Country	United States	Canada	Japan	European Community ^{1/}	United Kingdom	Other OECD countries
Exports						
<u>Destination</u>						
World total (billions)-----	\$42.6	\$16.6	\$19.3	\$45.2	\$19.3	\$28.5
United States-----	-	65.4%	31.1%	14.7%	11.1%	7.6%
Canada-----	20.6%	-	2.9%	1.6%	3.4%	1.2%
Japan-----	10.7%	4.7%	-	2.2%	1.8%	1.3%
European Community-----	19.2%	7.1%	6.7%	-	21.3%	30.2%
United Kingdom-----	5.7%	8.9%	2.3%	8.1%	-	14.1%
Other OECD countries-----	7.2%	2.6%	5.7%	33.0%	23.1%	24.7%
Non-OECD developed countries-----	4.6%	3.8%	10.7%	11.2%	13.3%	8.1%
Less developed countries-----	28.7%	7.5%	40.0%	28.3%	22.1%	12.7%
Imports						
<u>Suppliers</u>						
World total (billions)-----	\$40.0	\$13.3	\$18.9	\$45.6	\$21.7	\$38.6
United States-----	-	71.0%	29.5%	19.8%	12.7%	8.9%
Canada-----	27.8%	-	4.9%	2.8%	7.3%	1.2%
Japan-----	14.7%	4.2%	-	2.7%	1.5%	2.8%
European Community-----	16.5%	5.8%	5.9%	-	19.7%	38.0%
United Kingdom-----	5.5%	5.3%	2.1%	8.8%	-	12.4%
Other OECD countries-----	5.7%	2.3%	2.4%	19.7%	20.3%	19.0%
Non-OECD developed countries-----	3.4%	2.3%	15.5%	9.5%	10.3%	5.6%
Less developed countries-----	26.3%	8.4%	39.7%	36.6%	22.6%	11.9%

^{1/} Data for the European Community are for external trade only. Intra-EC exports were valued at \$43.3 billion, intra-EC imports at \$42.8 billion.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

^{1/} Throughout this report, unless otherwise indicated references to the European Community (EC) deal with that organization as constituted before enlargement on January 1, 1973.

The ten leading markets for U.S. exports and suppliers of U.S. imports in 1972 were as follows:

Exports		Imports	
(Millions of dollars)			
1. Canada	12,415.2	1. Canada	14,872.5
2. European Community	8,815.0	2. Japan	9,036.2
3. Japan	4,941.2	3. European Community	8,937.4
4. United Kingdom	2,658.2	4. United Kingdom	2,975.3
5. Mexico	1,982.2	5. Mexico	1,616.5
6. Brazil	1,242.9	6. Venezuela	1,312.1
7. Spain	930.2	7. Taiwan	1,285.6
8. Venezuela	923.7	8. Hong Kong	1,237.1
9. Australia	843.0	9. Brazil	932.1
10. Korea	735.4	10. Australia	799.5

Tariffs

Averages of rates of duty, weighted in various ways, are used to summarize a nation's customs tariff, although there is no really satisfactory method for averaging tariff rates to meaningfully reflect the significance of the various duties and their actual impact on the flow of trade. 1/
Average most-favored-nation (MFN) tariff levels

Average MFN tariffs in effect in 1972 for the United States, Canada, Japan, the European Community and the United Kingdom are shown in table 1-B for industrial products and table 1-C for agricultural products. Tariff averages for most other industrialized nations fall generally in the same range as those shown for the countries in the tables. The averages indicate that the bulk of world trade today faces tariffs of 10 percent or less for industrial products and somewhat higher rates for agricultural products. The averages, however, mask the extremes in tariffs. Every 1/ Tariffs of the major trading nations are discussed in detail in chapter IV and in the product sectors in Part III (chapters XIII, XIV, and XV).

Table 1-B.--Industrial products: Average MFN tariffs for selected countries

Country	Simple arithmetic average ^{1/}	Averages weighted by--		
		World trade	Country's own trade	Country's own and world trade
All products				
United States-----	11.1	7.3	6.8	6.3
Canada ^{2/} -----	9.3	6.8	6.6	7.3
Japan ^{2/} -----	10.1	10.1	6.3	10.1
European Community-----	6.9	6.4	4.5	6.5
United Kingdom-----	9.2	7.8	6.2	7.3
Average for 18 industrialized countries-----	9.0	7.3	5.9	7.1
Dutiable products				
United States-----	12.1	8.1	8.8	7.1
Canada ^{2/} -----	15.2	11.5	14.1	11.0
Japan ^{2/} -----	11.2	10.8	11.6	10.7
European Community-----	7.5	6.7	8.1	6.9
United Kingdom-----	10.5	8.5	10.2	8.1
Average for 18 industrialized countries-----	10.7	8.4	9.8	8.1

^{1/} The implicit weight contained in a simple average is the number of tariff lines in the schedule; thus, the average is in fact weighted by the degree of detail within the tariff schedules.

^{2/} Since these averages were calculated, Japan and Canada have made significant temporary reductions in their tariffs. For Japan, about 80 percent of the rates were reduced by 20 percent, about 2 percent were made duty-free, and about 6 percent were cut by amounts ranging from 10 to 95 percent. Canada has made reductions on a wide range of products, particularly consumer goods, by an average of 5 percentage points.

Source: Basic documentation for the Tariff Study, GATT.

industrialized country enters a significant portion of its imports duty-free, but most also have some very high rates of duty. Several industrialized countries still have rates of duty on individual products ranging well above 50 percent ad valorem. Consequently, contrary to some popular beliefs, tariffs continue to be an important consideration in international trade.

Over 500 complaints, or 10 percent of the total submitted to the Tariff Commission in the present study of trade barriers, concerned tariffs. The eight countries formerly making up the European Free Trade Association (EFTA)

Table 1-C.--Agricultural products: Average MFN tariffs for selected countries

Country	: Simple : arithmetic : average	: Own-trade- : weighted : average
	All products	
United States-----	15.1 :	4.8
Canada-----	9.6 :	5.7
Japan ^{1/} -----	40.6 :	27.4
European Community ^{2/} -----	16.5 :	8.4
United Kingdom ^{3/} -----	10.8 :	5.0
	Dutiable products	
United States-----	16.8 :	8.5
Canada-----	13.1 :	9.9
Japan ^{1/} -----	44.2 :	39.7
European Community ^{2/} -----	17.9 :	13.9
United Kingdom ^{3/} -----	12.7 :	9.9

^{1/} Since these averages were calculated, Japan has made significant further temporary reductions in about one-fourth of its rates which were used in the calculations. More than half of the reductions were by 20 percent, and most of the remainder were by amounts ranging from 33 percent to complete removal of the duty.

^{2/} Rates shown for the European Community reflect fixed tariffs only and do not include variable levies applicable to a wide range of agricultural products. If data were available to reflect the variable levy charges, the rates would be very substantially higher than indicated here.

^{3/} The rates shown for the United Kingdom reflect fixed tariffs only and do not reflect variable levies applicable to a limited number of products in the year for which the averages were calculated.

Source: Compiled from national tariffs and trade statistics.

were the object of about 13 percent of these complaints; the European Community received about 9 percent; Canada and Australia, each about 5 percent; and the United States and Japan, each about 4 percent. Less developed countries (a large number were named) were the object of 53 percent of the complaints against tariffs.

Discriminatory tariff treatment

Customs unions and other regional trade groups and preferential trading arrangements have proliferated throughout the world in the past 15

years and created significant discrimination against products of countries outside such arrangements. Even a modest duty can foreclose participation in a market if other competing foreign suppliers are permitted free entry.

In 1955, almost 90 percent of imports by contracting parties of the General Agreement on Tariffs and Trade (GATT) paid MFN rates of duty; by 1970, this figure had declined to only 75 percent. With the recent enlargement of the European Community, the extension of duty-free treatment on industrial products to the remaining EFTA neutrals in the EC association agreements with these countries, and generalized tariff preferences for all less developed countries, the United States, Canada and Japan have become the only important trading countries whose products will be dutiable in Europe. Tariff discrimination obviously has become one of the major concerns for U.S. trade.

Tariff disparities

A common complaint received by governments from domestic producers seeking to export their products is that higher tariff rates are encountered in foreign countries than are charged on imports into the producer's own domestic market. U.S. producers have made such complaints most frequently against tariff rates of Canada and Japan, and exporters in the European Community have frequently leveled the same charge against the United States.

Significant tariff disparities are most likely to be found when a country has a wide range of rates applicable to a category of products. This situation occurs more commonly in the U.S. tariff than in the schedules of most other nations. For leading items of exports from the United States

to Canada and Japan and leading items of imports from these countries into the United States, the United States characteristically has the greater range of duty rates and the greater likelihood of having the disparate high tariff. For these leading products, U.S. and Canadian rates divide fairly evenly between higher and lower; but in the case of Japan, there are more situations where U.S. rates are higher than Japan's than vice versa.

At a more disaggregated product level, Canada has markedly more disparities vis-a-vis the United States than the United States vis-a-vis Canada, but the United States has more disparities vis-a-vis Japan and the European Community than vice versa.

Tariff reductions in trade agreements 1/

In 1934 the United States launched a program for the reciprocal reduction of national tariffs through the negotiation of international trade agreements. By 1947, as a result of bilateral agreements negotiated with 29 countries, the average level of the U.S. tariff had been reduced by one-third. Under the General Agreement on Tariffs and Trade, negotiated in 1947, there have been six major rounds of multilateral negotiations for tariff concessions, as well as various lesser negotiations, which have extended the reduction in the U.S. tariff to 72 percent below the pre-trade-agreement level.

1/ The nature and extent of tariff concessions granted in trade agreements to which the United States is a party by the principal trading nations are discussed in detail in chapter V, together with the important qualifications attached to an interpretation of the data shown in table 1-D of this section.

The change in a country's average tariff level over time is a function of three factors: Changes in the individual nominal rates of duty in the tariff schedule; changes in the prices of products subject to specific rates of duty; and changes in the composition of imports. All of these changes have been of major proportions for the United States and other countries since 1934. The practical and theoretical difficulties in averaging tariffs are doubly compounded if a comparison is to be made between average tariff levels at different points in time, and especially if the purpose of the comparison is to determine the amount of change due to a single factor, such as modification in the nominal rates of duty.

The Tariff Commission has attempted to determine the percent of reduction which has taken place in average duty levels of the United States, Canada, Japan, the European Community and the United Kingdom as a result of tariff concessions in trade agreements to which the United States has been a party. The results of the calculations are shown in table 1-D. The major part of the provisions in the tariff schedules of the industrialized countries are covered by concessions under the GATT.

Nontariff Barriers to Trade

Innumerable practices, other than tariffs, by governments and private organizations interfere with or distort the flow of trade. The most obvious and easily identifiable of these are quantitative restrictions, such as quotas and embargoes. However, nontariff trade barriers appear in a

Table 1-D.--Percent of reduction in average tariff levels by trade agreements

Country	: Base : year 1/	: Industrial : products 2/	: Agricultural : products 3/
United States-----	: 1933	: 72.1	: 61.9
Canada-----	: 1935	: 58.2	: 66.2
Japan-----	: 1954	: 25.0	: 15.2
European Community 4/-----	: 1960	: 44.3	: 29.9
United Kingdom-----	: 1938	: 59.6	: 37.6

1/ The base year for the United States is the year preceding inauguration of the trade agreements program. For other countries shown, it is the year preceding the first trade agreement negotiated with the United States under the program.

2/ Percents of reduction for industrial products have been calculated using own-trade-weighted average tariffs for all countries except Canada, for which a simple arithmetic ("unweighted") average tariff was used.

3/ Percents of reduction for agricultural products have been calculated using simple arithmetic ("unweighted") average tariffs for all countries.

4/ For the European Community, the percent of reduction is that which has taken place in the EC's Common External Tariff since it was initially established by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. The initial EC tariff rates already reflected some tariff reductions made in trade agreements negotiated prior to formation of the Community, but it was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country.

Source: Calculated by the U.S. Tariff Commission.

host of less conspicuous but equally effective practices, such as "buy-national" policies in government procurement, government subsidies which stimulate exports and substitute domestic products for imports, a variety of nontariff charges on imports, numerous standards which imported products must meet, and administrative devices which escalate the cost and inconvenience of importing goods.

Outside of some of the more common protective devices, such as quotas and a few other practices, nontariff trade barriers elude any general fixed definition. A very large part are generated simply because of differences

among countries in their regulatory or tax systems. Illustrations of this are found in having to conform to standards based on a system of measurement, such as the metric system, which differs from that used in the producer's country, or having to use metric measures in labeling products, or having to conform to different automobile safety requirements and different health or sanitary requirements and regulations

Many of the nontariff trade barriers are intimately interwoven into the economic and social structures of nations, and consequently are extremely difficult to remove, or change, or even to alleviate in any manner. President Franklin D. Roosevelt is reported to have said that trying to get rid of nontariff barriers is like trying to dynamite a fog.

Nontariff trade barriers will not be easily removed because a very large part of them are linked to such domestic economic and social objectives as the promotion of employment in high unemployment areas, or the development of priority sections in national economies, or preservation of government control of certain products, or maintaining a minimum production base for national security reasons, or for balance of payments reasons, or simply for the protection of consumers. Also, nontariff trade barriers are frequently a side effect of measures imposed entirely for non-trade-related reasons.

Categories of Nontariff Trade Barriers 1/

Nontariff trade barriers have usually been classified into five or six loosely defined categories in work done in this area in recent years. For the present study, the Tariff Commission has used the following six categories:

1. Quantitative restrictions and similar specific limitations on trade
2. Nontariff charges on imports
3. Government participation in trade
4. Standards as technical barriers to trade
5. Customs procedures and administrative practices
6. Discriminatory ocean freight rates.

These six major categories are described briefly in the following pages.

Quantitative restrictions and similar specific limitations on trade 2/

Quantitative import and export restrictions appear in three basic forms: Embargoes (trade is prohibited), absolute quotas (a specified maximum amount of trade is permitted in a given period), and licensing systems (administrative officials have discretionary authority to permit trade). Other indirect and more subtle quantitative restrictions include: Exchange controls, local content and mixing regulations, restrictive business practices, and discriminatory bilateral agreements.

About one-third of the complaints against all trade barriers submitted in the Commission's investigation dealt with the various types of specific limitations on trade, and over 60 percent of the complaints were against developing nations. Conclusions reached from an analysis of quantitative

1/ A resume' of the major nontariff barriers is given in chapter VI, and each of the major categories is discussed in detail in chapters VII through XII.

2/ See chapter VIII for a detailed discussion of the various specific limitations on trade.

restrictions in 16 major developed trading countries indicate that France has exhibited the heaviest use of such measures, followed by Italy, the United States, West Germany, the United Kingdom, and Japan.

"Voluntary" export restraints have become increasingly important as a barrier to trade in recent years. Restraints on textiles and steel have received the most publicity recently, but a wide variety of exports have been restricted from time to time. Exports are also sometimes controlled for military or strategic reasons, to conserve domestic supplies, or for political purposes. Several countries have restricted exports of products in short supply.

A widely-used type of trade barrier is a system of restrictions on the payments and/or financial cycle of a trade flow (e.g., multiple exchange rates, prior import deposits, allocation of exchange only to holders of import licenses, and various other types of restrictions to conserve foreign exchange). Some countries have tended to exert stronger financial restrictions than are needed, given their financial situation.

International restrictive business practices, another specific limitation on trade, are usually of two types: Those engaged in by the collective restraint of competition by independent organizations (cartels) and restrictions resulting from concentration of economic power or control in one organization (multinational corporations). Single firms may restrict international trade if they have a dominating position as suppliers or purchasers of the product involved.

Bilateral trade agreements which grant special exclusive advantages to the two parties are implicitly discriminatory against third countries. Discriminatory sourcing results from some bilateral agreements which favor specific countries as sources for certain imports.

Nontariff charges on imports ^{1/}

Generally, imports pay a variety of charges beyond a customs duty. These charges may be protective devices to restrict imports, or they may be collected to equalize the tax treatment of imported goods with that of domestic products, or they may be payment for services. Some of the greatest barriers to world trade are found among these charges.

Variable levies are charges on imports in lieu of, or in addition to, normal customs duties. The levies vary far more frequently than normal customs duties (sometimes daily) and are used to raise the cost of imports to stipulated minimum prices, often in conjunction with domestic agricultural support programs. The European Community has made the variable levy an essential part of its Common Agricultural Policy (CAP), and such levies are also found in Austria, Finland, Greece, Portugal, Spain, Sweden, and Switzerland. The variable levy greatly affects world trade and is probably the most important single measure adversely affecting U.S. exports. Variable levies keep imports from price competition with domestic products, and reduce imports to the position of a residual supply.

A border tax adjustment, another nontariff charge on imports, is any fiscal measure which enables imported products to be charged with a tax charged in the importing country on similar domestic products, and which

^{1/} See chapter VII for a detailed discussion of nontariff charges on imports.

enables exported products to be relieved of a tax charged in the exporting country on domestic products sold to consumers in the home market. Thus, border tax adjustments include taxes on imports at importation and at any subsequent point in the distribution channel. Nearly all countries make some border tax adjustments.

Under the GATT, indirect taxes are considered eligible for border tax adjustments, while direct taxes are not. The major foreign indirect (or consumption) taxes are collected when the goods enter the country, but exported goods are not subject to the consumption tax. Since the United States relies much less than foreign countries on indirect taxes for government revenue, very few U.S. imports are subject to a border tax adjustment at the time of entry.

U.S. businessmen complain that they are greatly disadvantaged both in foreign markets and in the U.S. market because when selling abroad they bear the burden of both U.S. direct taxes and the indirect taxes of the foreign country, and when selling in the United States, the imported product of their foreign competitors has been relieved of part of its national tax burden and bears none of the U.S. direct taxes. Economists tend to dispute this view.

A special situation in the application of border taxes is found in the manner in which the U.S. excise tax on distilled spirits is assessed. If distilled spirits are below 100 proof when the tax is assessed, they are still taxed as 100 proof; above 100 proof a proportional incremental amount of the basic 100 proof rate is applied. U.S. producers as well as foreign producers who ship their product in bulk to the United States, can have the

tax assessed before the beverage has been cut to normal bottling strength. If it is bottled abroad, it will bear the additional revenue burden resulting from tax assessment after the proof is cut to bottling strength. Thus, imported bottled spirits pay a higher tax than domestic products and imported bulk products.

There are numerous other nontariff charges on imports. Among these are port charges (fees on vessels and/or cargo using the port), prior import deposit systems (requiring importers to deposit a percentage of the value of an import), consular fees (charges usually made in relation to the issuance of a consular invoice or other documentation), stamp taxes (excise taxes paid through the purchase of stamps which must be affixed to articles or documents before they can be lawfully sold), and import surcharges (taxes or levies in addition to the normal duty, and sometimes collected as a percentage of the normal duty).

Government participation in trade ^{1/}

Governments participate directly or indirectly in trade in various ways, such as through government monopolies, government procurement, nationalization of basic industries, and governmental assistance to domestic industries. Complaints submitted to the Tariff Commission listed subsidies and other aids as the major concern in this area, followed by governmental monopolies and state trading, and government procurement. Seventy percent of the complaints in this area were against practices of developed countries.

International trade can be distorted by government aids designed explicitly to stimulate exports, but also by general government subsidies

^{1/} See chapter IX for a detailed discussion of trade barriers associated with government participation in trade.

given to domestic producers. A wide range of government activity may constitute a subsidy. The principal forms are cash subsidies, tax subsidies, credit subsidies (loans at preferential rates of interest), benefit-in-kind subsidies (provisions of goods and services at prices or fees below market value), and purchase subsidies (government purchases of goods and services above market price).

Export subsidies are designed exclusively with the intent to stimulate exports. Credit subsidies have constituted a fast growing area of export subsidization in recent years, principally in the form of direct loans, guarantees of loans made by commercial banks to foreign buyers of the country's exports, and insurance and guarantee of credits extended by exporters.

In order to sustain indigenous energy resources, governments often subsidize the domestic coal and petroleum industries. The electronics industry receives government aids in a number of industrial countries. The film industry enjoys government aids to production, distribution, exhibition and export in various combinations in different countries, though not in the United States. Shipping and shipbuilding are widely subsidized owing especially to the relationship of these industries to foreign trade and the fact that these industries relate to national defense. The aircraft industry is a well subsidized growth industry. In some countries, the steel, paper and pulp, and textile industries are subsidized. Establishments in almost any industry can obtain government aids in some countries if they are located in so-called development areas (e.g., the aluminum industry of the United Kingdom). In most advanced countries several industries receive government aids for purposes of research and development.

The governments of most industrial countries aid their domestic agriculture materially, simultaneously protecting it from import competition principally by various other nontariff barriers.

Governments are the largest purchasers of goods, and the preferences they grant to domestic producers constitute a significant impediment to international trade.

Most governments in market economy countries maintain monopolies of the manufacture or sale of certain goods. In addition, governments frequently engage in buying or selling goods for nongovernment use in situations which do not involve any elements of monopoly. In market economy countries state monopolies in selected products traditionally were instituted to raise revenue or regulate the supply or price of staple commodities which are important to the nation's welfare. State monopolies have also been used for social control.

In recent years, state trading in market economies has been given impetus by two factors: The increase in national economic planning and the persistent foreign exchange shortage. The volume and direction of state trade may be determined chiefly in terms of political or social goals and differ greatly from the situation which would prevail if ruled by purely commercial considerations. The importance and implications of state trading can be easily overlooked. The high degree of government ownership of steel production capability in market economy countries has been regarded by the U.S. steel industry as the major nontariff barrier distorting the flow of steel trade throughout the world.

Standards as technical barriers to trade ^{1/}

Standards are laws, regulations, specifications or other requirements with respect to the properties of products or the manner, conditions or circumstances under which products are produced or marketed. Standards usually concern: Quality, purity, component materials, dimensions, level of performance, etc.; or the health, sanitary, safety, technical or other conditions under which a product is produced or marketed; or a product's packaging or labeling.

Standards are usually constructive and necessary, but sometimes they impede international trade and can be used as protective devices against import competition. Obstacles to trade arise because of differences among national standards and their requirements. Regulations can particularly hinder trade if they are expensive to comply with, based on characteristics peculiar to national production, foster uncertainty as to the acceptability of merchandise, are administered in a discriminatory fashion, or cause extra delay.

Types of standards which have given rise to complaints are: Industrial and product standards, labeling and marking requirements, health and sanitary standards, and pharmaceutical and veterinary standards.

Industrial and product standards relate principally to weights, measures, container sizes, nomenclature, quality, product content, production processes, safety, ecology and environment. Electrical and electronic equipment and automotive products are two closely regulated sectors in this area.

^{1/} See chapter X for a detailed discussion of trade barriers arising from standards requirements.

Concern for consumer protection is bringing a growing number of products under labeling requirements and expanding information required on labels, occasionally making the cost of compliance a significant factor.

All countries have laws protecting the health of humans, animals, and plants. Complainants commonly reported that trade was hampered by the diversity of regulations among nations and that inspection requirements were costly, repetitive, or impossible to meet.

Trade problems concerning pharmaceutical, phytosanitary and veterinary standards principally involve requirements for testing, plant inspection, special documentation, and the use of a specific pharmacopoeia. Testing requirements may cause unreasonable delay and expense and are sometimes repetitive (e.g., some countries do not accept the validity of tests and approval by the U.S. Food and Drug Administration; French regulations on testing virtually exclude pharmaceutical imports).

Customs procedures and administrative practices 1/

Administrative procedures and customs matters other than rates of duty can impinge upon the free flow of trade. Obstacles are found in customs valuation, tariff classification systems, documentation requirements, consular formalities, antidumping practices and other procedures.

The most numerous complaint against customs valuation received in the Tariff Commission's survey came from U.S. exporters objecting to the use of c.i.f. values as the basis for assessing duty in most other countries.

(U.S. import duties are chiefly on an f.o.b. basis, which is lower than

^{1/} See chapter XI for a detailed discussion of trade barriers associated with customs procedures and administrative practices.

the c.i.f. value because it does not include freight and insurance charges.) Objections were made against several countries for assessing duties on the "domestic value" of merchandise in the country of origin if it is higher than the invoice value for the imports being considered; and against a large number of developing countries for using "official values" set by the government, rather than some form of commercial value.

A problem in virtually all valuation systems is establishing a correct customs value for imports not shipped as arms-length transactions between independent unrelated parties. Most countries adjust upward the invoice values of such imports to establish the customs value (commonly referred to as "uplift"), and many complaints were concerned with these uplift procedures

The American selling price valuation method used by the United States for benzenoid chemicals, rubber footwear, low-priced wool knit gloves, and canned clams has long been a target of criticism, as has the complexity of the U.S. valuation system which operates with nine different standards.

Documentation requirements can be excessive in terms of quantity, complexity, formality and time consuming procedures associated with obtaining or clearing the documents.

The complexity of the customs classification systems of the major trading nations has been seen as a trade barrier and has led to a worldwide movement to standardize customs nomenclature. The majority of nations today classify their imports according to the Brussels Tariff Nomenclature, although Canada and the United States do not use this system.

Another practice criticized as a trade barrier concerns the manner

in which nations respond to the unfair competition of foreign dumping in their domestic markets. Laws to discourage this practice exist in most nations. The frequency of antidumping actions (especially by Canada and the United States) is sometimes labeled a deterrent to trade.

Discriminatory ocean freight rates ^{1/}

Many U.S. producers reported to the Tariff Commission that discriminatory treatment in ocean freight rates outbound from the United States greatly weakens their ability to compete abroad and enhances the competitive strength of foreign industries in the U.S. market. Moreover, since most foreign tariffs are applied on a c.i.f. basis, and most consumption taxes (e.g., the value-added taxes in Europe and the commodity taxes in Japan) are applied on a landed-cost, duty-paid basis, the effects of the discriminatory rate treatment are compounded.

Assessing the Significance of Nontariff Trade Barriers

Very few nontariff trade barriers are susceptible to a quantitative measurement of their impact upon trade, and consequently, assessments of their significance must be based largely on subjective judgments. Assessment is also made difficult by the fact that frequently there may be several barriers impinging upon trade in a particular product at the same time.

The constellation of trade distorting measures which make up part of the European Community's Common Agricultural Policy--domestic subsidies which displace imports, variable levies which exclude imports, and export

^{1/} See chapter XII for a more detailed discussion of discriminatory ocean freight rates.

subsidies for uneconomic domestic production--probably can be considered the most significant trade barrier which U.S. exports currently encounter among the major nations.

The "voluntary" export restraints, such as those on textiles and steel, would perhaps be ranked by many foreign countries as the most significant barrier to their exports to the United States. Quotas or other forms of quantitative controls imposed by the importing country also rank high in any scale of trade barriers. These would include such products as data processing equipment in Japan and Europe, and some agricultural products in the United States.

The discriminatory government procurement practices which are found in all of the major countries are raised into the ranks of major trade barriers simply by the fact that governments have become the largest purchasers of goods and take as much as one-fifth of the gross national product in some countries.

A variety of products in U.S. trade, both in exports and in imports, have felt an impact from the imposition of product, health or safety standards or labeling requirements. There has been a proliferation of product standards by both governments and private bodies in practically all countries. Because of this, and the increase in governmental concern with the environment and with consumer welfare in general, product standards and labeling requirements have the potential of becoming one of the most prevalent and significant trade barriers.

Governments in all of the major countries aid selected domestic industries in ways ranging from market research to long-term loans, tax

rebates or writeoffs, and outright cash grants. Such practices have produced important distortions of normal trade through the displacement of imports and the introduction on the world market of artificially stimulated exports. For several years the U.S. Government has considered excessive subsidies and other aids in foreign countries one of the major problems confronting U.S. trade abroad and a contributing factor to excessively intense competition in the U.S. market.

Several countries regard U.S. antidumping practices and U.S. methods of customs valuation as major problem for the conduct of their trade with the United States.

U.S. producers and exporters, on the other hand, rank high on their list of trade deterrents the numerous border tax adjustments made on imports in the majority of foreign countries. Although the United States has very few border taxes, the manner in which the excise tax on distilled spirits is applied is regarded by some countries as a major trade barrier.

Country Summary

Complaints against trade barriers in the European Community and the nine other countries most frequently mentioned in the Tariff Commission's survey of trade barriers are summarized in the following pages, in the order of the number of complaints against each country. The European Community drew 14 percent of the complaints submitted to the Commission; countries formerly making up the EFTA drew 12 percent; the United States 8 percent, Japan about 5 percent, and Canada about 2 percent. Less developed countries in Latin America drew 23 percent of the complaints; in Asia, 9 percent; in Europe, 10 percent; and in Africa, about 9 percent.

European Community and member states

Objections to the various forms of border tax adjustments and other taxes and fees encountered by imports entering member states of the European Community made up one-fifth of the complaints filed against the Community. The second largest area involved subsidies under the EC's Common Agricultural Policy as well as subsidies and other governmental aids by member states to domestic production and exports, particularly in certain electronic products and computers, coal, coke, steel, aircraft, heavy electrical equipment, motion pictures and ships. The requirement of a license for the importation of a substantial number of products ranked as the third most frequently mentioned barrier in the Community. Health and safety standards and industrial standards on a broad spectrum of industrial products were notified as impeding trade. Products as diverse as live chickens, automobiles, refrigeration equipment, electronic components, and many food items were reported to be affected. A number of complaints were received concerning quotas, particularly on agricultural products.

Objections to the EC tariff system were among the top 10 categories of complaints against the Community, and these involved the height of the duty on numerous products, the tariff discrimination which is the essence of any common market arrangement, and the preferential treatment extended to several countries through association arrangements. Discriminatory government procurement practices, pharmaceutical standards and variable levies ranked 8th, 9th and 10th, respectively in complaints against member states and the Community as a whole.

The member countries most frequently named were, in order, Italy, France and West Germany.

United States

The categories of practices most often cited in complaints against the United States were (in descending order, by number of complaints): Customs valuation, health and safety standards, quotas, export restraints, embargoes, documentation requirements, licensing requirements, government procurement practices, the customs classification of merchandise, and import duties. Under customs valuation, complaints were made about the American selling price system for certain products, the "final list" valuation system, and the fact that the United States does not use the Brussels Definition of Value. Health and safety standards were perceived as barriers to a broad spectrum of both agricultural and industrial goods, and some U.S. producers felt that high domestic environmental standards hindered their exports by raising costs of production in the United States. Quantitative restrictions were often mentioned for the following products: Petroleum, textiles, watch movements, brooms, sugar, confectionery products and a number of agricultural products including meat and dairy products. Complaints were registered against various export restraints ranging from participation in the Long Term Arrangement Regarding International Trade in Cotton Textiles to programs which limit the export of U.S. goods for strategic or other purposes.

The principal complaint in government procurement sprang from the published preferences which are to be given to domestic products.

Complaints against U.S. customs classification concerned the general complexity of the U.S. tariff nomenclature and the fact that the United States does not use the international Brussels nomenclature used by most of the rest of the world. The level of U.S. duties was said to be a significant barrier for several products.

Japan

The most frequently mentioned barriers in complaints against Japan were subsidies and other aids, quotas, high tariffs, exchange and other monetary or financial controls, export restraints, licensing practices, state trading and government monopolies, health and safety standards, restrictive business practices, and miscellaneous taxes. A wide range of direct subsidies and tax incentives were reported to be used for a variety of reasons, especially export promotion. The Japanese system of quantitative restrictions was often the subject of complaints. Though the Japanese have been liberalizing this system, restrictions still persist in certain sensitive sectors such as electronic computers, and even where quantitative restrictions have been liberalized, import licensing requirements frequently have remained. Some U.S. interests indicated that the licensing procedure in Japan is used by the government to identify end users of imported goods with a view to dissuading them from the purchase of foreign merchandise. Complaints about high duties for specific products, including jewelry, appliances, computers and alcoholic beverages, were received. Export curbs for certain products are in force in Japan. Respondents criticized Japan's "voluntary export restraints" imposed on certain

products destined for the United States and Western Europe. Steel and textiles were the items most frequently noted as subject to restraint.

Mexico

The most frequent complaints against Mexico concerned embargoes, licensing requirements, high import duties, miscellaneous taxes and fees, quotas, minimum or maximum price regulations, labeling requirements, restrictive business practices, and arbitrary customs valuation. The most serious barrier would appear to be the Mexican policy of embargoing imports through the denial of import licenses in cases where similar products are produced in Mexico.

United Kingdom

The ten leading areas of complaints against the United Kingdom involved subsidies and other governmental aids, quotas, high import duties, health and safety standards, restrictive business practices, government procurement policies, customs valuation practices, product content requirements, border tax adjustments, and the discriminatory tariff treatment resulting from the Commonwealth system of preferences.

Subsidies to the computer, shipbuilding, aircraft, heavy electrical equipment and film industries were mentioned, as was concessionary export financing for capital goods. Health and safety standards were said to impede trade in aircraft, electrical goods, motor vehicles, agricultural equipment and certain food products. Of particular concern was the CENEL scheme to harmonize United Kingdom and European standards for electronic products. Quantitative restrictions on certain electronic products and

many food items were reported. Certain U.S. producers of heavy electrical equipment complained of dumping and membership in international cartels on the part of United Kingdom producers.

Brazil

The principal areas of complaint against Brazil were: Miscellaneous special taxes and fees, licensing requirements, high import duties, restrictive business practices, emergency action against imports, exchange and other monetary or financial controls, customs administration problems, labeling requirements, and local content and mixing requirements.

As is often the case in less developed countries, imports into Brazil must pay a large number of special taxes, fees, and surcharges. Respondents felt that the license and documentation requirements for shipments to Brazil were too stringent, and reported that licenses usually were not granted if similar products were produced in Brazil. High duties were mentioned on a broad range of industrial products.

Spain

Specific limitations on imports, which include quotas, embargoes and licensing practices, were indicated as important barriers to trade with Spain. Motion picture films, textiles, chemicals, leather products, poultry, certain pharmaceuticals, and jewelry were named as particularly affected by these restrictions. The other leading areas of complaints were border tax adjustments, high import duties, state trading and government monopolies, subsidies and other aids, documentation requirements, and local content and mixing requirements.

Argentina

High Argentine tariffs were reported by many U.S. producers to inhibit their exports to Argentina. Embargoes or measures with the effect of an embargo apply to certain alcoholic beverages, some chemical products and numerous manufactured articles. Imports are also subject to a large number of special taxes and surcharges. The other major areas of complaints against Argentina were the requirement of prior import deposits, consular formalities, licensing practices, exchange and other monetary or financial controls, local content and mixing requirements, and excessive documentation requirements.

Canada

Canadian tariff rates were the subject of the greatest number of complaints against that country. Industrial products were most often mentioned as being affected by the level of the Canadian duties, and a number of the respondents were especially concerned when the U.S. duty on a given product was lower than the Canadian duty. The manufacturers sales tax of 12 percent, which is imposed on imports at the border, was said to impede trade in a variety of products. Several U.S. producers felt that the use of "fair market value" as a basis for assessment of duty did not take volume discounts or realistic wholesale prices into account and consequently overvalued goods for duty purposes. Provincial monopolies on the distribution of most alcoholic beverages were notified, as were embargoes on used aircraft and automobiles and the manner in which Canada enforces its antidumping statutes. Labeling requirements in Canada, especially for dual

French-English labels, were often mentioned in complaints, and the discriminatory tariff treatment from the Commonwealth preference system drew several objections.

Australia

The barrier most often mentioned in complaints against Australia was high import duties. Products noted in these complaints varied from beer to computers, but most were industrial items. Health and other standards were reported to present a barrier to trade in agricultural products, such as seeds, tomatoes, poultry, and meat. Antidumping practices of Australia drew several complaints, and subsidies or other aids were said to impede trade in automobiles, paper and a number of other industrial products. Other major areas of complaints were the Australian sales tax and numerous special taxes and fees, customs valuation practices, tariff discrimination under the Commonwealth preference system, documentation requirements, certain practices in the classification of goods for duty purposes, and labeling requirements.

Sector Review

About 80 percent of the complaints submitted in the Commission's survey of trade barriers were concerned with practices affecting industrial products, and 20 percent with agricultural products--a division that roughly corresponds to the distribution of U.S. trade.

The ten product sectors most frequently mentioned in the trade barrier complaints were:

1. Transport equipment
2. Chemicals
3. Nonelectrical machinery
4. Electrical machines and apparatus
5. Ores, metals and metal manufactures
6. Beverages and spirits
7. Foodstuffs
8. Textiles
9. Coal, petroleum, natural gas
10. Photographic and cinematographic supplies

The principal categories of complaints under each sector are briefly summarized in the following pages.

Transport equipment

In virtually every country of the world automobiles are subject to a number of taxes and special fees, many of which are frequently substantial, and in some developing countries even exceed the purchase price of the vehicle. Using the number of complaints as an index, it appears that trade in transport equipment is most hindered by these taxes, fees and other special charges, which are frequently levied at the border upon importation. The other major areas of complaint were licensing, quotas, embargoes, and tariffs. Notifications were received concerning barriers in force in almost every country. Approximately two-thirds of the complaints dealt with barriers in developing countries, with the following countries mentioned most often: Argentina, Brazil, Chile, Iran, Mexico, Spain, and Turkey. Japan, the United States, France, the United Kingdom, Canada, Sweden and Switzerland were the developed countries most often cited as imposing barriers to trade in the transport equipment sector.

Chemicals

The major obstacles to trade in chemicals were reported as licensing practices, discriminatory tariff treatment, high tariffs, embargoes, and quotas. Both developed and less developed countries were the subject of complaints, with Colombia, Brazil, Mexico, Spain, Greece and Argentina heading the list of less developed countries; and the United States, Japan, the United Kingdom, France, Italy and Australia being the most frequently mentioned developed countries.

Nonelectrical machinery

Subsidies and other aids to domestic production or exports, licensing practices, tariffs, embargoes, and government procurement practices were the barriers most often mentioned in notifications concerning products in the nonelectrical machinery sector. Approximately 55 percent of the notifications discussed barriers imposed by the industrialized countries and the remainder dealt with difficulties in developing nations. Among developed countries, Japan, the United States, France, West Germany, the United Kingdom, and Australia were the most frequently mentioned. Many complaints were made against practices in Argentina, Brazil, Colombia, Mexico and India.

Electrical machines and apparatus

The principal practices reported as interfering with trade in the electrical machinery sector were subsidies and other aids to domestic production and exports, licensing, quotas, industrial and product standards, tariff, and border tax adjustments. Almost 70 percent of the notifications concerned barriers in developed countries, especially Japan, the United

Kingdom, the United States, France, and West Germany. A large number of developing countries were also the subject of complaint, including Brazil, Mexico, Spain, Colombia, and Greece.

Ores, metals and metal manufactures

The principal categories of complaint in the ores and metals sector were licensing practices, embargoes, tariffs, quotas, special taxes and fees, subsidies and other aids to domestic industries, and government procurement practices. Heading the list of developed countries named in complaints were the United States, the European Community (especially Italy and France), Canada, and Japan. Among the less developed countries, Mexico, Spain, Argentina, the Dominican Republic and Brazil received the most complaints.

Beverages and spirits

Government monopolies, tariffs, labeling and container regulations, taxes and fees, licensing, quotas, and embargoes were the practices most frequently reported as interfering with international trade in beverages and spirits. The complaints were about evenly divided between developed and developing countries. Japan, France, West Germany, the United States, the United Kingdom, Canada and Denmark were the developed countries with the greatest number of notifications, while among developing nations, Mexico, Brazil, Spain and Venezuela were most often mentioned.

Foodstuffs

International commerce in foodstuffs was reported to be hindered by quotas, health standards, licensing practices, labeling and container regulations, variable levies, and tariffs. Two-thirds of the complaints received for this sector mentioned barriers in developed countries,

especially the United States, Japan, the European Community and the United Kingdom. Mexico and Venezuela were the most frequently mentioned developing countries imposing barriers to trade in foodstuffs.

Textiles

Over half of the complaints against trade barriers in the textile sector dealt with some form of specific limitation on trade: Quotas, licensing requirements, export restraints, and embargoes. The remaining complaints were scattered throughout most of the other categories of trade barriers, with customs valuation and state trading practices being the only area with any degree of concentration. Slightly more than half of the notifications dealt with barriers in less developed countries. Japan, the United States, France, West Germany, the European Community (especially France and West Germany), the United Kingdom and Australia were the most frequently mentioned developed countries. Several complaints were lodged against Argentina, Brazil, Colombia, Mexico and India.

Coal, petroleum, natural gas

Quotas, licensing requirements, subsidies and other aids, embargoes, and state trading practices were the areas of principal complaint in the mineral fuels sector. The complaints were almost evenly divided between developed and developing nations. The European Community (particularly West Germany, Belgium, and France), the United States, Japan, and the United Kingdom were the developed nations drawing the largest number of complaints. Over 30 less developed countries were named, with practices in Greece, Spain, Turkey, India, Pakistan and Egypt most frequently referred to.

Photographic and cinematographic supplies

Subsidies and other aids to local motion picture production, numerous taxes and fees, licensing requirements, screen-time quotas, and other quantitative restrictions were most frequently reported as barriers to trade in photographic and cinematographic supplies. Two-thirds of the complaints were raised against practices in less developed countries, with Spain, Argentina, Brazil, the Philippines, and India most frequently named. Practically all of the developed countries except the United States were named, each being mentioned almost an equal number of times, but with some emphasis on practices in Italy, Australia, and France.

Chapter II

INTRODUCTION

Forward

"What would be the consequence of the abolition of all restrictive, exclusive, and monopolizing laws, if adopted by all the nations of the earth, I pretend not to say. But while all the nations with whom we have intercourse persevere in cherishing such laws I do not know how we can do ourselves justice without introducing, with great prudence and discretion, however, some portions of the same system."

John Adams,
President of the
United States, 1707-1801

This report is in response to requests, dated April 21, 1971, by the Committee on Finance, United States Senate, and its Subcommittee on International Trade for studies and a report to the full Committee on the following:

- (1) The tariff and nontariff barriers among principal trading nations in the industrialized countries, including an analysis of the disparities in tariff treatment of similar articles of commerce by different countries and the reasons for the disparities;
- (2) The nature and extent of the tariff concessions granted in trade agreements and other international agreements to which the United States is a party by the principal trading nations in the industrialized countries.

The Tariff Commission instituted the requested studies on April 30, 1971. Notice of the studies, conducted as Investigation No. 332-66 and Investigation No. 332-67 under section 332(g) of the Tariff Act of 1930, as amended, was published in the Federal Register of May 5, 1971 (36 F.R. 8419).

Artificial barriers to trade are not new; from earliest times, they have been an important preoccupation of mankind, and examples of efforts to erect and to avoid obstructions to trade abound throughout history. In 416 B.C., Athens attempted to control all Aegean commerce in flax, pitch, wax, rope, copper and iron in order to keep this trade from reaching Macedonia. In about 407 B.C., Carthage imposed an agreement on the infant Roman state limiting Rome's trade to the Western Mediterranean, thus keeping the rich Eastern trade for the Carthaginians. The Punic Wars between Rome and Carthage beginning about 250 years later were largely over trade problems.

In medieval Europe, at virtually every highway, bridge and ford, a toll was exacted by the lord whose domain the merchant traveling to market must cross. A monastery between Paris and the sea, for example, required those journeying to town with fresh fish through its territory to allow the monks to choose what they judged to be 3 pence worth. An agent of the lord of Poissy stopped all boats loaded with wine traveling up the Seine to Paris, tasted a sample of each cask, chose any three for his lord, and took from his favorite a measure for his own use.

With hazards to trade rife, organizations such as the Hanseatic League were created to protect and promote member's trade, but like later groups of nations concerting for similar purposes, erected large trade barriers themselves.

In the 16th century, Francis Drake provided history with a colorful chapter on trade distortion. In "diverting" a fortune from Spain to England, Sir Francis drew curses from the King of Spain as the greatest obstruction

to Spain's trade with its new colonies in the Western World, but for this was knighted by the Queen of England. Early in the 19th century, the United States, as well as the major countries of Europe, paid substantial annual "gifts" to the dey of Algiers and the pasha of Tripoli for the privilege of conducting unhampered shipping and commerce in the Mediterranean.

Styles of trade barriers, as well as the justifications for them, change. The simple toll charged by the feudal lord when goods entered his territory continues to exist, albeit in a far more complex form and possibly for different reasons, as national tariffs; and the other simple devices such as port taxes, documentation taxes, consular fees, and the myriad charges found in early commerce seem to be still around today in some form; but Sir Francis Drake's style of direct confiscation, for the most part, has passed into disuse, in favor of more subtle and sophisticated, but nevertheless equally effective techniques. This report is an effort to describe the methods currently in vogue and to give some indication, where possible of their significance for U.S. trade.

What is a Trade Barrier?

The term is so commonly used that it may seem unnecessary to ask what is a trade barrier, but the Tariff Commission's study has revealed that the concept of trade barriers varies widely among individuals and among countries.

Trade barriers elude any general fixed definition, and a definition suitable for all occasions probably cannot be devised. One that has been put forward is any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income. ^{1/} This seems to be a theoretically perfect economic definition, but it leaves extremely indefinite boundaries for practical application. A somewhat similar and equally broad definition--"Any measure or attitude which distorts the natural course of world trade by favoring one nation over another"-- has been offered by a large organization representing U.S. manufacturers. ^{2/}

When specific trade barriers are to be identified and dealt with, it becomes necessary to add limitations or qualifications to such very broad definitions, and the type of qualification has usually depended on the particular occasion or circumstance. A frequently used qualification has

^{1/} Potential real world income is that level attainable if resources and outputs are allocated in an economically efficient manner. Productive resources and goods and services are efficiently allocated if they cannot be redistributed in such a way that some individuals will be better off and none will suffer. See Robert E. Baldwin, "Nontariff Distortions of International Trade," the Brookings Institution, Washington, D.C.

^{2/} National Association of Manufacturers, "The Many Faces of Nontariff Barriers," New York, N.Y.

been to limit the definition to government laws, regulations, policies, or practices that are intended to protect domestic producers from foreign competition or artificially stimulate exports of particular domestic products, and to exclude restrictive private business practices (even though they may have the same effect). An aspect of this qualification has sometimes been put in terms of equal market access for foreign and domestic products; and if discrimination is absent a trade barrier is not recognized to exist. 1/

Another frequent qualification has been to set aside measures imposed by governments to protect public health, morals, national security, and for other reasons unrelated to foreign competition, unless such measures are misused.

It is noteworthy that a few years ago when the contracting parties to the General Agreement on Tariffs and Trade began to compile an inventory of "nontariff" trade barriers, they took an empirical and pragmatic approach of simply identifying situations alleged to impede trade. Each country submitted a list of complaints concerning practices and policies of other countries which the complaining country felt impeded trade. There was no group attempt to define or specify the practices which would be appropriately considered barriers, and most of the lists submitted did not contain a definition. 2/

1/ Under this view, for example, an extremely burdensome or punitive tax would not be classified as a trade barrier if it applied indiscriminately to both domestic and imported goods.

2/ Some aspects of definition were implied by the practices included or omitted from the lists, but there are several good reasons why a definition built on the practices included in the GATT lists would be largely inadequate.

The United States set forth a definition in its submission, but at the same time an important de facto qualification to the definition was made by reporting only certain types of barriers. The following is from the introductory statement of the initial U.S. submission in the GATT nontariff barrier exercise:

By definition, a "nontariff barrier" is any action other than a tariff which restricts a flow of international trade. However, the United States submission is confined to those "nontariff barriers" which act directly on imports. It does not list measures such as subsidies and rebates, export controls, domestic price controls, marketing controls, investment restrictions, patent laws and regulations, differential shipping costs or regulations controlling remittance of earnings such as on motion picture films. Nor does it attempt to identify nongovernmental restrictive business practices. However, these measures may have a significant influence in retarding growth of international trade, equal to or exceeding the nontariff barriers applied directly to imports.

Some common principles were found in the submissions of the various countries. For example; almost all alleged barriers which were reported dealt with government practices, only a very few with practices of nongovernmental or private business organizations; most claimed intentional or de facto discrimination against the imported product; and the practices reported were largely confined to the area of GATT "competence" (matters chiefly dealt with in other international organizations, such as monetary problems or discriminatory shipping rates, were given little attention).

The Commission's experience in the present investigation in identifying trade barriers leads to the conclusion that in practical usage a trade barrier is simply some undesirable or unacceptable constraint upon the international exchange of goods, and that the constraints which are considered

not "acceptable"--and consequently likely to be regarded as posing an objectionable trade barrier--and the constraints which are "acceptable" depend very largely upon the point of view of the individual involved, as well as the political, economic, and social context in which the question is being considered, and the particular time at which the question is raised. ^{1/}

In soliciting information from U.S. traders on their encounters with trade barriers, the Tariff Commission cited for illustrative purposes a number of practices commonly viewed as such. The export manager of a large and successful producer of refrigeration equipment responded to the Commission's inquiry as follows: "Most of what the Tariff Commission classifies as restrictions, we would consider as necessary matters to do business abroad. However, as you have asked and have classified them so, herewith is a list of countries where we encounter such practices." In contrast to this attitude was the not uncommon complaint received from several producers and exporters that a requirement that products be labeled in a language used in the country in which the products are to be sold constitutes a barrier to trade.

^{1/} A trade official in a centrally-planned socialist economy, for example, would give an entirely different definition of trade barriers than a businessman in the United States. A businessman in Western Europe would find acceptable and "normal" constraints which his counterpart in the United States would not, and vice versa; and the viewpoint of the businessman in Japan would probably differ from both his American and European counterparts. Moreover, the views of all are likely to change over time. For example, U.S. producers today accept almost without question numerous governmental regulations and controls upon the quality, design, or content of their products which only thirty years ago would have been looked upon as gross and unnecessary governmental interference; but while the American producer accepts these controls, the producer in a foreign country whose government has not yet imposed such regulations in all likelihood will regard them as a trade barrier.

The kinds of practices which may place a constraint upon a firm's trading operations are almost numberless. A large aircraft manufacturer, for example, found its exports of certain sizes of airplanes depended upon such factors as the number of daily landings the Japanese Government would permit a German airline to make at Tokyo. Many U.S. firms reported dock strikes as the most damaging trade barrier which they encounter. The requirement in certain Middle East countries that imported poultry be certified as having been slaughtered in accordance with the Moslem law was reported to interfere with U.S. trade; and a U.S. importer found the government publication of wholesale prices of fish in an important U.S. market to be a barrier to his importation of fish on the grounds that it prompted his foreign suppliers to demand higher prices.

It is clear from the public submissions in the Commission's investigation that businessmen and traders generally regard as "barriers" to their own trade virtually any policy, action or arrangement--whether governmental or nongovernmental and regardless of purpose--which increases the cost of delivering their product in a market, or lowers their competitor's cost, or otherwise in any manner lessens their ability to compete and sell. In these submissions, there was little or no concern with whether the practice was one by the government or by a nongovernmental body (e.g., cartel arrangements among foreign producers), and numerous complaints did not involve any element of actual discrimination or even implied discrimination against the imported product (e.g., Canada's 12 percent manufacturers sales tax which, for imports, is collected at the border).

The classification of trade barriers

Over the past decade as public attention has been given increasingly to the innumerable practices which may affect or impinge upon the free flow of trade, various people and groups dealing with trade barriers have usually set up rather loosely defined categories into which the numerous practices could be classified.

Given the basic definitional problem already discussed in the foregoing pages, it is obvious that any classification system would have to be more or less arbitrary, rather imprecise, and have a number of deficiencies. The differentiation between *tariff* and *nontariff* barriers which is now commonly used is a good illustration. There are three principal elements in every country's tariff system, all of which are important in determining the amount of duty collected on a product. These are the rate of duty, the system by which imports are valued for the assessment of ad valorem rates, and the tariff nomenclature, or classification system of differentiating products for duty purposes. In addition to these three basic elements which are intimately related to the amount of duty collected, other aspects of a country's customs system bear upon the cost of importing goods. Examples include the documentation required for customs clearance, the complexity of the administrative system, and simply the time required for customs clearance.

It would seem, therefore, that *tariff barriers* should be defined as the customs duty, the valuation system, the nomenclature, and possibly some other related practices. However, in complaints which were submitted by the GATT contracting parties when they were compiling their initial

inventory of *nontariff* trade barriers, almost the only aspect of tariffs not reported as a *nontariff* trade barrier was the rate of duty itself.

In GATT discussions many years ago there was some puzzlement as to how to characterize or label the various tariff related measures that lie between the rate of duty itself and the outermost peripheral administrative requirements related to the collection of duties. Ten or fifteen years ago Europeans generally referred to such practices as *para-tariff* measures, meaning they were tariff related but *beyond* tariffs. More out of convenience for discussion than by intent, this distinction was gradually dropped, and by the time the Kennedy round of trade negotiations was in its later stages, everything other than the actual rate of duty itself was being characterized as a *nontariff* measure, including practices so intimately related to the amount of duty collected as the American selling price valuation system. However lamentable, in theory, this might have been, it was probably a natural development, as it followed the only definite line of demarcation that might be located in the wide gray area between *tariff* and *nontariff* barriers.

The Commission fully recognizes the inaccuracies of the distinction as it is presently made between *tariff* and *nontariff* trade barriers, but simply to facilitate the general use of the material of this report and more easily relate it to the other work which has been done, the material is arranged to conform with this popular definition, and such matters as the American selling price system of customs valuation and several other tariff related issues are discussed in the section of the report dealing with *nontariff* trade barriers.

Within the area of nontariff barriers, the material has been classified into the following major categories:

1. Nontariff charges on imports,
2. Quantitative restrictions and similar specific limitations on trade,
3. Government participation in trade,
4. Standards as technical barriers to trade,
5. Customs procedures and administrative practices, and
6. Discriminatory ocean freight rates.

The Nature of This Report

When the present study was begun, the Commission's goal was to prepare a comprehensive report which would identify trade barriers maintained by the principal trading nations which impede U.S. exports or imports, and to assess their impact on U.S. trade.

The number of widely diverse topics which must be dealt with to cover the field of trade barriers presents several dilemmas if they are to be encompassed in a single report in some comprehensible and intelligible manner and without excessive repetition of many facts and circumstances which relate to their operation or significance. For some purposes, and for many users, a report on trade barriers would be most useful if the barriers were discussed on a product basis. On the other hand, the fact that many barriers may apply to almost all products argued for structuring the report in terms of fairly broad categories of practices, with only secondary reference to the products affected. Either way, a major problem was faced in condensing the material to digestible proportions without losing its substance and rendering it into simply an expanded version of the numerous lists of "illustrative" trade barriers which have been published on several occasions.

In an effort to strike a viable compromise, the present report has been prepared in three parts. Part I presents an overview of trade barriers and is intended to provide the reader not interested in details of the numerous practices with summary information which is still sufficiently substantial to permit some assessment of the relative importance of the

major barriers affecting trade. In Part I, this introductory statement is followed by chapter III, entitled "The Principal Determinants of Trade and the Volume and Direction of Trade Flows," which is intended to provide a general background of relevant economic information on the value and direction of trade flows in recent years in order to aid the reader in placing trade barriers in perspective with other factors affecting trade. This is followed by chapter IV discussing average tariff levels of the major trading countries in terms of fairly large aggregations of products. Chapter V discusses the extent to which average duty levels have been reduced in trade agreements, and chapter VI presents a resumé of the major nontariff trade barriers.

Parts II and III are intended to provide greater detail for the tariff and nontariff barriers treated in rather summary fashion in Part I. Part II is exclusively concerned with nontariff trade barriers, which have been grouped for discussion purposes into categories which conform roughly to those used in the work which has been done by the parties to General Agreement on Tariffs and Trade and by others who have worked in the field in recent years. Part III discusses tariffs and other trade barriers in terms of product sectors. Tariffs and trade of the major countries are compared in some detail at fairly low levels of product aggregations, and complaints received in the Commission's survey against trade barriers affecting the products are very briefly summarized.

Coverage of the report

An effort has been made to cover all of the significant practices which have been brought to the Commission's attention as tariff or nontariff

trade barriers. Practices or policies which have not usually been placed under the rubric of tariff and nontariff barriers, such as international monetary arrangements or national fiscal policies for the control of inflation, are not treated in the report, even though they have exerted a far greater influence on trade than many of the so-called tariff and nontariff trade barriers. ^{1/} The data for the report was assembled principally during 1972 and consequently reflects barriers in existence at that time and in the late 1960's.

The field of trade barriers can be extremely volatile at times. Some types of restrictions are rather quickly imposed or removed in an ever changing pattern as governments attempt to cope with domestic or international economic or political problems. It is inevitable that many of the barriers described in this report will have been removed or modified when the report is published, and new barriers not cataloged will have been instituted.

The period during which this report has been in preparation has been one of rapid and radical change in international trade and upheaval in the monetary world. Since the beginning of 1971, Japan has dismantled or relaxed a large number of import and other restrictions which had been a source of aggravation in U.S. trade relations with that country. The United States found itself placing a temporary surcharge on virtually all dutiable imports, and later, quotas on exports of products which it had vigorously

^{1/} The inappropriate exchange rate for the dollar vis-a-vis some of the other major currencies prior to the recent series of revaluations was probably a much stronger deterrent to U.S. exports than a large part of the tariff and nontariff trade barriers discussed in this report.

promoted in foreign markets for many years. Important agreements controlling world trade in textiles were negotiated. The United States removed long-standing limitations on its imports of petroleum. In a research task of the magnitude necessary for this report it simply was not practical to continuously update the assembled information in order to reflect all of the numerous changes which have occurred in the trade barriers being cataloged. It has only been possible, through footnotes and other brief references, to draw attention to some of the major changes.

It should be noted that the changes which seem to be underway in the world economy carry some far-reaching implications for any treatment of trade barriers. The major concern in this area in the past has been, for the most part, with tariffs, import quotas and other restrictions which are intended to protect domestic industries by excluding foreign products from a market. Recent world shortages in important commodities and the turmoil which has accompanied the recent Middle East embargo on petroleum exports, as well as the U.S. limitation on exports of soybeans in 1973, have suggested that the whole nature of the problem with trade barriers may be changing, and that the major concern of the future may be access to supplies rather than access to markets.

The Commission has concentrated its attention on trade barriers in the European Community (as it was constituted prior to enlargement in 1973) ^{1/}, Japan, Canada, the United Kingdom, and the United States, and throughout

^{1/} The original Community consisted of Belgium, France, Italy, Netherlands, Luxembourg, and West Germany. On January 1, 1973, the Community was enlarged to include Denmark, Ireland, and the United Kingdom.

the report these countries are frequently referred to collectively as the "five major countries." In 1973, Canada, Japan, the six nations of the original European Community, and the United Kingdom all together took 55 percent of U.S. exports and supplied 59 percent of U.S. imports. Although the Finance Committee's request was limited to tariff and nontariff barriers among principal trading nations in the industrialized countries, a great deal of information is provided on barriers found in the smaller industrialized nations and in developing countries, where the trade barriers tend to be both more numerous and intractable. Half of the complaints on trade barriers submitted to the Commission concerned practices in developing countries, and about 17 percent were against industrialized countries other than those making up the "five major countries."

Mention of the European Community and the European Free Trade Association throughout the report, unless specifically indicated otherwise, refers to those organizations as they were constituted prior to January 1, 1973, when the United Kingdom and Denmark withdrew from the EFTA and, together with Ireland, joined the European Community. Most of the statistical and other data for the report was assembled prior to this event and it was not practical to rearrange it to reflect the new situation.

Data sources

Data for this report were gathered from several sources. When the Tariff Commission initially announced that it was instituting a study of trade barriers imposed by principal trading countries, interested parties were urged to submit written statements relevant to the study. The

Commission several months later, on January 21, 1972, issued a second announcement stating that it was seeking to identify all procedures, regulations, or practices by governments or private organizations which had significantly distorted the normal flow of U.S. exports and imports in recent years, and to assess the impact on U.S. trade of such measures. To assist the Commission in identifying such barriers and in determining their impact on U.S. trade, the Commission solicited from all interested parties relevant information in the form of briefs, written statements, or data, including copies of relevant depositions filed with other Government agencies or with industry or trade groups acting in the field of foreign trade. ^{1/} The Commission stated in its announcement that barriers currently encountered were of principal interest for the study, but information on barriers which had been removed in the past few years, or otherwise became inoperative, was also sought. It was indicated with respect to import duties that the Commission already had extensive data on rates levied by the United States and foreign countries, but sought information on the impact of individual rates on trade in particular products.

During February and March of 1972, approximately 1,300 questionnaires were sent to selected domestic producers, importers and trade associations to specifically request identification and assessment of trade barriers encountered in their operations. Approximately half of the questionnaires went to domestic producers, one-fourth to importers and importer associations, and one-fourth to trade associations representing domestic interests. Several of the trade associations in turn distributed copies of the Commission's request and questionnaire to all of their members.

^{1/} The request for briefs was published in the Federal Register (37 F.R. 1276).

As a result of these solicitations, almost 500 responses were received from the public. Domestic interests (producers, trade associations and exporters) accounted for approximately 85 percent of the responses, while the remaining 15 percent came from importers and importers trade associations.

In addition to the information received from the public, similar information was also collected from industry analysts and commodity experts on the Commission's staff and in the Departments of Commerce, Agriculture and Interior. The documentation prepared by the GATT Secretariat in connection with the GATT program for identification and discussion of non-tariff barriers was an extremely useful source of information for additional background and details on the operation of many of the practices reported to the Commission in the public submissions.

The data received from all of these sources was, of course, supplemented by additional research from numerous publications, laws, and regulations, by information from the Commission's files, and by discussions with individuals knowledgeable in particular fields.

The complaints against trade barriers which were submitted to the Commission have been counted and tabulated by class of barrier, by country, and by product sector as one possible indication or measure of the relative importance attached to the various barriers by U.S. producers and traders. In tabulating the complaints, each barrier reported by a respondent in the Commission's survey has been counted one time for each country in which the respondent reported encountering the barrier. Thus, for example, if a manufacturer stated that his shipments to countries X, Y, and Z are subject to import licenses, this was counted as three complaints. Most of the

individual submissions to the Commission concerned more than one practice and more than one country, and consequently involved several complaints. The total number of complaints against a particular practice or trade barrier may generally be taken as one indicator of the significance of the barrier, although it is recognized that there are several deficiencies in such a measure. For example, there are a few instances where trade is very large but is concentrated in relatively few firms, and consequently few complaints were submitted against barriers which are very important in the trade.

Chapter III

THE PRINCIPAL DETERMINANTS OF TRADE AND THE
VOLUME AND DIRECTION OF TRADE FLOWS

Trade Barriers in Perspective

Historical growth of trade

World trade since the mid-1950's has grown at double the pace of the beginning quarter of this century, which in turn was roughly double the pace of the last quarter of the 19th century. The following figures show this marked change in the annual growth rate of world trade: 1/

<u>Years</u>	<u>Average annual growth rate</u>
1876-1896-----	1.8 percent
1896-1926-----	4.3 percent
1956-1970-----	8.2 percent

U.S. trade in this century has exhibited a comparably dramatic change in growth rates, but with noticeable differences between imports and exports. Annual average growth rates for both imports and exports have doubled but the base from which they have doubled is different. 2/

<u>Years</u>	<u>Average annual growth rate</u>	
	<u>Imports</u>	<u>Exports</u>
1900-30-----	4.4	3.4
1956-70-----	8.7	6.2

1/ In world trade, imports definitionally equal exports, so it makes no difference which figures are quoted; here export figures are used. For 1956-70, data are computed from United Nations Commodity Trade Statistics; for the two earlier periods, data are from P. Lamartine Yates, Forty Years of Foreign Trade, London, 1959, which in turn has been taken from League of Nations, Industrialization and Foreign Trade, 1945.

2/ Data for 1956-70 are computed from United Nations, Commodity Trade Statistics, data for 1900-1930 are computed from Bureau of the Census, Historical Statistics of the United States.

Determinants of trade

An important reason for a comprehensive examination of trade barriers is to gain some understanding of their impact and their significance in the picture of world trade. For perspective and background, a very few general observations are in order on the principal economic determinants of the volume and direction of trade flows among nations.

In summary, there are both general and particular factors in the economic determinants of trade: general - having to do with those elements which broadly affect overall trade; and particular - those elements which are individual to a country. For market economy countries, ^{1/} the principal general factors are the performance of world gross national product (GNP), the international monetary system, the diffusion of technology and the general trading climate created by commercial policies of the principal trading nations. Particular factors are to be seen in a country's own tariff schedules, and such things as its treatment of capital exports and imports. Trade barriers generally are reflections of various aspects of commercial policies of nations as they attempt to control foreign trade, investment and shipping to their particular advantage.

A country's trade performance involves important elements still not clearly understood by economists. Large market economies dominate international trade even though in relative terms foreign trade may be equal

^{1/} The general comments in this chapter on determinants of trade do not apply to centrally planned economies, where trade is controlled and directed as part of an overall economic plan of the state. In centrally planned economies trade does not play the same role as in market economies.

to only a small proportion of their GNP. Conversely, small economies may have only a small role in international trade but high foreign trade/GNP ratios. Beyond saying this, economists are not yet able to offer adequate explanations as to why foreign trade ratios of particular countries are where they are, or why they change.

Commercial policy actions tend to receive far more public attention and awareness than such factors as GNP, the monetary system or the diffusion of technology, and this at times seems to create the unfortunate impression in the public mind that the volume and direction of trade flows are solely a function of commercial policy. GNP performance exerts a vital influence. Monetary exchange rates and convertibility likewise exert a profound influence on developments in international trade, and the same can be said of the manner in which governments manage internal monetary and fiscal policies and competition policy.

A country's performance in price stability relative to its trading partners vitally affects its trade performance. Prices rising domestically faster than abroad stimulate imports and dampen exports. Where domestic prices are higher than those abroad because of differences in policy on competition, there is also an impact on the country's trading performance. A country's competition policy may also affect the rate of investment which, in turn, affects GNP.

Commercial policy actions are of great importance to how trade develops, but such issues do not exhaust the factors affecting trade.

This is illustrated by the fact that notwithstanding high tariffs and an array of nontariff barriers in Japan, U.S. exports to Japan, in the 1956-70 time period, grew at double the rate of U.S. exports to the world, 12.5 percent per annum, in contrast to 5.2 percent per annum; in the 1964-70 time period, U.S. exports to Japan grew at 16 percent per annum in contrast to 8.3 percent per annum to the world.

In addition to the public policy aspects of the determinants of trade, private business arrangements--cartels, geographic division of markets through patent arrangements and other similar schemes--also affect international trade, as was recognized in the stillborn International Trade Organization intended as a companion to the IMF and IBRD, but which came to life as the General Agreement on Tariffs and Trade, where the provisions dealing with private arrangements were not incorporated.

General Factors Determining Trade

The dynamic effect of GNP performance

For the major industrial powers, GNP growth performance has been stronger since World War II than before the war. This is seen in table 3-A, which shows GNP growth rates for the United States, Canada, France, West Germany, Italy, the United Kingdom and Japan.

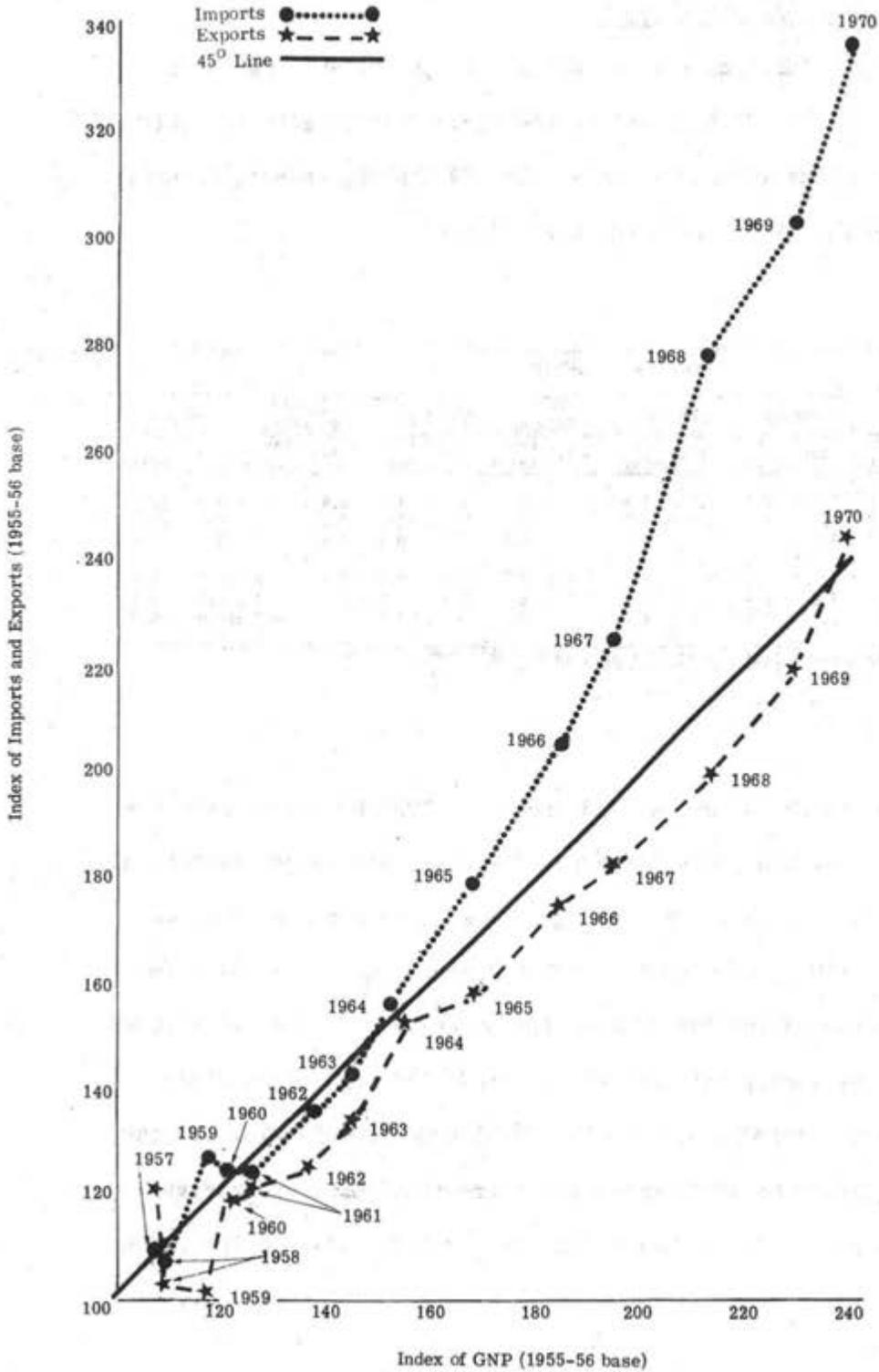
Table 3-A.--International comparison of growth rates of gross national product for selected periods, 1913-1968

Period	United States		Canada		France		West Germany		Italy		United Kingdom		Japan	
	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita
1913-1929---	3.1	1.7	2.4	0.7	1.7	1.8	0.4	-0.1	1.8	1.2	0.8	0.3	3.9	(NA)
1929-1968---	3.4	2.0	3.8	2.0	2.3	1.8	3.9	2.8	3.1	2.4	2.2	1.7	4.9	(NA)
1929-1950---	2.9	1.8	3.2	1.8	-	0.1	1.9	0.7	1.0	0.3	1.6	1.2	0.6	(NA)
1950-1968---	3.9	2.3	4.5	2.2	5.1	4.1	6.6	5.2	5.7	5.0	2.8	2.3	10.1	8.9
1950-1960---	3.2	1.5	4.0	1.3	4.6	4.0	7.8	6.9	5.8	5.4	2.7	2.3	9.3	8.1
1960-1968---	4.8	3.4	5.2	3.3	5.5	4.3	4.3	3.3	5.6	4.6	3.0	2.3	11.0	9.8

Source: Bureau of the Census, Statistical Abstract, 1971, table 486.

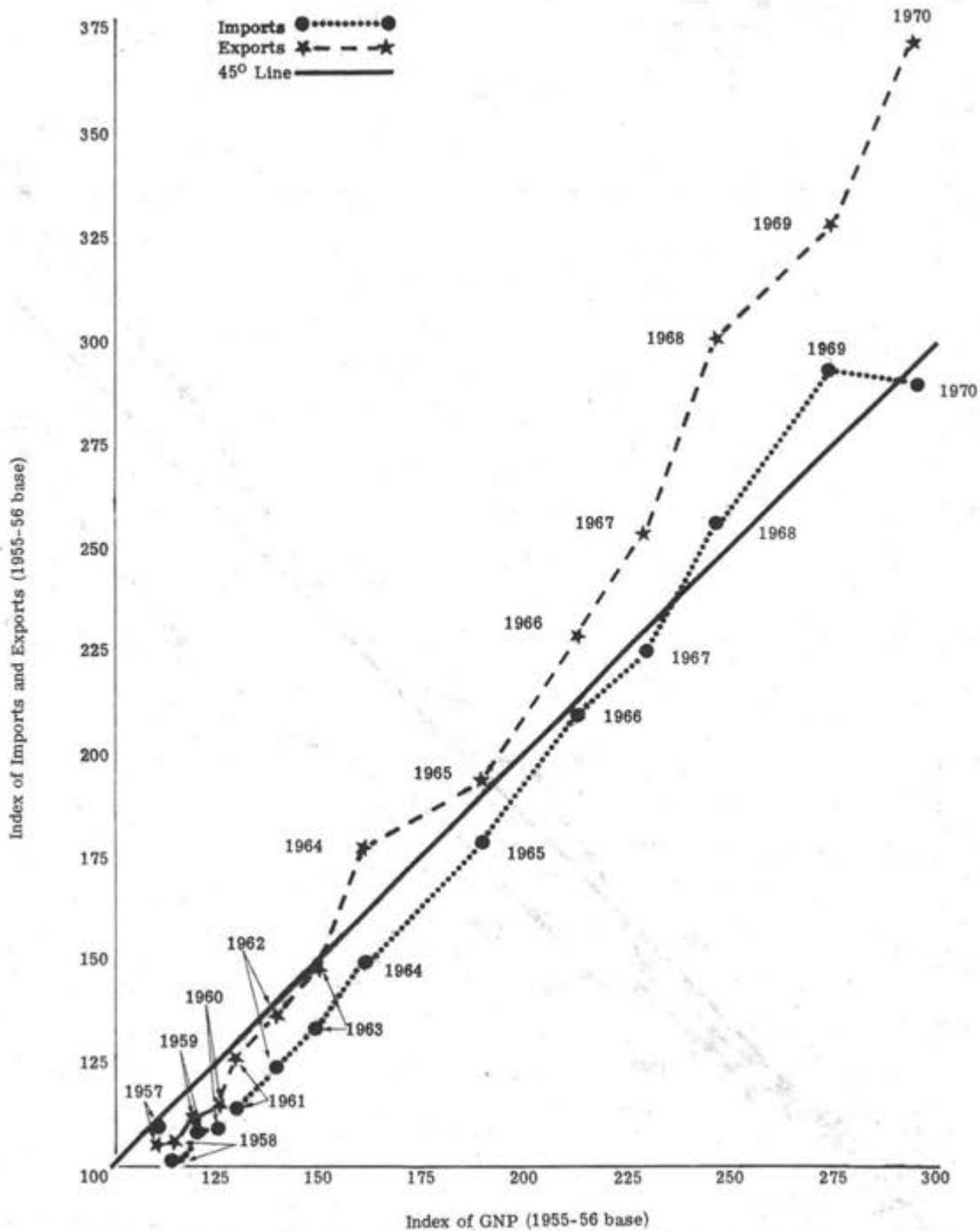
Comparison between GNP growth and growth of imports and exports for a country shows a striking relationship. For developed market economies, GNP performance is the engine of trade growth and, by far, the dominant factor affecting trade performance. High GNP growth makes for high import and export growth; low GNP growth, the opposite. Charts 3-A through 3-E graph the relationship between GNP and trade for the United States, Canada, Japan, West Germany, and the United Kingdom for 1955-70. To the extent that the growth of trade matches the growth of GNP, successive year positions fall on the 45 degree line in these charts. To the extent

Chart 3-A. -- United States: Relationship of Imports and Exports to GNP, Current Prices



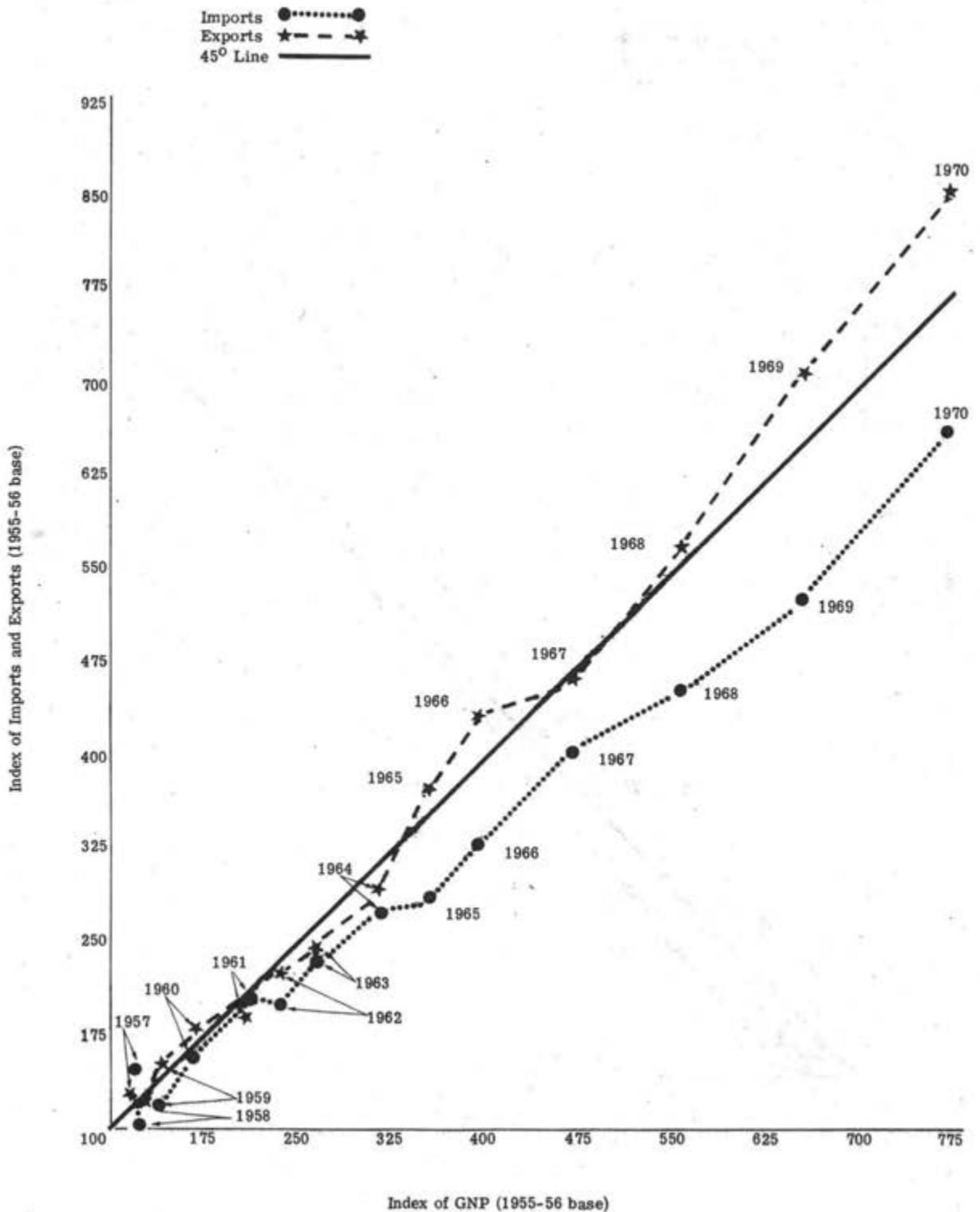
Source: For GNP, Economic Report of the President, 1971; for imports and exports, Commodity Trade Statistics.

Chart 3-B. -- Canada: Relationship of Imports and Exports to GNP, Current Prices



Source: Computed from IMF, International Financial Statistics

Chart 3-C. -- Japan: Relationship of Imports and Exports to GNP, Current Prices



Source: For GNP, Bank of Japan, Economic Statistics Annual, 1970, 1971; for imports and exports, Commodity Trade Statistics.

Chart 3-D. -- West Germany: Relationship of Imports and Exports to GNP, Current Prices

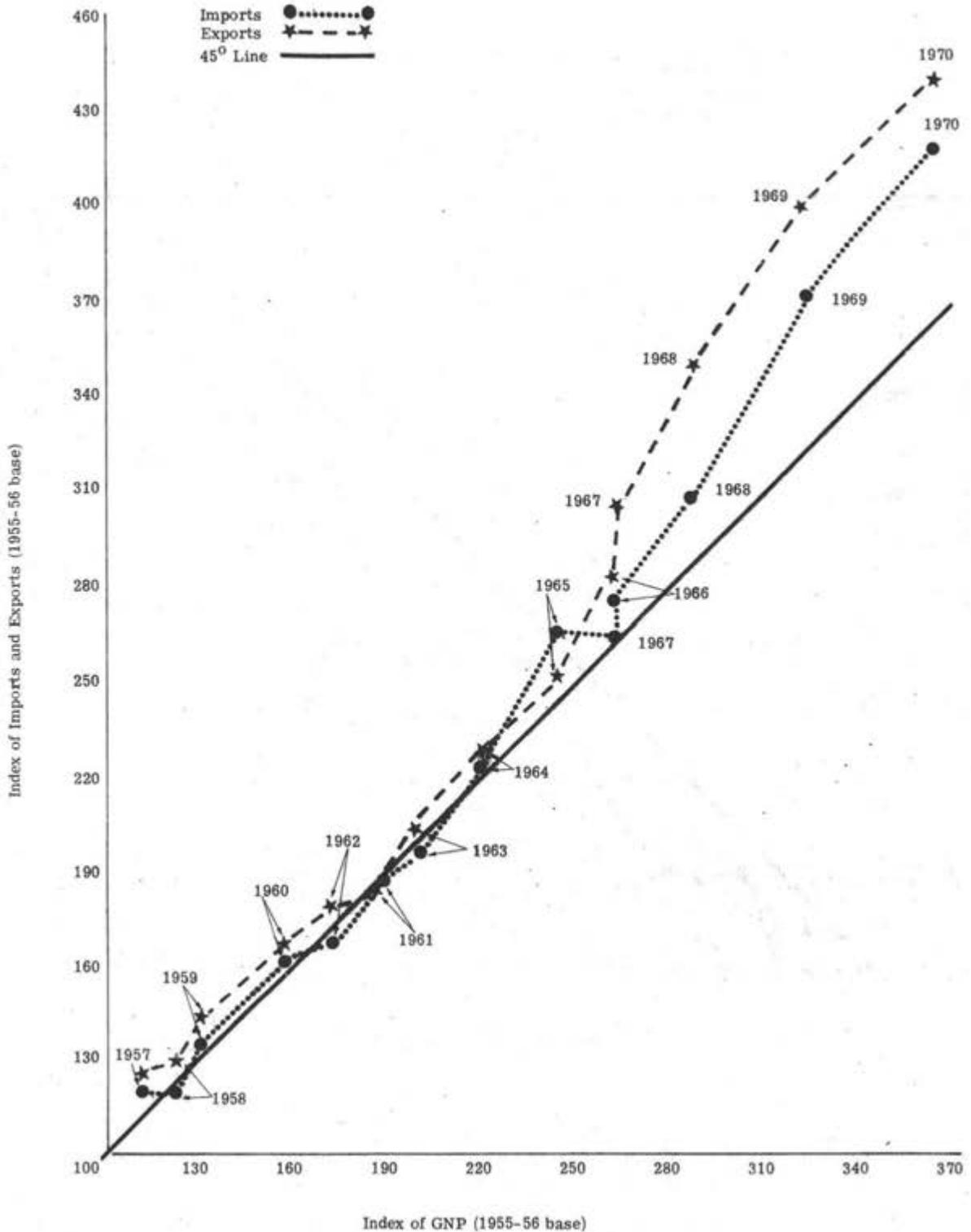
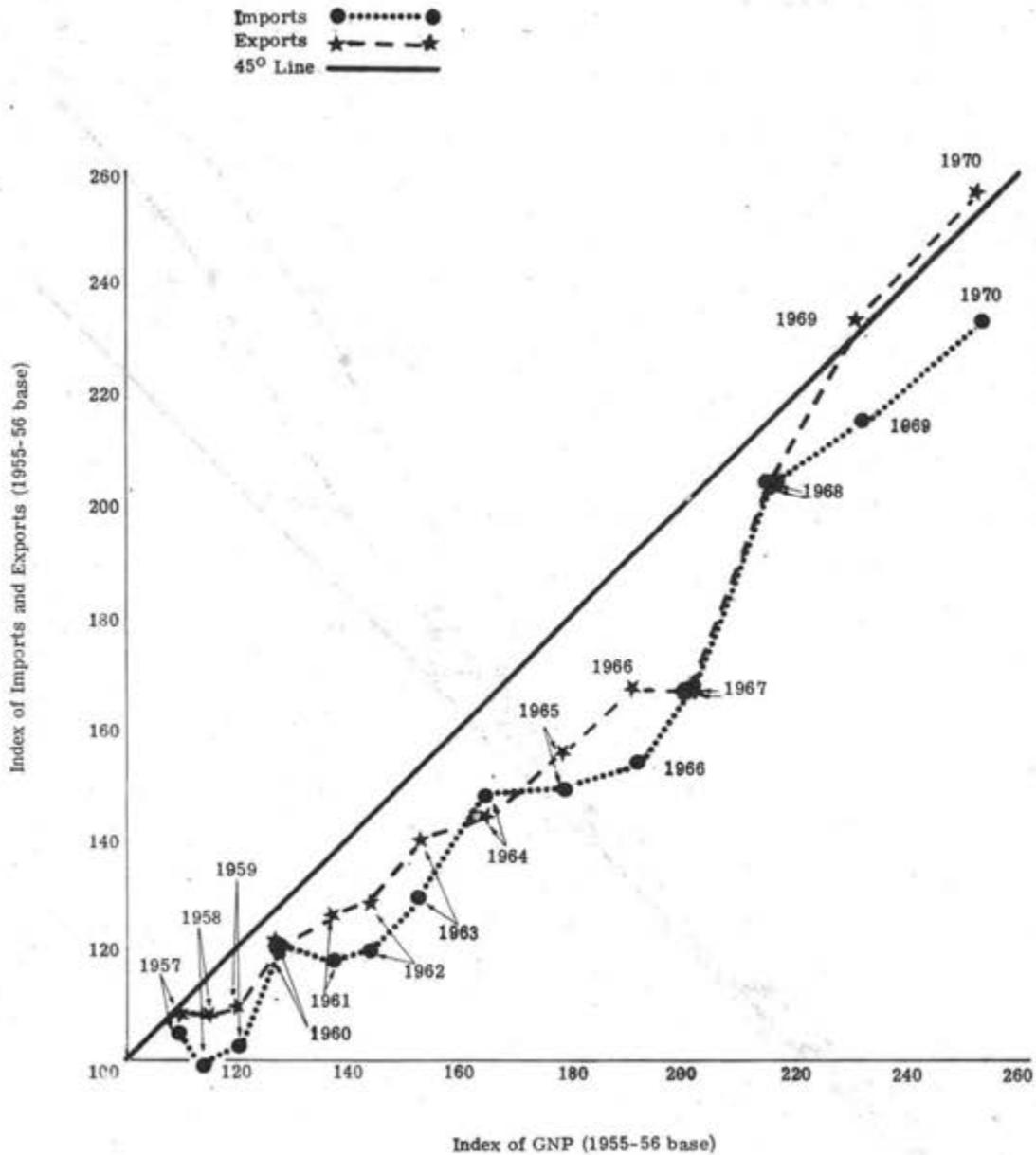


Chart 3-E. -- United Kingdom: Relationship of Imports and Exports to GNP, Current Prices



Source: Computed from IMF, International Financial Statistics.

that the trade data are above the line, trade is more buoyant; to the extent it is below, it is under GNP performance. While the charts show variation from country to country and between imports and exports for a single country, they clearly reveal the very strong relationship between the patterns of growth of GNP and trade. ^{1/}

United States.--For the United States (chart 3-A), the growth of imports and GNP were closely tied until 1965, when the onset of inflation in the United States began to be sharper than in trading partners, and imports began to increase at a faster rate than GNP, producing a situation which became extreme in 1968-70. United States exports, on the other hand, performed fairly closely to GNP, although somewhat below, for most years.

Canada.--Canada's imports have followed the increase in GNP fairly closely (chart 3-B), but her exports have risen markedly faster since 1965, which undoubtedly is in part a reflection of the effect of the U.S./Canadian Automotive Products Agreement signed in that year. With Canada's growing trade balance, its dollar was floated in May, 1971.

^{1/} The same close relationship can be well illustrated in another manner. For comparison, reproduced as appendix chart 3-A is a chart taken from the 1971-72 Annual Report of the Bank for International Settlements showing the relationship of United States imports and GNP. The appendix chart and the charts in the text both rest on the hypothesis that the most important determinant of trade is GNP performance, but the methodology of testing that hypothesis is contrasting. The text charts compare the growth performance of trade with the growth performance of GNP by casting the absolute figures into index form. The 45 degree line is employed to show where the lines would be if the growth performance were identical. In the appendix chart showing the relationship of U.S. imports to GNP, actual dollar positions are plotted, with imports on the vertical scale and GNP on the horizontal scale. By least squares, two regression lines have then been fitted to these positions. In using one line to characterize a time period, the appendix chart de-emphasizes differences in the year-to-year relationship between imports and GNP, whereas in the methodology of the text charts, attention is called to such differences.

Japan.--For Japan (chart 3-C), imports are seen to perform noticeably below GNP between 1965-67, and still more conspicuously below in 1968-70. This pattern parallels Japan's bilateral trade balance with the United States; in 1965-67, the imbalance in Japan's favor is of the order of magnitude of earlier U.S. surpluses, but the imbalance in 1968-70 is of a much more serious nature. Japan's exports show a growth pattern strikingly similar to GNP until 1969 and 1970, when exports grew noticeably more rapidly. Part of the explanation for the contrasting deviations between GNP and trade performance for the United States and Japan is to be found in the monetary system and the relationship between U.S. and Japanese currencies. Analysts were beginning to observe as early as 1969 that Japan's trade situation might represent a basic new pattern, 1/ and the need for United States monetary realignment was clearly evident by 1971. An undervalued currency dampens imports and stimulates exports; conversely, an overvalued currency stimulates imports and handicaps exports. An additional factor in the Japan case in explaining an import growth pattern below GNP performance has undoubtedly been the

1/ Cf. OECD, Economic Surveys, Japan, 1969, for example, wherein it is observed (p. 39):

The main concern of the present Survey has been to examine to what extent the recent atypical behavior of the current balance of payments may mark a lasting departure from the previous pattern of developments - a question of basic importance for the future course of policy and for Japan's international economic relations. Naturally, great caution is required in any assessment of balance of payments prospects; and it is only 1-1/2 years ago that Japan was in an apparently serious external balance situation. Nevertheless, the evidence seems rather strong that the improvement of the external position is largely of a more permanent character.

number of controls on imports, a large number of which have now been removed.

West Germany.--Chart 3-D on West Germany indicates a strikingly close relationship between the pattern of GNP growth and the pattern of import and export growth until 1965, when imports and exports simultaneously become more buoyant, with exports the stronger of the two. The markedly greater buoyancy of the trade pattern led, in October 1969 to a currency realignment. (In May 1971, the mark was permitted to float.)

United Kingdom.--Chart 3-E for the United Kingdom indicates the widest deviation of trade from GNP performance of the five countries considered. Both imports and exports are characteristically below GNP.

While charts 3-A through 3-E focus on the GNP/trade relationships within each of five countries, charts 3-F and 3-G provide a comparison of GNP performance of the five countries. Chart 3-F shows GNP in current prices for 1955-70; chart 3-G is in constant prices for the 9 years, 1960-69.

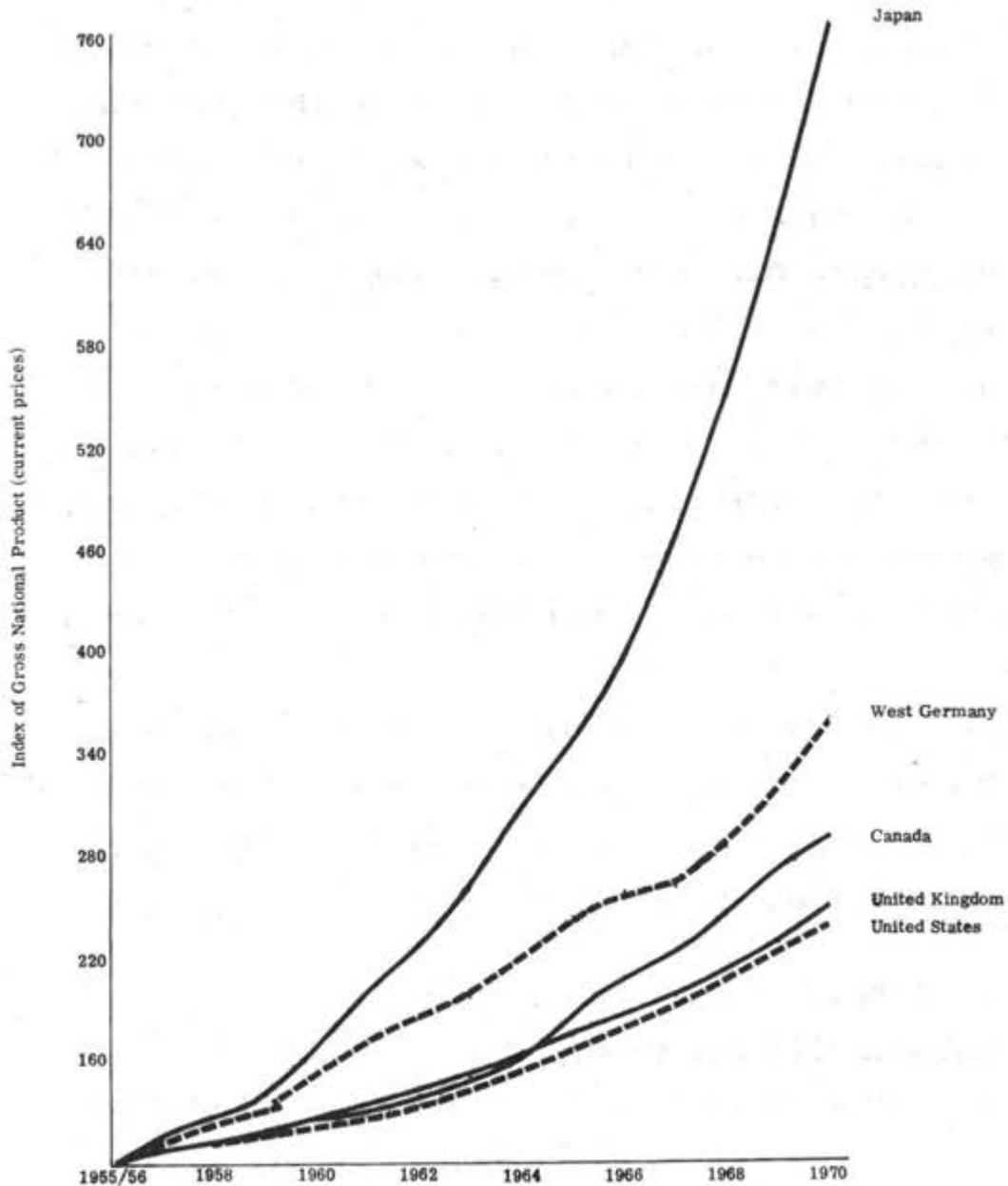
Although the growth rate of GNP is the dominant factor influencing the performance of trade, it must be immediately added that trade also shapes GNP performance. Most of the time, however, the predominant influence for most countries is from GNP to trade.

The effect of the absolute size of GNP

Relationship of GNP size and the level of trade.--While it is the growth of GNP which dominantly shapes the growth of trade, an additional

Chart 3-F. -- Index of GNP growth (current prices) of the United States, Canada, Japan, West Germany and the United Kingdom, 1955-1970

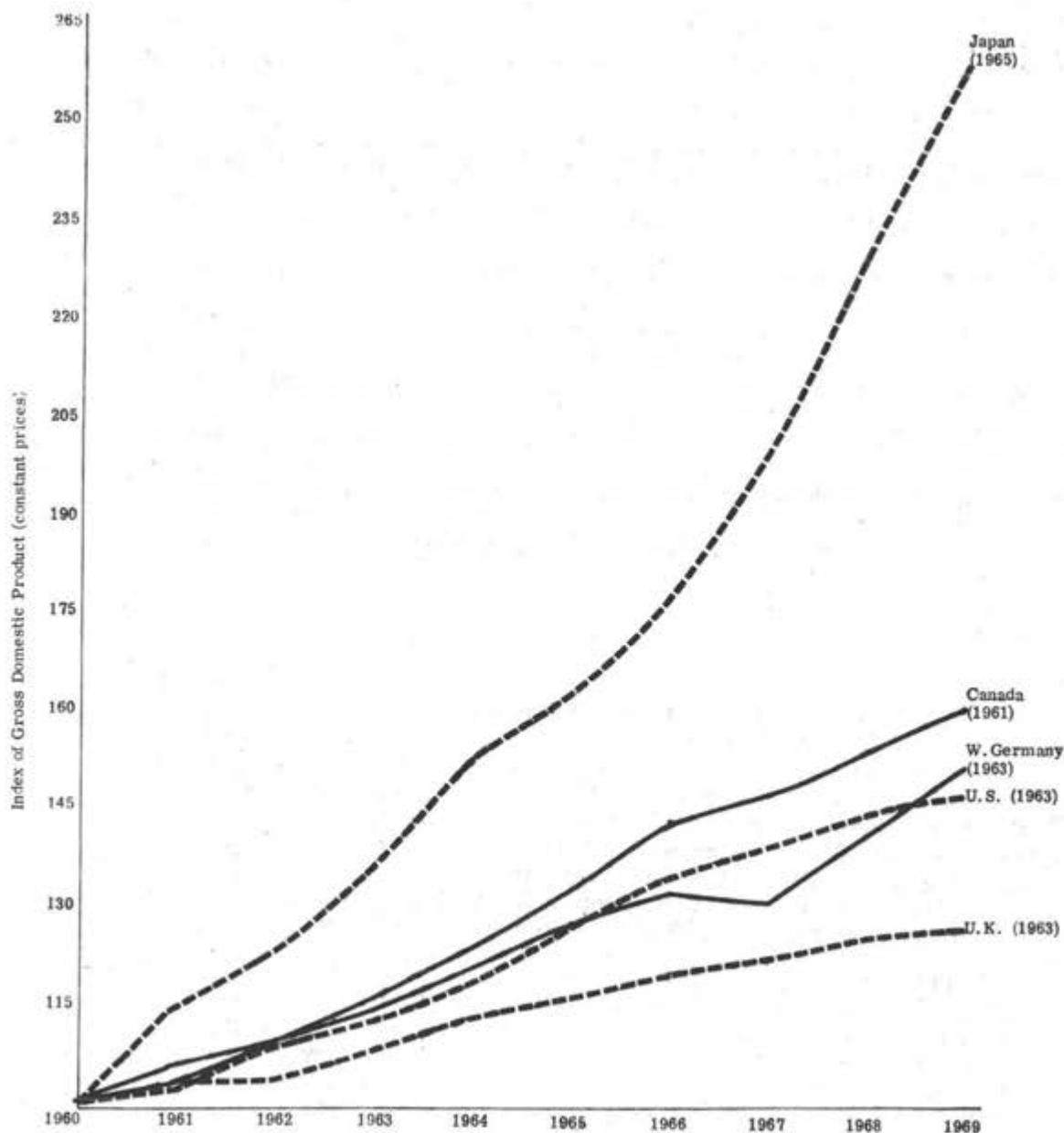
(1955-56=100)



Computed from the following sources: For the United States, Economic Report of the President, 1971; for Canada, West Germany, and the United Kingdom, IMF, *International Financial Statistics* (for 1955-60, Jan. 1963; for 1960-65, Jan., 1967; for 1965-70, February, 1971); for Japan, Bank of Japan, *Economic Statistics Annual*, 1970 and 1971.

Chart 3-G. -- Index of GDP ^{1/} growth (constant prices) ^{2/} of the United States, Canada, Japan, West Germany and the United Kingdom, 1960-69

1960=100



^{1/} Gross Domestic Product is a measure virtually identical with Gross National Product. GDP is defined as "the total of production attributable to factor services rendered to resident producers of a given country; GNP as the total "supplied by residents of the given country." (United Nations, *A System of National Accounts and Supporting Tables, Studies in Methods, Series F*, no. 2 rev. 2, 1964, p. 7). The two methods typically yield results which are from but a fraction of a percent to one and a fraction of a percent different.

^{2/} The base year for the constant price calculation for each country is shown in parenthesis following the country name.

Source: Computed from UN, *Yearbook of National Accounts Statistics*, 1970.

dimension to the trade effect of GNP is its absolute size. ^{1/} Thus, it is the countries of the Organization for Economic Cooperation and Development (OECD), ^{2/} with their large GNP, which dominate the trade of the world; the United States with the largest GNP of all, is the world's largest trader.

OECD countries account for two-thirds of the world's trade; within the OECD, the United States, Canada, Japan, the European Community and the United Kingdom account for six-sevenths of this trade. For the four countries and the European Community, two-thirds of their trade is with OECD countries. Thus, it becomes apparent that world trade is not spread evenly among countries, but rather is concentrated among the large GNP nations. Further, this concentration of world trade among the wealthy of the world is increasing. The data in table 3-B clearly illustrates the more rapid growth of trade among the high GNP market economies.

^{1/} The already mentioned qualification that these observations apply only to market economy countries bears repeating here. For example, the Soviet Union, with the second largest GNP in the world, has trade with the world at a fraction of what might be expected judging by market economies. In 1959, Soviet trade was at the level of France, which by 1960 had exceeded it; in 1965, Soviet trade was at the level of Japan, which by 1966 had exceeded it; in 1969, Soviet trade was at the level of Italy, which by 1970 had exceeded it.

^{2/} OECD member countries in the years for which the basic trade data in this report are based (1969 and 1970) were as follows:

Austria	Iceland	Spain
Belgium	Ireland	Sweden
Canada	Italy	Switzerland
Denmark	Japan	Turkey
Finland	Luxembourg	United Kingdom
France	Netherlands	United States
West Germany	Norway	
Greece	Portugal	

In 1971, Australia became a member and New Zealand joined in 1973, but trade of these countries is not included in OECD trade data discussed in this report.

Table 3-B.--Proportion of world exports accounted for by developed market economies, developing market economies, and centrally planned economies, 1953, 1959, 1965, and 1969

(Percent)				
Country groups	1953	1959	1965	1969
Developed market economies----	65.0	65.4	68.9	71.0
Developing market economies---	25.5	22.3	19.5	18.1
Centrally planned economies---	9.5	12.3	11.7	10.9
	100.0	100.0	100.0	100.0

Source: Computed from United Nations, Yearbook of International Trade Statistics, 1969, Table A.

Table 3-C compares absolute levels of GNP and absolute levels of trade for selected industrial countries. It will be observed that while the United States with the highest GNP has by far the largest volume of trade, and while for the market economy countries there is a relationship between size of GNP and size of foreign trade, the relationship is far from precise and consistent.

GNP/trade ratios.--The trade of the world is largely accounted for by the high GNP countries, but there is a great diversity in the role which trade plays as a proportion of GNP in the high GNP countries. For some, trade is very high in proportion to GNP; for others, it is small. Obviously, geographically small countries are likely to have a higher GNP/trade ratio simply because transactions over only small distances are more likely to be international transactions (rather than domestic, as in the case of larger countries). Beyond saying this, however, economists do not really have a good understanding of the factors which influence these ratios at a point in time or over a period of time.

Table 3-C.--Trade of selected countries in 1959, 1965 and 1969, ranked by 1970 GNP

Country	1970 GNP		TRADE					
	Total	Per capita	1959		1965		1969	
			Exports	Imports	Exports	Imports	Exports	Imports
Billions of dollars	Dollars	Billions of dollars	Billions of dollars	Billions of dollars	Billions of dollars	Billions of dollars	Billions of dollars	
United States---	991.1	4,840	17.57	15.5	27.2	21.3	37.5	35.9
U.S.S.R.---	551.0	2,276	5.5	5.1	8.2	8.1	11.7	10.3
Japan-----	198.3	1,910	3.5	3.6	8.5	8.2	16.0	15.0
West Germany---	187.1	3,040	10.0	8.6	17.9	17.5	29.1	24.9
France-----	148.2	2,920	5.7	5.2	10.1	10.3	14.9	17.2
United Kingdom---	121.2	2,170	9.6	11.1	13.2	15.6	16.9	19.3
Italy-----	92.8	1,700	2.9	3.4	7.2	7.4	11.7	12.5
Canada-----	76.1	3,550	5.4	5.7	8.1	8.0	13.8	13.1
Netherlands---	31.3	2,400	3.6	3.9	6.4	7.5	10.0	11.0
Belgium/Luxembourg---	26.9	2,688	3.3	3.5	6.4	6.5	10.1	10.0

Source: With the exception of the U.S.S.R., GNP data are from OECD, National Accounts of OECD Countries, 1960-70, p. 10; U.S.S.R. data are from file information of the Joint Economic Committee. Trade data are from United Nations, Yearbook of International Trade Statistics, 1969, table A.

Simon Kuznets, who intensively studied changes in foreign trade ratios of some 10 countries over time, observed ^{1/} that, by "judicious combination" of numerous factors, an "explanation" could be constructed for the rising trends of foreign trade ratios for some countries and periods, the constant trends for other countries and periods, and the declining trends for still others. The difficulties and uncertainties, however, are revealed in his comments which follow:

The forces that determine trends in the foreign trade ratio...are complex and varied. To begin with, technological changes in transportation and communication, as well as new economic and institutional devices, must continuously facilitate movements across boundaries.... However, this does not necessarily mean rises in the foreign trade ratio, since the same changes also facilitate internal trade....

...Some phases in the development of the industrial structures of countries may further foreign trade more than others....Thus, when the M/manufacturing sector is developing more rapidly...than the S/service sector the foreign trade ratio may rise, other conditions being equal....

...The constellation of diverse structures of national economies, which are the units in the network of international commodity trade, changes over time....The very change in the number of independent states that become "foreign" to each other would presumably affect the volume and weight of international...trade relative to domestic....

* * *

...foreign trade-flows...are affected by many complex factors, in which technological changes, social inventions, economic advantages, political revolutions, and diversities in the structures and endowment of nations all play their part; it may be that economic advantages do not play a truly dominant role (underscoring added). Consequently, there is a wide gap between the trends in

^{1/} Simon Kuznets, Six Lectures on Economic Growth, Glencoe, 1959, pp. 100-106.

foreign trade observed in reality and static international trade theory.

...the second conclusion stresses the variability over time of the foreign trade ratios...the export ratio for the United Kingdom doubled in thirty years, from the mid-1850's to the mid-1880's (from 0.13 to 0.26) and then declined in a decade to about six-tenths of its peak value. These ratios are close approximations to the income propensities to import and export, widely used in model-building analysis and in projections; it is clear that these propensities which vary sensitively in the short run are also far from stable secularly.

Table 3-D provides foreign trade ratios for the 10 industrial countries listed in table 3-C. (Kuznets' historical trade ratios for selected industrial countries are reproduced in appendix table 3-A).

The monetary system

The world came keenly to realize during the monetary confusion of the 1930's the important role that the international monetary system plays as either an aid or handicap to trade. The convertibility of currencies and certainty or high predictability of exchange rates significantly facilitate trade; inconvertibility and uncertainty on exchange rates produce disarray and represent a serious handicap. The post World War II period has had the benefit of convertibility and a high degree of predictability of exchange rates. It is possible to say confidently that this has significantly facilitated trade, but it is difficult to specify by how much or to assign a quantitative measure.

The rigidly fixed exchange rates of the postwar period up to the recent realignments were the product of the very exceptional situation attaching to the dollar after World War II. Among the major economies of the world, the United States emerged from World War II not only

Table 3-D.--Trade ratios of ten industrial countries: Imports, exports and total trade calculated as a percentage of GNP, 1960-1970

Year	United States			U.S.S.R.		
	Imports/GNP	Exports/GNP	Trade/GNP	Imports/GNP	Exports/GNP	Trade/GNP
1960-----	2.95	3.99	6.94	1.81	1.79	3.60
1961-----	2.78	3.94	6.72	1.73	1.78	3.51
1962-----	2.86	3.76	6.62	1.83	1.99	3.82
1963-----	2.85	3.85	6.70	1.94	2.00	3.94
1964-----	2.91	4.09	7.00	1.97	1.96	3.93
1965-----	3.06	3.91	6.97	1.95	1.97	3.92
1966-----	3.33	3.93	7.26	1.79	2.00	3.79
1967-----	3.32	3.86	7.18	1.82	2.06	3.88
1968-----	3.76	3.89	7.65	1.89	2.14	4.03
1969-----	3.80	3.97	7.77	2.02	2.28	4.30
1970-----	4.02	4.30	8.32	2.13	2.32	4.45
	Japan			West Germany		
	Imports/GNP	Exports/GNP	Trade/GNP	Imports/GNP	Exports/GNP	Trade/GNP
1960-----	10.44	9.51	19.95	13.99	15.73	29.72
1961-----	10.88	7.88	18.76	13.16	15.34	28.50
1962-----	9.52	8.33	17.85	13.65	14.76	28.41
1963-----	9.91	7.99	17.90	13.50	15.16	28.66
1964-----	9.88	8.38	18.26	13.79	15.30	29.09
1965-----	9.27	9.50	18.77	15.18	15.53	30.71
1966-----	9.35	9.65	19.00	14.67	16.38	31.05
1967-----	9.73	8.65	18.38	14.00	17.46	31.46
1968-----	9.06	9.06	18.12	14.93	18.33	33.26
1969-----	8.92	9.52	18.44	16.25	18.91	35.16
1970-----	9.48	9.74	19.22	15.93	18.28	34.21
	France			United Kingdom		
	Imports/GNP	Exports/GNP	Trade/GNP	Imports/GNP	Exports/GNP	Trade/GNP
1960-----	10.25	11.22	21.47	17.41	14.10	31.51
1961-----	10.01	10.76	20.77	15.94	13.74	29.68
1962-----	10.01	9.88	19.89	15.38	13.41	28.79
1963-----	10.35	9.64	19.99	15.67	13.70	29.37
1964-----	10.84	9.66	20.50	16.52	13.31	29.83
1965-----	10.31	10.11	20.42	15.55	13.15	28.70
1966-----	10.89	10.05	20.94	15.06	13.19	28.25
1967-----	10.61	9.76	20.37	15.49	12.52	28.01
1968-----	11.01	9.99	21.00	17.81	14.33	32.14
1969-----	12.22	10.59	22.81	17.46	15.29	32.75
1970-----	12.68	11.94	24.62	17.91	16.01	33.92

Table 3-D.--Trade ratios of ten industrial countries: Imports, exports and total trade calculated as a percentage of GNP, 1960-1970--Cont.

Year	Italy			Canada		
	Imports/GNP	Exports/GNP	Trade/GNP	Imports/GNP	Exports/GNP	Trade/GNP
1960-----	13.38	10.25	23.63	14.96	14.96	29.92
1961-----	13.30	10.74	24.04	15.42	15.69	31.11
1962-----	13.88	10.69	24.57	15.57	15.57	31.14
1963-----	15.11	10.14	25.25	15.16	16.16	31.32
1964-----	13.15	10.78	23.93	15.72	17.54	33.26
1965-----	12.56	12.22	24.78	16.54	16.75	33.29
1966-----	13.48	12.54	26.02	17.27	17.83	35.10
1967-----	13.81	12.39	26.20	17.40	18.44	35.84
1968-----	13.58	13.45	27.03	18.26	20.18	38.44
1969-----	15.04	14.08	29.12	19.06	20.08	39.14
1970-----	16.16	14.22	30.38	17.48	21.29	38.77
	Netherlands			Belgium/Luxembourg		
	Imports/GNP	Exports/GNP	Trade/GNP	Imports/GNP	Exports/GNP	Trade/GNP
1960-----	39.72	35.31	75.03	33.50	31.83	65.33
1961-----	40.90	34.48	75.38	33.15	30.78	63.93
1962-----	39.38	34.18	73.56	33.97	31.76	65.73
1963-----	40.87	34.06	74.93	35.17	33.10	68.27
1964-----	41.18	33.64	74.82	36.24	34.40	70.64
1965-----	38.92	33.21	72.13	36.58	36.02	72.60
1966-----	38.39	32.63	71.02	37.85	35.75	73.60
1967-----	36.04	31.70	67.74	35.31	34.33	69.64
1968-----	36.72	32.77	69.49	38.43	37.96	76.39
1969-----	38.94	35.40	74.34	41.91	42.33	84.24
1970-----	42.84	37.72	80.56	42.04	43.16	85.20

Source: With the exception of the U.S.S.R., GNP data are from OECD, National Accounts of OECD Countries, 1960-1970 (gross national product at market prices in U.S. dollars). U.S.S.R. GNP data are from file information of the Joint Economic Committee. Import and export data for 1960-61, are from United Nations Yearbook of International Trade Statistics, 1966; for 1962-69, Yearbook of International Trade Statistics, 1969; for 1970, Monthly Bulletin of Statistics, September 1971.

Note.--Imports of the countries presented are valued c.i.f. with the exception of the United States, Canada, and the U.S.S.R., whose imports are valued f.o.b. and whose ratios consequently are not fully comparable with the others.

undamaged, but greatly strengthened. Given the resultant disparity between other economies and the United States, a system of fixed exchange rates to the dollar proved viable for some two decades, but as competitive differences have narrowed over time and the dollar has weakened, it is increasingly clear that a monetary system must be devised which will compel both surplus and deficit nations to adjust exchange rates. Today a system with greater flexibility yet with predictability is being sought among the Group of Twenty. 1/

Technology

A recent study comments: 2/

The advance in industrial techniques since the second world war has been spectacular....Activity has been channelled into 'research and development' on a scale unique in history, and many authorities believe that the advance in the application of scientific progress is tantamount with all its social and other consequences, to a second industrial revolution.

The explosion of technological output and its diffusion is credited with being a large stimulant to trade.

In some countries the new technology has quickened the pace of investment, and the increased investment has stimulated GNP. In turn, the quickened growth of GNP has increased the growth of trade. In other circumstances there has been both an investment/GNP consequence, with its indirect effect upon trade, as well as a direct effect where multi-national firms have taken technology to LDC's primarily to manufacture

1/ Efforts since World War II to maintain a system of exchange rates which can be changed when disequilibrium occurs is discussed in Chapter VIII under "Exchange Controls and Other Monetary Barriers to Trade."

2/ "The Diffusion of New Technology, A Study of Ten Processes in Nine Countries," National Economic Review, May 1969, p. 40.

for export. The new investment in LDC's has stimulated GNP, and increased GNP has expanded trade, while at the same time the export program has directly increased trade.

National commercial policies

In seeking to distinguish factors responsible for the higher growth of trade in the postwar period, and thus to gain an understanding of the determinants of trade, national commercial policies obviously require study. The "beggar thy neighbor" policies pursued by most countries in the 1930's greatly exacerbated the trade effect of the depression that opened that decade. The high tariff walls and other trade barriers erected at that time were an important additional force depressing trade below the level to which it would have dropped from the universal decline in GNP alone.

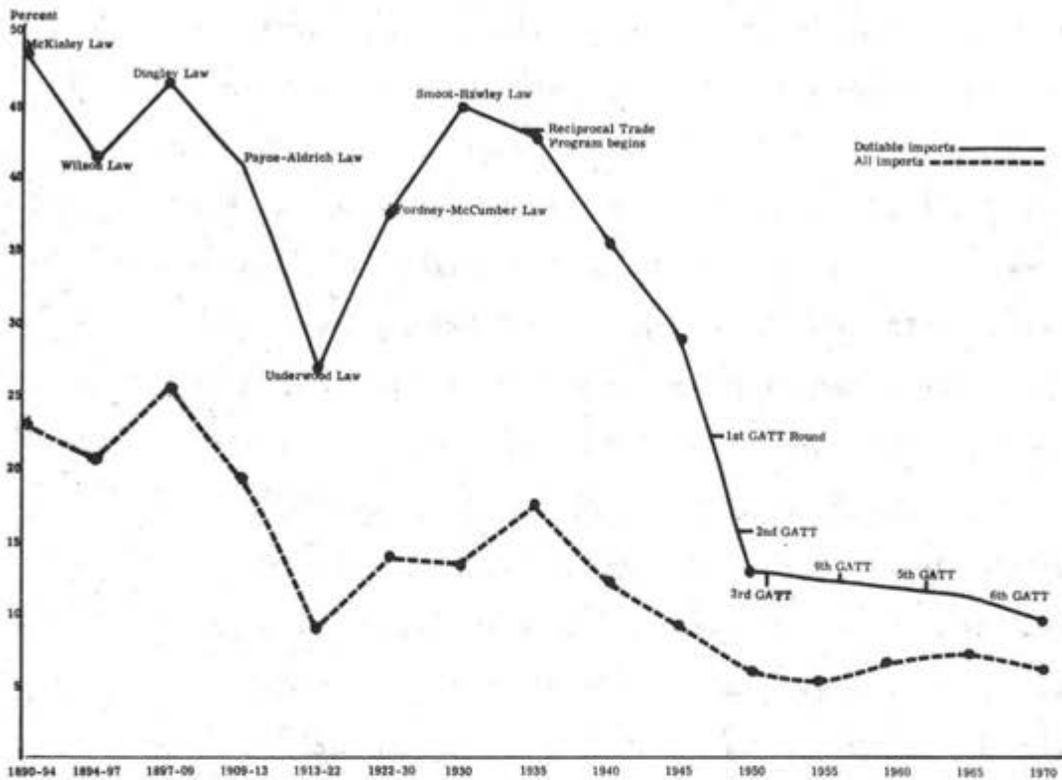
Immediately after World War II, under the leadership of the United States, the General Agreement on Tariffs and Trade was created to provide a forum for negotiating tariff reductions and a resource toward rule observance in matters of commercial policy. Since 1947, there have been six "rounds" of multilateral tariff negotiations under the GATT, which have produced substantial reductions in tariffs of the major trading countries, 1/ and the GATT mechanism has provided the means for significant success in dismantling the war-period heritage of quantitative and other trade restrictions.

1/ See Chapter V on the nature and extent of tariff concessions granted in trade agreements.

Customs tariffs: One indicator of commercial policy.--A country's customs tariff is one of the more visible aspects of its commercial policy, and a good illustration of changes which occur in this area of commercial policy is found in changes in the average level of U.S. duty collections. Chart 3-H summarizes average U.S. duty levels over the past 80 years. The average levels of U.S. duty collections ^{1/} under the six earlier tariff laws (beginning with the McKinley Law of 1890 and ending with the Fordney-McCumber Law of 1922) are plotted, as are the average duty collections for every fifth year under the current Tariff Act of 1930 (Smoot-Hawley Law).

The points plotted for the McKinley Law, the Wilson Law, the Dingley Law, the Payne-Aldrich Law, the Underwood Law, and the Fordney-McCumber Law represent the average calculated for the full period for which the law was in effect. The points plotted for the Smoot-Hawley Law represent the average level of duty collections of each fifth year. Thus, differences in the average levels of the first 6 laws (most of which were in effect only a few years) and the beginning point of Smoot-Hawley (the Tariff Act of 1930) represent chiefly conscious changes in commercial policy. The decline in the average level from the beginning point of the Tariff Act of 1930 reflects a combination of commercial policy (the negotiated reduction of tariffs) and inflation, which

^{1/} The average level is calculated from the ratios of total duties collected on imports to the total value of the imports. Two ratios are shown in the chart, one based on dutiable imports only, and the other using total imports.

Chart 3-H.--Average U.S. Import Duty Collections, ^{1/}1890-1970

^{1/} Calculated as the ratio of total duties collected on imports to the value of (a) all dutiable imports and (b) total imports.

Source: U.S. Tariff Commission: "Value of U.S. Imports for Consumption, Duties Collected, and Ratio of Duties to Values, Under Specified Tariff Acts, 1891-1971."

automatically lowers the ad valorem equivalents of the very large number of specific duties found in the U.S. tariff schedule. ^{1/}

Popular wisdom suggests that since low duty rates facilitate trade they also should produce a higher proportion of imports to national income or GNP, yet a comparison of historical U.S. import ratios with historical U.S. duty levels reveals that the United States had higher import ratios when duty rate levels were higher! This is seen in table 3-E, which portrays the seemingly anomolous situation of the import ratio declining with the decline in duty rate levels and vividly points up the fact that other factors besides duty rates

Table 3-E.--Comparison of historical U.S. import ratios with average U.S. duty levels for selected periods, 1879-1953

(In percent)			
Period	Average import ratio ^{1/}	Average duties:	
		average ratio of duties collected to value of--	
		Dutiable imports	All imports
1879-1888-----	6	^{2/} 45.0	^{2/} 30.0
1899-1908-----	5	47.3	26.3
1909-1918-----	5	35.9	15.2
1919-1928-----	5	33.2	12.3
1929-1938-----	4	41.9	16.9
1944-1953-----	4	18.7	7.2
1950-1953-----	4	12.7	5.6

^{1/} The ratio of imports to national income, plus imports.

^{2/} The average ratio is for the 1884-1890 period.

Source: Import ratios are from Kuznets, Six Lectures on Economic Growth, Glencoe, 1959. Duty ratios are calculated from data compiled by the Tariff Commission.

^{1/} Difficulties in measuring tariffs in terms of averages and comparing changes in the average over time are discussed in Chapter IV. At first glance, the picture presented by chart 3-H seems to deny what one would expect--that duty rates have been substantially lowered since 1950. However, this expectation is confirmed by the convergence of the line showing the duty rate for dutiable goods and the line showing the rate for all imports. As duty rates have been lowered, the "mix" of dutiable and free imports has changed significantly. In 1945, two-thirds of U.S. imports were free; one-third dutiable. In 1971, the proportion was exactly reversed; one-third free and two-thirds dutiable.

significantly influence trade. The earliest period in table 3-E represents the beginning years of industrialization in the United States, when the country was importing much of what later it manufactured. That the import ratio for the next 3 time periods remains unchanged with declining duty rates underscores the presence of other elements in the picture.

In table 3-F the period since 1950 is presented in greater detail. ^{1/} It will be observed in table 3-F that the U.S. import ratio remained

Table 3-F.--United States imports for consumption as a percentage of GNP and as a percentage of the goods output component of GNP, selected periods 1950-59, and selected years, 1960-71 ^{1/}

Period	(In percent) ^{2/}			
	Ratio of imports to--		Ratio of duties collected to value of--	
	GNP	Goods component of GNP	Dutiable imports	All imports
1950-54-----	3.04	5.40	12.6	5.6
1955-59-----	2.94	5.56	11.7	6.3
1960-----	2.92	5.66	12.2	7.3
1962-----	2.89	5.69	12.3	7.6
1964-----	2.94	5.85	11.9	7.4
1966-----	3.40	6.65	10.7	6.8
1968-----	3.83	7.68	11.3	7.1
1970-----	4.07	8.43	10.0	6.5
1971-----	4.34	9.19	9.2	6.1

^{1/} Beginning in 1960, data include Alaska and Hawaii.

^{2/} Ratios computed in current dollars.

Source: Import ratios computed from data in Statistical Abstract of the United States; duty ratios are from data compiled by the Tariff Commission.

remarkably unchanged for 10 years (1955-64). The increase in the import ratio beginning in 1966 is probably attributable more to inflation in the United States than to reductions in duty rates.

Individual items in commercial policy.--While the overall effect of a nation's commercial policy is a general factor among the determinants

^{1/} The import ratios in table 3-F are calculated as proportion of GNP, and hence are not consonant with those of table 3-E.

of trade, public attention frequently focuses to such individual items as constitute the stuff of which most trade barriers are made. Examples abound, a few of which are listed below:

Concerned with competition principally from the United States, Japan and the major nations of Europe until quite recently maintained high protective duties on automobiles (ranging up to 40 percent) in order to foster an industry considered essential to the national economy.

Recently legislated U.S. duties on wool textiles range up to 106 percent ad valorem (or equivalent).

Today several major countries are encouraging national computer industries with the aid of trade barriers.

All major countries have an impressive array of restrictions on imports of agricultural products.

Fearful of competition in cotton textiles from Japan, the United States led the major consuming nations to an agreement to limit international trade in cotton textiles (and thereby unintentionally produced a surge in trade in manmade-fiber textiles, largely from unexpected sources).

The United States uses an unusual method of customs valuation for certain chemicals and rubber-soled canvas footwear which greatly increases the protection otherwise bestowed by the tariff.

The Volume and Direction of Trade Flows

The concentration of trade

Leading trading nations.--World trade is overwhelmingly concentrated among the major market economies--all of which are located in the temperate zone, all of which are highly industrialized with fairly comparable technology, and all of which (except Japan) have manufactured goods as their leading exports and imports. ^{1/}

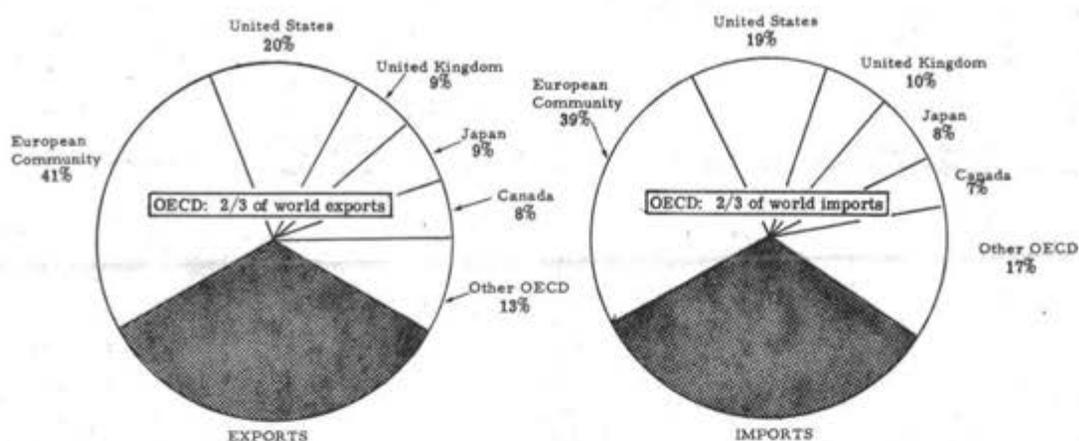
As observed above, two-thirds of the trade of the world is accounted for by OECD countries; within the OECD some six-sevenths is accounted for by Canada, the United States, Japan, the European Community, ^{2/} and the United Kingdom. Chart 3-I, which portrays the distribution of world trade between OECD and non-OECD countries, and among the leading OECD members, clearly illustrates the uneven distribution of world trade among countries and the pattern of concentration.

This concentration among the major (market) industrial powers is further demonstrated in chart 3-J, which shows the percentage of trade by Canada, the United States, Japan, the European Community, and the United Kingdom with developed market economies, developing countries, and centrally planned economies. The major portion of each country's

^{1/} Japan is the most resource poor of the major economies. On the import side, in 1968, only 27 percent of Japan's imports were manufactures; in 1970, 30 percent. As would be expected, manufactures are the overwhelming part of Japan's exports (95 percent in 1970).

^{2/} Throughout this report, references to the European Community, unless otherwise specified, are to the Community as constituted of six countries prior to January 1, 1973, (at which time the United Kingdom, Denmark and Ireland became members).

Chart 3-L.--OECD trade as a proportion of world trade; leading OECD member trade as a proportion of OECD trade, 1969



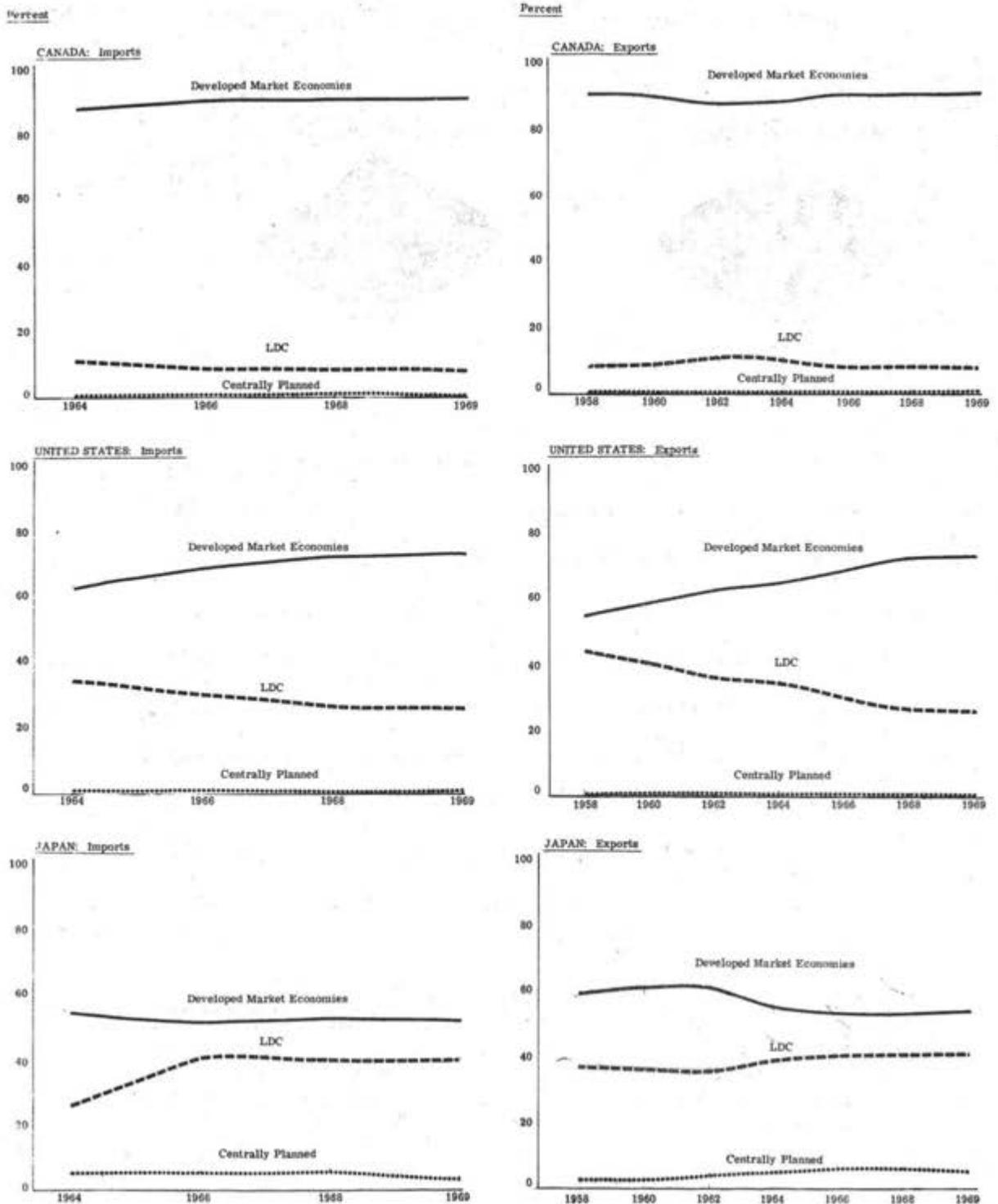
Source: OECD, *Statistics of Foreign Trade*, Series C, 1969.

trade is seen to be with the developed countries. Canadian trade is seen from the chart to be most exceptionally oriented to developed market economies; the United States trade with developed market economies is increasing; Japanese trade, although principally with developed countries, shows far greater imports and exports to LDC's than in the case of the other four countries; the European Community, notwithstanding special trading arrangements with LDC's, shows only a small proportion of trade with these countries. ^{1/} The United Kingdom's trading role with the LDC's is seen to be greater than the EC's role with these countries. For all five countries, ^{2/} trade with centrally

^{1/} The proportion, however, is significantly greater in relation to EC external trade alone, net of intra-EC shipments.

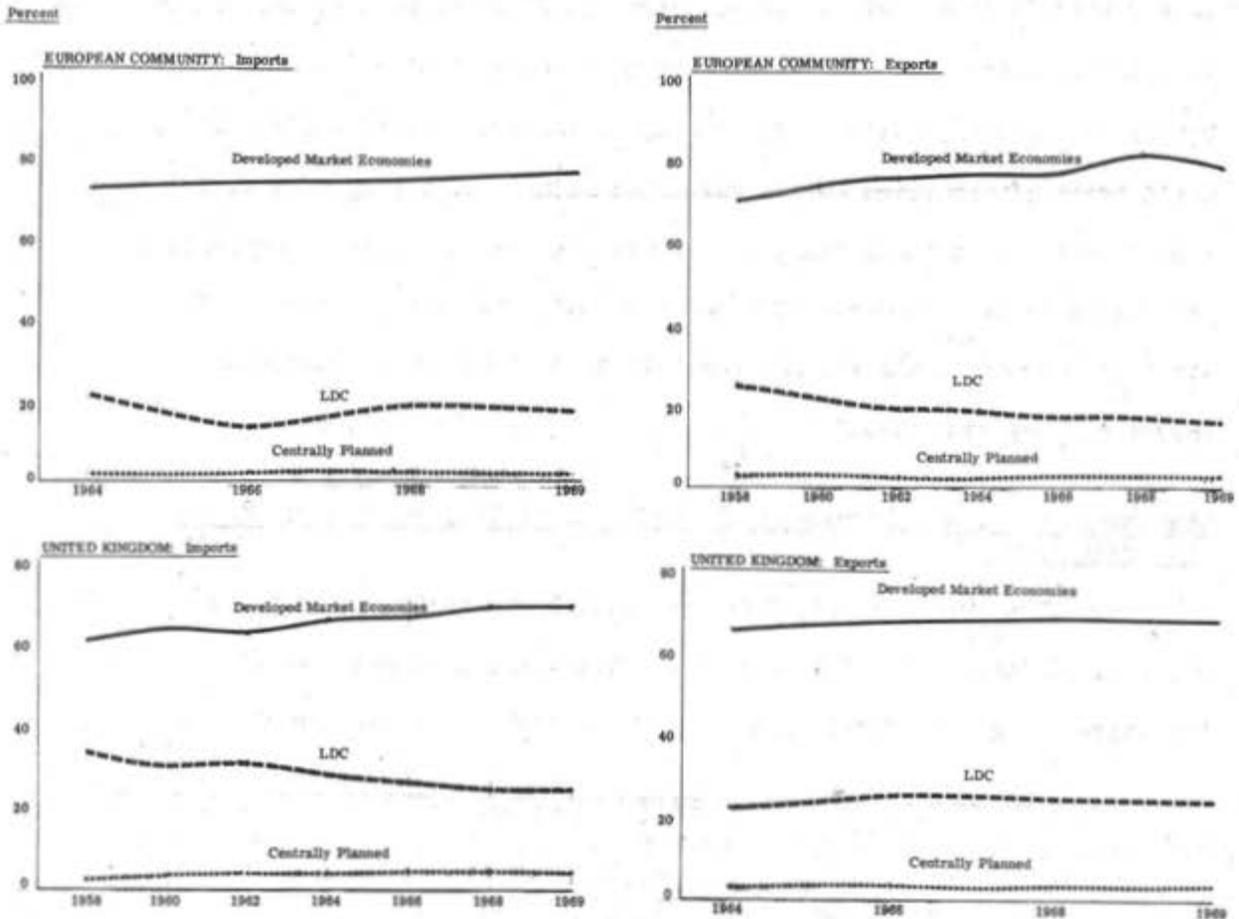
^{2/} In this report, for brevity, the European Community, which consisted of six nations at the time most of the data on which this report is based were assembled, is frequently referred to as a "country."

Chart 3-J.--Distribution of trade of Canada, United States, Japan, the European Community and the United Kingdom among developed market economies, developing countries, and centrally planned economies, in selected years



(Continued on the following page)

Chart 3-J.--Distribution of trade of Canada, United States, Japan, the European Community and the United Kingdom among developed market economies, developing countries, and centrally planned economies, in selected years--Continued



Source: Imports are from OECD, *Statistics of Foreign Trade*, 1964, 1966, 1968, 1969; exports are from UN, *Yearbook of International Trade Statistics*, 1969.

planned economies is a very small portion of the total. 1/

Because one might assume that population size may have some bearing on a country's importance in world trade, it is worthwhile at this point to note the contrast between the pattern of world trade and the distribution of world population. As already indicated, over two-thirds of world trade is accounted for by developed market economy countries, and some 85 percent of their trade is concentrated in the European Community, the United States, Canada, Japan and the United Kingdom. However, only about 18 percent of the world's population is found in the developed market economy countries. 2/

The absolute volume of trade of the major countries, and the direction of trade flows

Throughout this report, attention will be concentrated on trade barriers of Canada, the United States, Japan, the European Community and the United Kingdom. Total trade of each of these countries in 1970 is

1/ The low proportion of United States trade with centrally planned economies might at first be ascribed to the fact that imports from those countries must surmount the high statutory rates of the Tariff Act of 1930; however, the European Community (as well as a large number of other countries) accords centrally planned economies MFN treatment, and even so, trade with those countries remains very low.

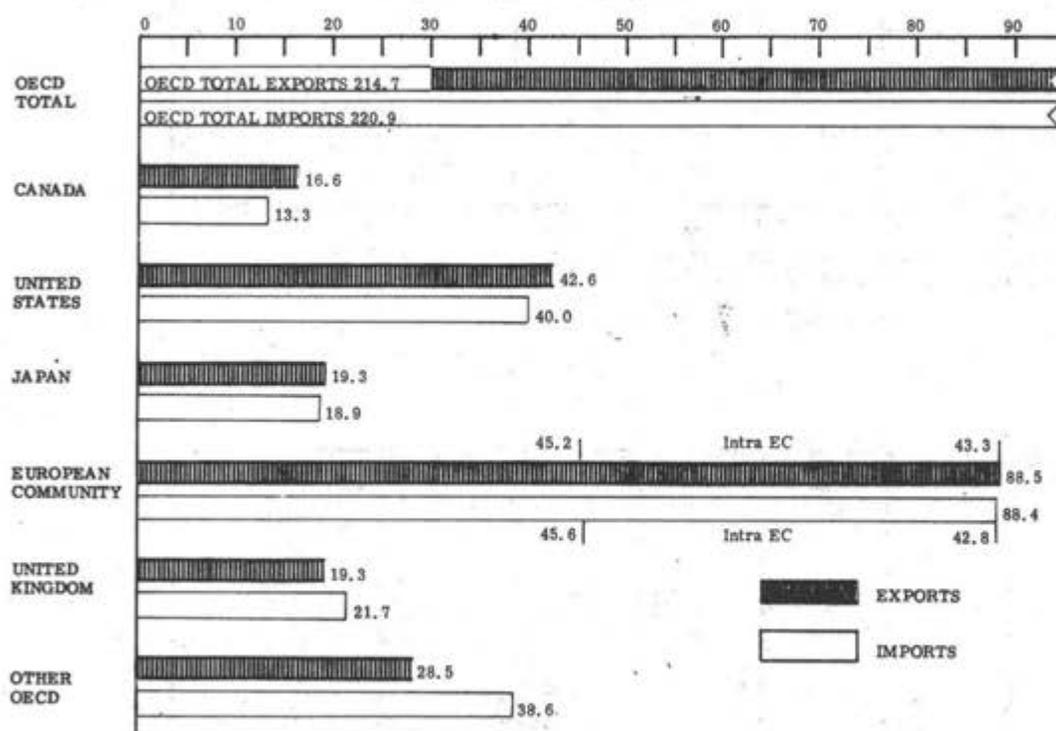
2/ The 1970 world population of 3.6 billion was distributed as follows:

	<u>Millions</u>		<u>Millions</u>
<u>Developing market economies, total-----</u>	<u>1,714</u>	<u>Developed market economies, total-----</u>	<u>648</u>
Asia-----	1,125	Europe-----	283
Africa-----	324	United States-----	205
Latin America-----	177	Japan-----	103
Europe-----	88	Canada-----	21
		South Africa-----	20
<u>Centrally planned economies, total-----</u>	<u>1,268</u>	Australia-----	13
China-----	760	New Zealand-----	3
U.S.S.R.-----	243		
Other-----	265		

shown in chart 3-K, where it will be seen that external trade of the European Community is only slightly larger than U.S. trade, but that intra-EC shipments are virtually as great as the six member countries' total trade with the outside world. Japan's trade is slightly less than half that of the United States, a little larger than Canada's and about the same as the United Kingdom's. ^{1/}

Chart 3-K.-- OECD trade in all products, 1970

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

The matrix of 1970 imports and exports among these five major countries is given, in millions of dollars, in tables 3-G and 3-H. ^{2/} The pattern of trade flows is graphed, in percentages based on 1969 data, in chart 3-L. ^{3/}

^{1/} Data for 1969 are shown in appendix chart 3-B.

^{2/} Data for 1969 are shown in appendix tables 3-B and 3-C.

^{3/} Statistical data from which chart 3-L is constructed are found in appendix table 3-D.

Table 3-G.--OECD imports of all products, 1970

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	220,892	13,348	39,952	18,881	<u>1/</u> 88,431	21,678	38,602
OECD total-----	160,868	11,916	28,046	8,457	67,331	13,329	31,789
Canada-----	15,347	-	11,092	929	1,260	1,593	473
United States---	30,278	9,492	-	5,564	9,035	2,754	3,433
Japan-----	9,072	557	5,875	-	1,232	317	1,091
European Community-----	<u>1/</u> 70,237	771	6,609	1,117	42,802	4,264	14,674
United Kingdom--	12,102	707	2,194	395	4,013	-	4,793
Other OECD-----	23,832	389	2,276	452	8,989	4,401	7,325
Non-OECD total----	58,679	1,433	11,881	10,423	21,043	7,120	6,779
LDC's-----	45,371	1,125	10,519	7,505	16,715	4,897	4,610

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

Table 3-H.--OECD exports of all products, 1970

(Millions of dollars)

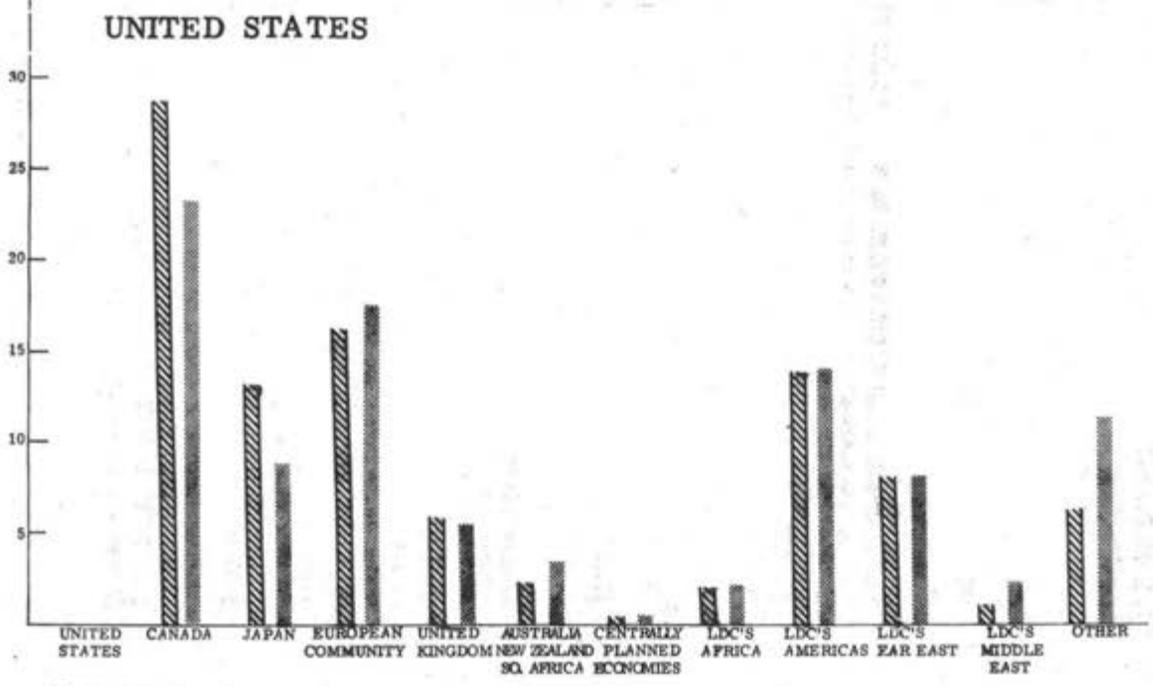
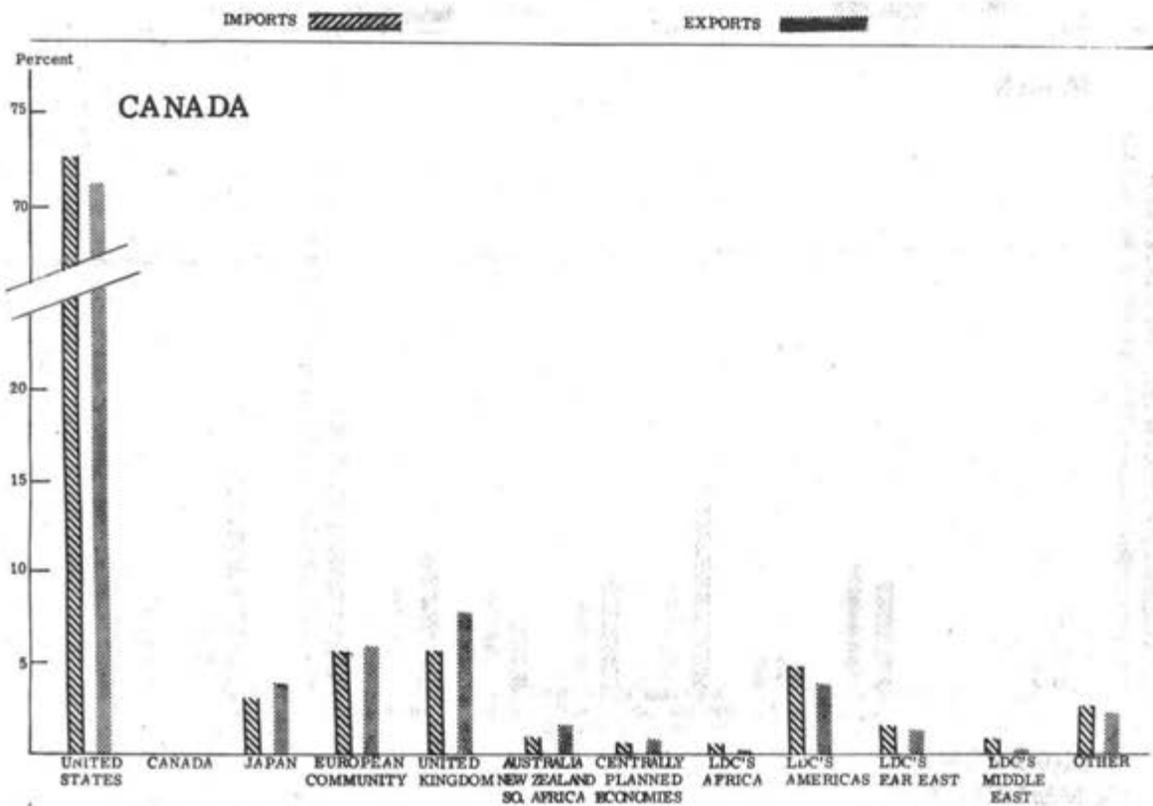
Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	214,747	16,564	42,590	19,318	<u>1/</u> 88,512	19,262	28,501
OECD total-----	155,653	14,695	27,018	9,459	70,249	11,708	22,524
Canada-----	11,079	-	8,787	563	728	663	338
United States---	27,788	10,826	-	6,015	6,634	2,148	2,165
Japan-----	7,045	780	4,569	-	987	346	363
European Community-----	<u>1/</u> 66,671	1,181	8,164	1,303	43,303	4,108	8,612
United Kingdom--	12,076	1,471	2,445	480	3,670	-	4,010
Other OECD-----	30,994	437	3,053	1,098	14,927	4,443	7,036
Non-OECD total----	56,517	1,869	14,213	9,852	17,849	6,829	5,905
LDC's-----	41,882	1,245	12,243	7,734	12,795	4,259	3,606

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

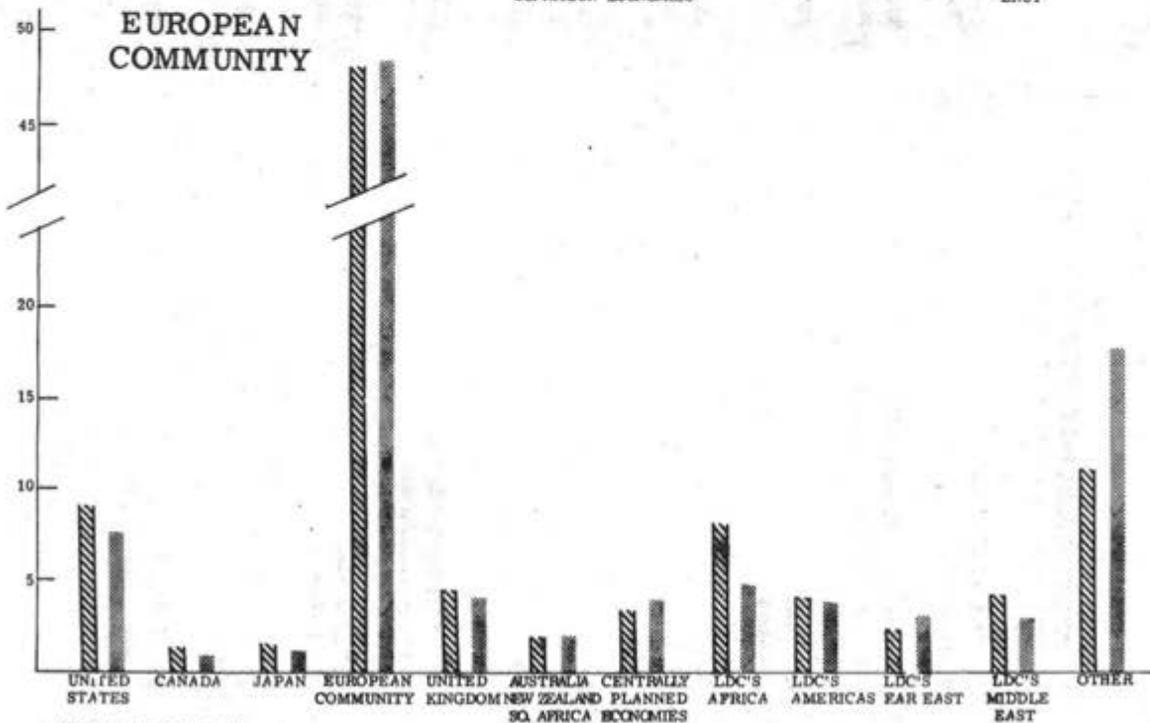
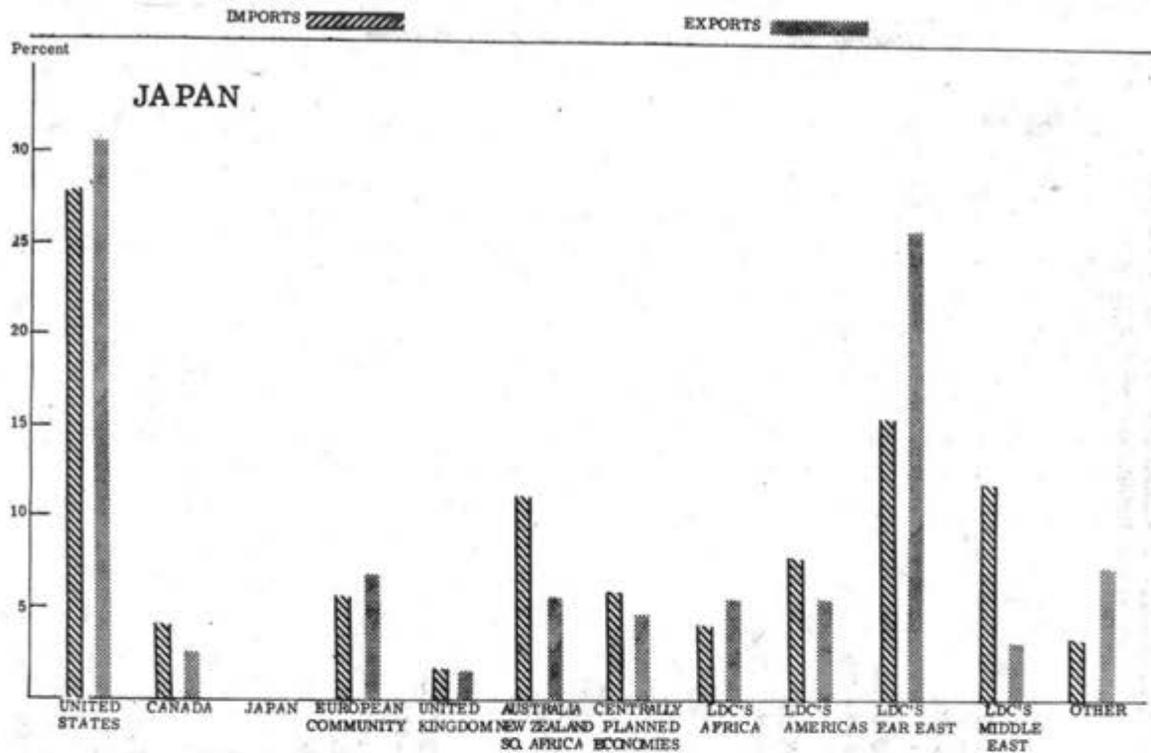
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

Chart 3-L.--Geographic distribution of trade of Canada, the United States, Japan, the European Community and the United Kingdom in 1969



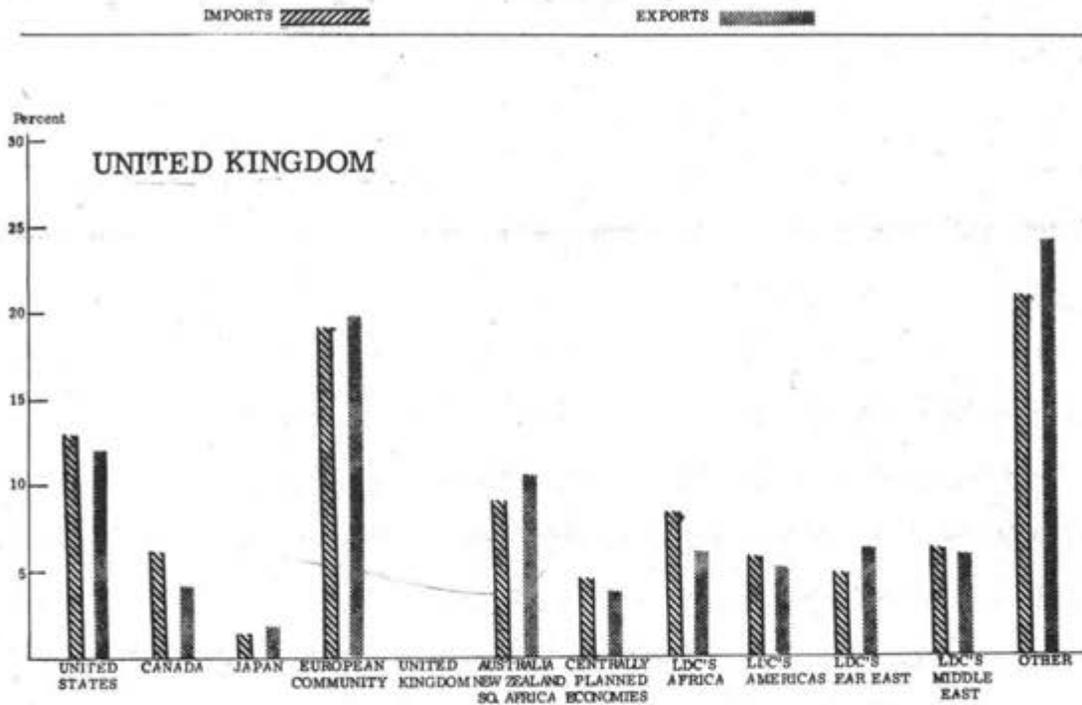
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Chart 3-I.--Geographic distribution of trade of Canada, the United States, Japan, the European Community and the United Kingdom in 1969--Continued



(Continued on next page)

Chart 3-L.--Geographic distribution of trade of Canada, the United States, Japan, the European Community and the United Kingdom in 1969--Continued



Canada.--From these tables and the chart, one sees the extraordinary position of the U.S. economy for Canada, both in imports and exports. Canada's imports from the United States are some 20 times greater than imports from Japan. Canada's trade with the United Kingdom is but a fraction of its trade with the United States, underscoring that trade patterns are more than the product of duty rates. 1/

United States.--The chart for the United States makes clear the concentration of American trade with Canada, Japan, the European Community and the United Kingdom. U.S. trade with the whole continent of "LDC-Americas" is less than with the European Community, but it should be noted that LDC's as a group account for almost one-third of U.S. imports and receive two-fifths of U.S. exports.

Japan.--The data for Japan underscore the heavy dependence of Japan on trade with the United States and make clear the number of problems which Japan has out of imbalances with individual countries or country groups. In economic terms, a country's balance of trade and balance of payments with the world is most important, but where trade is quite imbalanced with individual countries, complicating political factors frequently arise. The proportion of Japan's trade with centrally planned

1/ Under the Ottawa Conference of 1932, Canada has applied--and continues to apply--Commonwealth preferential tariff rates to products of the United Kingdom.

economies is somewhat higher than is that of the United Kingdom and considerably higher than that of Canada and the United States which is particularly low.

European Community.--In the EC data, one notes the overwhelming importance of intra-EC trade and that trade with other countries and groups is small by comparison. However, of all other countries and groups shown, the United States is overwhelmingly the most important single external trading partner of the Community (but nevertheless much less important than LDC's as a group).

United Kingdom.--The United Kingdom chart shows the great importance of its trade with the European Community which, as of 1973, it has joined. The chart also makes clear the strong economic ties which have underlain the special relationship between the United Kingdom and the United States. As in the Japan chart, trade with centrally planned economies is seen to be considerably greater than for Canada, the United States or the Community.

The composition of trade

In the subsequent chapters of this report much of the data are presented in terms of "industrial" products or "agricultural" products, 1/

1/ For convenience in making international comparisons, and because much of the data available for this report had been so assembled, the differentiation between industrial and agricultural products used in this report conforms to that which has become common in international tariff and trade discussions in recent years. Agricultural products are those described in chapters 1-24 of the Brussels Tariff Nomenclature, industrial products in chapters 25-99. This division differs in some noteworthy respects from other classifications with which the reader may be more familiar. For example, fishery and forestry products are included under the general rubric of the agricultural sector, mining products in the industrial sector; alcoholic beverages are an agricultural product (not, as sometimes classified, an industrial item); raw cotton, wool and other natural fibers are industrial raw materials, not in the agricultural sector.

and within each of these areas to "product sectors" which typically consist of several 4-digit BTN headings. ^{1/} Industrial products (I) have been grouped into 23 sectors in descending order of importance of OECD 1969 exports and agricultural products (A) into 9 sectors, in descending order of OECD 1969 exports. Thus, sector I-1, nonelectrical machinery, had the largest value of OECD exports in the industrial area in 1969, sector A-1, foodstuffs, the largest in the agricultural area.

Industrial Sectors

- I-1. Nonelectrical machinery
- I-2. Transport equipment
- I-3. Ores, metals and metal manufactures
- I-4. Chemicals
- I-5. Textiles
- I-6. Electrical machines and apparatus
- I-7. Pulp, paper and paperboard, and manufactures
- I-8. Coal, petroleum, natural gas
- I-9. Mineral products and fertilizers, ceramic products
and glass
- I-10. Professional, scientific and controlling instruments,
photographic apparatus, clocks and watches
- I-11. Wood and cork and manufactures
- I-12. Precious stones, precious metals and manufactures
- I-13. Rubber and rubber manufactures

^{1/} For specific coverage of each sector in terms of Brussels Tariff Nomenclature headings and Standard International Trade Classification categories, see Chapter XIII, Product Sectors: Some General Observations, which appears in this report as volume 7.

Industrial Sectors (cont.)

- I-14. Raw hides and skins, leather and furskins and manufactures
- I-15. Footwear and travel goods
- I-16. Musical instruments, sound recording or reproduction apparatus
- I-17. Firearms, ammunition, tanks and other armored fighting vehicles
- I-18. Furniture
- I-19. Toys and sporting goods
- I-20. Photographic and cinematographic supplies
- I-21. Works of art and collectors' pieces
- I-22. Office and stationery supplies
- I-23. Manufactured articles not elsewhere specified

Agricultural Sectors

- A-1. Foodstuffs 1/
- A-2. Grains
- A-3. Animals and products thereof
- A-4. Oil seeds, fats and oils, and their products
- A-5. Beverages and spirits
- A-6. Dairy products
- A-7. Fish, shellfish and products
- A-8. Tobacco
- A-9. Miscellaneous agricultural and forestry products

Economic factors in trade in industrial products are significantly different from those in the agricultural sector. Among OECD countries in 1970, trade in industrial products was six times (5.97) the value of trade in agricultural products. In the flow of manufactured goods it is product variation--or as Raymond Vernon would express it, "differences in product cycle"--quite as much if not more than price differences

1/ "Foodstuffs" includes principally fruits and vegetables, coffee, tea, cocoa, spices, sugar, products of the milling industry and cereal preparations.

which account for the large volume of movement. ^{1/} Although trade in agricultural products is layered in restrictions, even if these were lifted, the potential for overall growth is far less than with industrial products.

Trade potential can be analyzed in two ways: One, in terms of price elasticity; and the other, in terms of income elasticity. Price elasticity refers to the increase in demand in response to lowered prices; income elasticity refers to the increase in demand in consequence of increased income. By either measure the overall growth potential for agricultural products is less than for industrial products, because, among other reasons, satiety is reached sooner in food products than with industrial products. In addition, trade in industrial products is promoted by their susceptibility to "product differentiation" (superficial distinguishing marks) which, as Edward Chamberlin and Joan Robinson pointed out many years ago, introduces a monopolistic element and thus reduces trade. ^{2/} It is much more difficult to introduce product differentiation into agricultural products and gain a similar advantage.

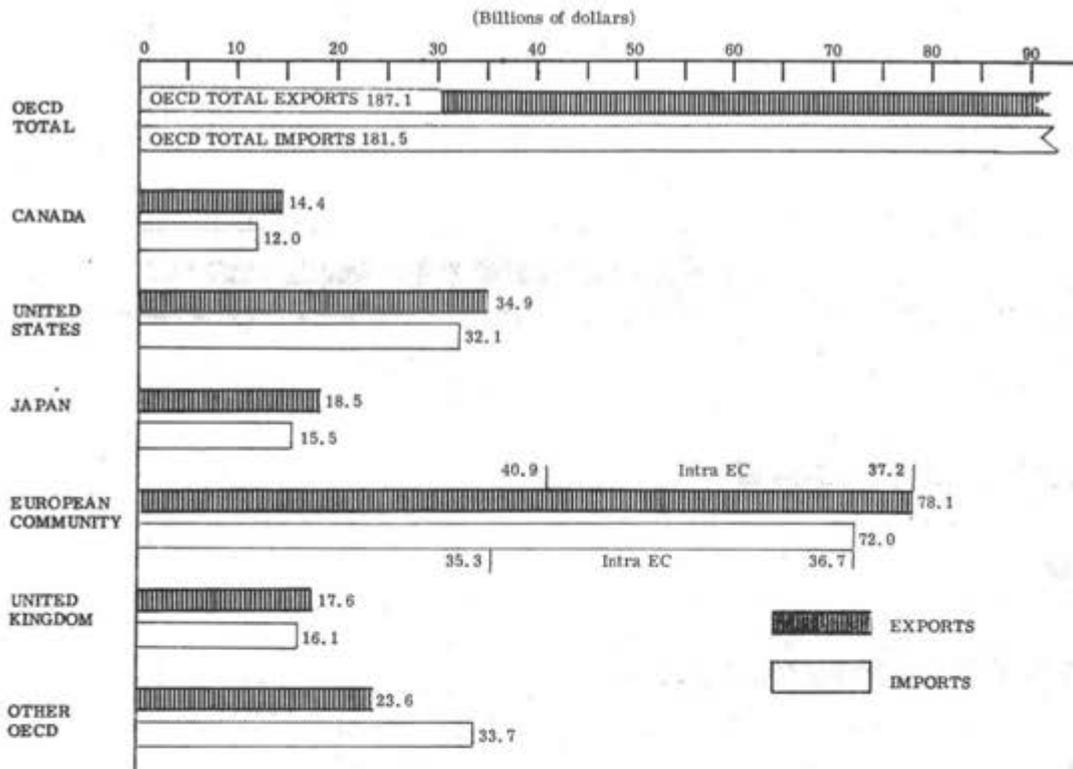
Total 1970 trade in industrial products by the 5 major countries is shown in chart 3-M, and in agricultural products in chart 3-N. ^{3/}

^{1/} Cf. Raymond Vernon, "International Investment and International Trade in the Produce Cycle," Quarterly Journal of Economics, May 1966, pp. 190-207.

^{2/} Edward Chamberlin, Monopolistic Competition, Cambridge, 1933; Joan Robinson, Imperfect Competition, London and New York, 1933.

^{3/} Note that the two charts are on a different scale, and hence a visual comparison of the length of bars cannot be made between the two. Comparable data for 1969 are found in appendix charts 3-C and 3-D for this chapter.

Chart 3-M. -- OECD trade in industrial products, 1970

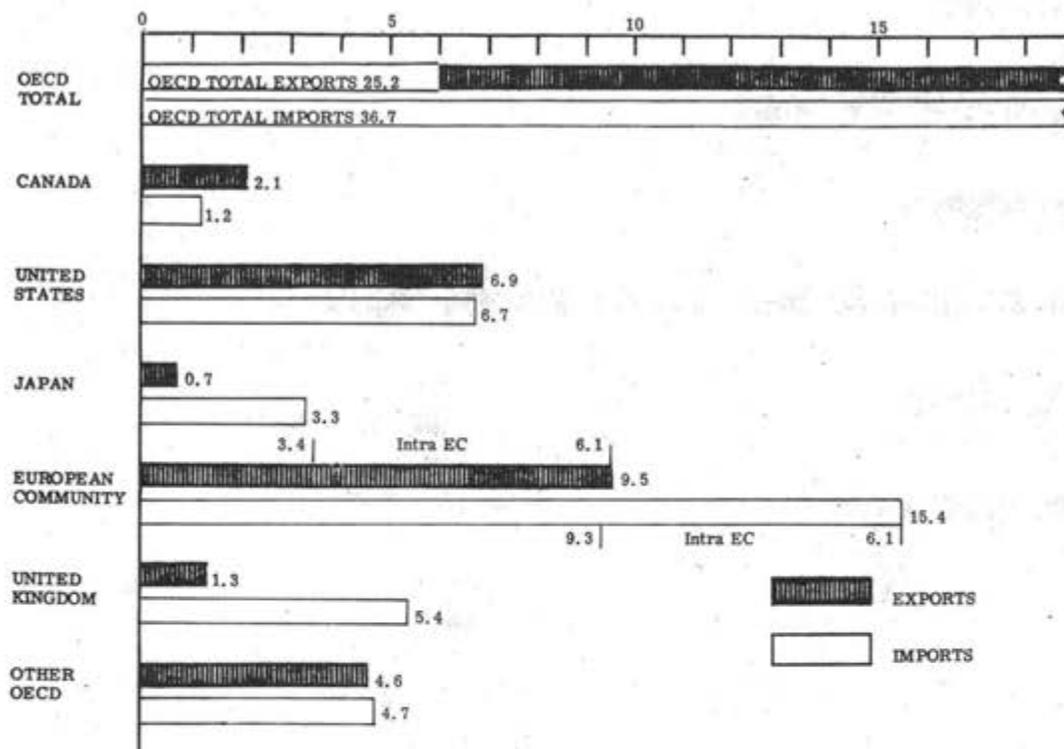


Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

The geographic distribution pattern of industrial trade among the five major countries is quite similar to that of total trade; the pattern for agricultural products is strikingly different in two respects--the relative size of imports compared with exports of a country, and the relationship between countries. In the industrial area, the value of a country's imports and exports are fairly close together; in agriculture, Canada and the United States follow this pattern; but there are very substantial differences between imports and exports by the European Community, the United Kingdom and Japan, all of which are large net importers. Also in agriculture, intra-EC shipments are roughly equivalent to U.S. trade in value; EC external exports are only slightly greater

than those of Canada; but imports from external sources are almost as great as combined imports of the United States, Canada, and Japan.

Chart 3-N. --OECD trade in agricultural products, 1970
(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

The pattern of 1970 imports and exports of industrial products among the 5 major countries can be seen in tables 3-I and 3-J; the matrices for agricultural trade are shown in tables 3-K and 3-L. ^{1/}

Noting largest suppliers of industrial and agricultural products, one finds the following pattern among the five major countries. For Canada,

^{1/} Comparable data for 1969 are found in appendix tables 3-E, 3-F, 3-G and 3-H.

Table 3-I.--OECD imports of industrial products, 1970

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	181,466	11,979	32,077	15,521	<u>1/</u> 72,027	16,132	33,730
OECD total-----	140,637	11,129	25,791	6,866	57,422	10,494	28,935
Canada-----	13,761	-	10,400	709	1,006	1,251	395
United States---	25,444	8,882	-	4,353	7,221	2,280	2,708
Japan-----	8,714	540	5,703	-	1,145	259	1,067
European Community-----	<u>1/</u> 61,941	703	6,154	1,039	36,749	3,580	13,716
United Kingdom--	11,219	659	1,822	363	3,803	-	4,572
Other OECD-----	19,558	345	1,712	402	7,498	3,124	6,477
Non-OECD total----	42,219	1,010	7,490	8,730	15,595	4,547	4,847
LDC's-----	32,815	854	6,770	6,364	12,294	3,505	3,028

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

the United States is seen to be the most important supplier in both industrial and agricultural products. For the United States, Canada is the largest supplier of U.S. industrial imports, but in the agricultural area LDC's as a group provide over half of U.S. imports. For Japan, LDC's as a group (supplying principally industrial raw materials) are the chief supplier in the industrial area, and are barely surpassed by the United States in agricultural products. In the European Community, member states are the principal suppliers of each other's imports; entries from outside sources in both industry and agriculture come principally from LDC's as a group, but the United States is the largest single country outside supplier.

In exports, the largest proportion of Canada's shipments in both industry and agriculture go to the United States. For the United States,

Table 3-J.--OECD exports of industrial products, 1970

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	187,115	14,418	34,879	18,470	^{1/} 78,125	17,591	23,632
OECD total-----	136,329	13,185	22,567	9,134	62,096	10,819	18,528
Canada-----	10,118	-	7,995	546	667	614	296
United States---	25,646	10,078	-	5,863	6,209	1,824	1,672
Japan-----	5,624	589	3,478	-	918	316	323
European Community----	^{1/} 56,875	945	6,597	1,228	37,215	3,863	7,027
United Kingdom--	9,685	1,187	2,045	422	3,145	-	2,886
Other OECD-----	28,381	386	2,452	1,075	13,942	4,202	6,324
Non-OECD total----	50,562	1,270	11,746	9,483	16,462	6,434	5,167
LDC's-----	37,054	892	9,957	7,391	11,715	3,942	3,157

^{1/} Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

Canada and the Community are the principal customers for U.S. industrial products, the Community and Japan for agricultural products, but in both industry and agriculture, LDC's as a group take a larger amount of U.S. exports than any one of these principal single country customers. Almost half of the European Community's industrial exports, and almost two-thirds of agricultural exports are intra-EC shipments among the member states. Other European members of OECD as a group are the largest outside market for EC industrial exports, followed by the LDC's as a group. In the agricultural area, LDC's take a slightly larger amount of EC exports than the EC's European trading partners. The United Kingdom sends 22 percent of its industrial exports to the Community and slightly more to LDC's. The United States is the United Kingdom's principal customer in the agricultural area. ^{1/}

^{1/} This due largely to the inclusion of alcoholic beverages in the agricultural sector.

Table 3-K.--OECD imports of agricultural products, 1970

(Million of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	36,664	1,202	6,655	3,288	^{1/} 15,360	5,417	4,742
OECD total-----	20,128	775	2,255	1,591	9,884	2,831	2,792
Canada-----	1,586	-	692	220	254	342	78
United States---	4,822	598	-	1,211	1,814	474	725
Japan-----	358	17	172	-	87	58	24
European Community----	^{1/} 8,288	68	455	78	6,052	680	955
United Kingdom--	883	48	372	32	210	-	221
Other OECD-----	4,191	44	564	50	1,467	1,277	789
Non-OECD total----	16,458	423	4,391	1,693	5,448	2,573	1,930
LDC's-----	12,556	271	3,749	1,141	4,421	1,392	1,582

^{1/} Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

Table 3-L.--OECD exports of agricultural products, 1970

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	25,151	2,078	6,928	698	^{1/} 9,541	1,288	4,618
OECD total-----	19,124	1,476	4,451	325	8,123	889	3,860
Canada-----	961	-	792	17	61	49	42
United States---	2,108	714	-	152	425	324	493
Japan-----	1,421	191	1,091	-	69	30	40
European Community----	^{1/} 9,700	236	1,567	75	6,073	245	1,504
United Kingdom--	2,387	284	400	58	521	-	1,124
Other OECD-----	2,547	51	601	23	974	241	657
Non-OECD total----	5,952	599	2,467	369	1,387	395	735
LDC's-----	4,825	353	2,286	343	1,080	317	446

^{1/} Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

The differences in geographic distribution of industrial and agricultural trade (both with the relative scale of the two kinds of trade) are easily seen in table 3-M, which is in percent rather than absolute figures.

Twelve industrial sectors account for over 90 percent of OECD trade in industrial goods; in the agricultural area, five sectors account for about four-fifths of OECD imports and about three-fourths of exports. ^{1/} Chart 3-0 illustrates the composition of trade of each of the five countries in terms of the major sectors. ^{2/} Included in the chart are each country's 12 leading industrial trade items and five leading agricultural items. The chart indicates both similarities and dissimilarities in the patterns of trade. The four leading industrial items of trade are ores, metals, and metal manufactures; transport equipment; nonelectrical machinery; and coal, petroleum, and natural gas. All five countries show these among their top items of trade. Among agricultural items of trade, foodstuffs are the most important sector with grains next. The chart brings out the fact that in industrial products a

^{1/} Total OECD trade in industrial goods in 1970 amounted to \$368.6 billion; trade in 12 industrial sectors amounted to \$342.5 billion.

Total OECD imports of agricultural products in 1970 amounted to \$36.7 billion; five agricultural sectors amounted to \$29.5 billion. Total exports amounted to \$25.2 billion with five agricultural sectors amounting to \$19.0 billion.

^{2/} Statistical data from which chart 3-0 is constructed are found in appendix table 3-I.

Table 3-M.--Comparison of geographic distribution of industrial and agricultural trade of OECD countries, 1970

Exporters or Importers	(Percent)																				
	OECD total			Canada			United States			Japan			European Community 1/			United Kingdom			Other OECD		
	Total	Industry	Agriculture	Total	Industry	Agriculture	Total	Industry	Agriculture	Total	Industry	Agriculture	Total	Industry	Agriculture	Total	Industry	Agriculture	Total	Industry	Agriculture
	Imports																				
World-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
OECD:																					
Canada-----	7.0	7.6	4.3	-	-	-	27.8	32.4	10.4	4.9	4.6	6.7	1.4	1.4	1.7	7.4	7.8	6.3	1.2	1.2	1.7
United States---	13.7	14.0	13.1	71.1	74.2	49.8	-	-	-	30.0	28.1	36.8	(2.8)	(2.9)	(2.7)	12.7	14.1	8.8	8.9	8.0	15.3
Japan-----	4.1	4.8	1.0	4.2	4.5	1.4	14.7	17.8	2.6	-	-	-	1.4	1.6	0.6	1.5	1.6	1.1	2.8	3.2	0.5
European Community	31.8	34.1	22.6	5.8	5.9	5.7	16.5	19.2	6.8	5.9	6.7	2.4	48.4	51.0	39.4	19.7	22.2	12.6	38.0	40.7	20.1
United Kingdom---	5.5	6.2	2.4	5.3	5.5	4.0	5.5	5.7	5.6	2.1	2.3	1.0	(-)	(-)	(-)	-	-	-	12.4	13.6	4.7
Other OECD-----	10.8	10.8	11.4	2.9	2.9	3.7	5.7	5.3	8.5	2.4	2.6	1.5	10.2	10.5	9.6	20.3	19.4	23.6	19.0	19.2	16.6
LDC's-----	20.5	18.1	34.3	8.4	7.1	22.6	26.3	21.1	56.3	39.8	41.0	34.7	(19.7)	(21.3)	(15.8)						
Other-----	6.0	5.2	10.6	2.3	1.3	12.7	3.4	2.3	9.7	15.5	15.2	16.8	(36.6)	(34.9)	(47.5)						
													4.9	4.6	6.7	10.3	6.5	21.8	5.6	7.3	7.3
													(9.5)	(9.4)	(11.0)						
	Exports																				
World-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
OECD:																					
Canada-----	5.2	5.4	3.8	-	-	-	20.6	22.9	11.4	2.9	3.0	2.4	0.8	0.8	0.6	3.4	3.5	3.8	1.2	1.3	0.9
United States---	12.9	13.7	8.4	65.4	69.9	34.4	-	-	-	31.2	31.7	21.8	(1.6)	(1.6)	(1.8)						
Japan-----	3.3	3.0	5.7	4.7	4.1	9.2	10.7	10.0	15.8	-	-	-	7.5	8.0	4.5	11.2	10.4	25.2	7.6	7.1	10.7
European Community	31.1	30.4	38.6	7.1	6.6	11.4	19.2	18.9	22.6	6.8	6.7	10.8	(14.7)	(15.2)	(12.3)						
United Kingdom---	5.6	5.2	9.5	8.9	8.2	13.7	5.7	5.9	5.8	2.5	2.3	8.3	1.1	1.2	0.7	1.8	1.8	2.3	1.3	1.4	0.9
Other OECD-----	14.4	15.2	10.1	2.6	2.7	2.5	7.2	7.0	8.7	5.7	5.8	3.3	(2.2)	(2.2)	(2.0)						
LDC's-----	19.5	19.8	19.2	7.5	6.2	17.0	28.8	28.6	33.0	40.0	40.0	49.1	16.7	17.9	10.2	23.1	23.9	16.7	24.7	26.8	14.2
Other-----	6.8	7.2	4.5	3.8	2.6	11.8	4.6	5.1	2.6	11.0	11.3	3.7	(33.0)	(34.1)	(28.1)						
													14.5	15.0	11.3	22.1	22.4	24.6	12.7	13.4	9.7
													(28.3)	(28.6)	(31.1)						
													5.7	6.1	3.2	13.4	14.2	6.1	8.1	8.5	6.3
													(11.2)	(11.6)	(8.9)						

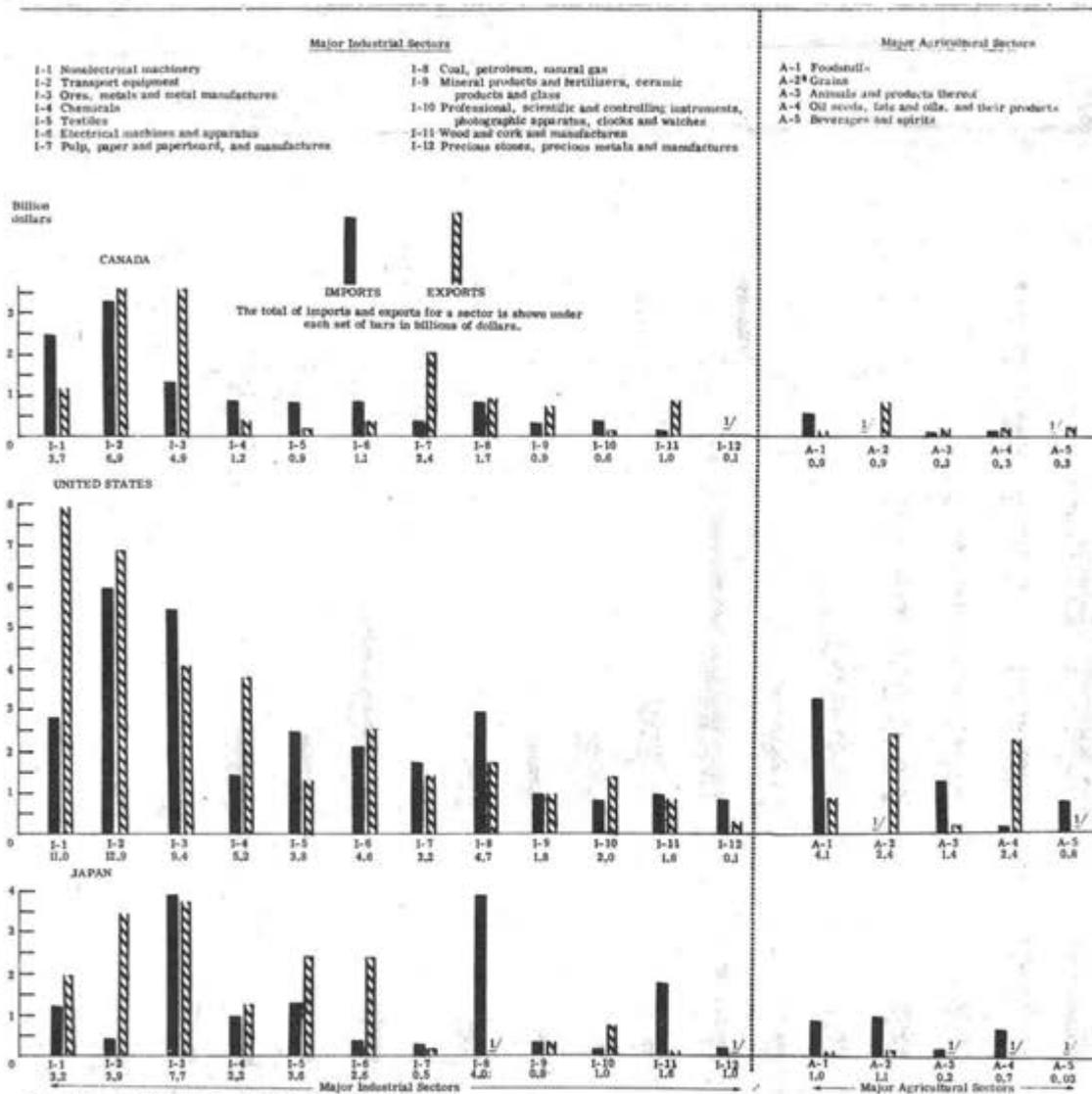
1/ Data for the European Community are calculated on two bases: (1) including intra-community imports and exports, and (2) excluding such shipments. The figure in parentheses exclude intra-EC trade.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to world totals.

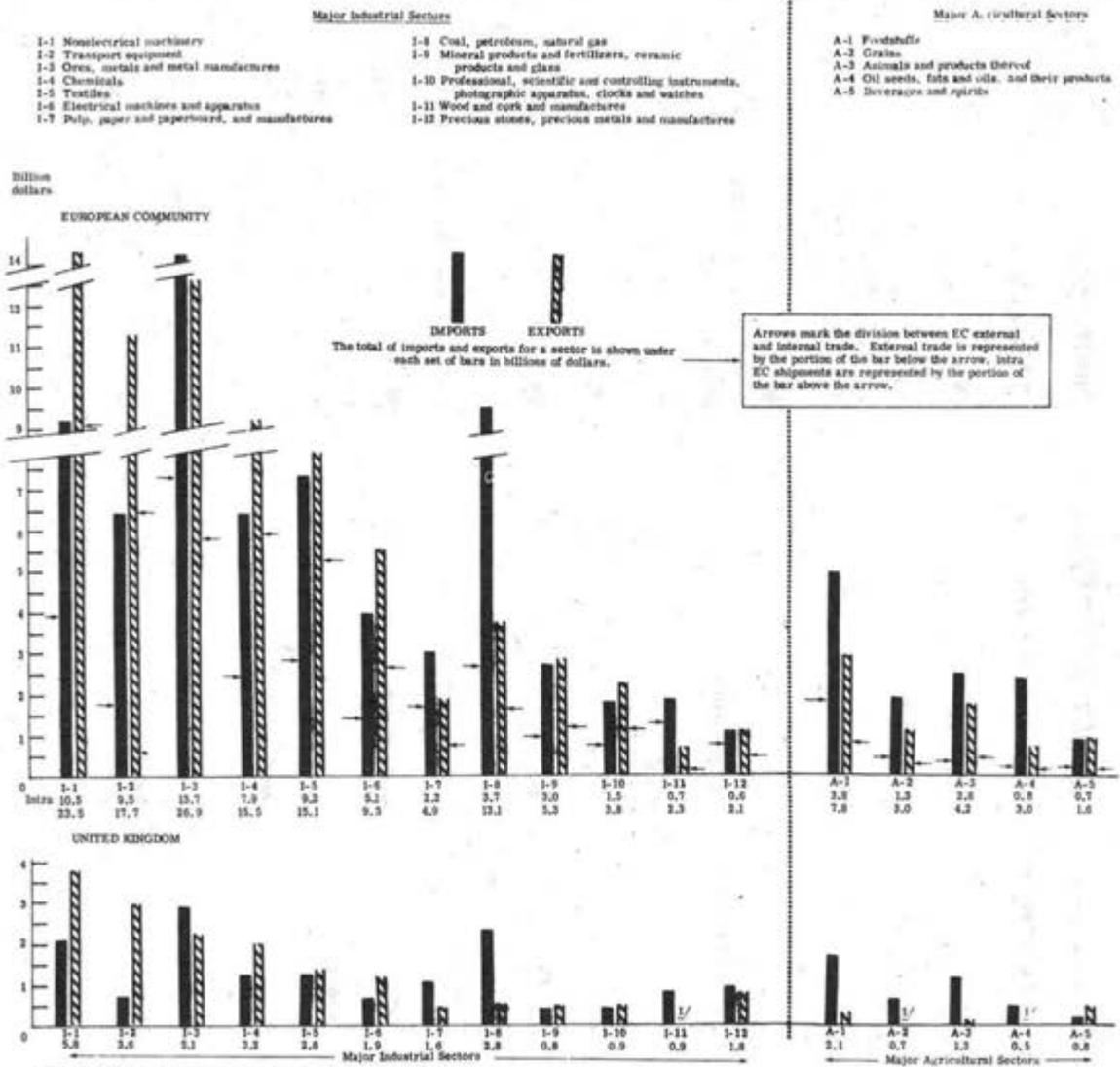
country is frequently both an importer and exporter in the same sector whereas in agricultural trade, the pattern is typically "either, or." The one apparent exception to this observation is the European Community, but when intra-EC trade is disregarded, the observation largely holds here.

Chart 3-0.--Composition of trade of Canada, United States, Japan, the European Community and the United Kingdom, by major industrial and agricultural sectors, 1970



(Continued on the following page)

Chart 3-0.--Composition of trade of Canada, United States, Japan, the European Community and the United Kingdom, by major industrial and agricultural sectors, 1970--Continued



1/ When a bar is not shown, trade was too small to appear on the scale.

Source: Compiled from GDP Statistics of Foreign Trade, Series C, 1970.

CHAPTER III

APPENDIX TABLES AND CHARTS

Appendix table 3-A.--Long-term changes in the ratio of foreign commodity trade to National income plus imports; selected countries

COUNTRY AND PERIOD	IMPORT RATIO (1)	EXPORT RATIO (2)	FOREIGN TRADE RATIO (3)	COUNTRY AND PERIOD	IMPORT RATIO (1)	EXPORT RATIO (2)	FOREIGN TRADE RATIO (3)
<i>United Kingdom</i>				<i>Norway</i>			
1. 1831, 1836, 1841	0.12	0.09	0.21	37. 1900-08	0.21	0.14	0.35
2. 1841, 1846, 1851	0.14	0.11	0.25	38. 1909-18	0.24	0.15	0.39
3. 1851, 1860	0.16	0.13	0.29	39. 1919-28	0.23	0.12	0.35
4. 1860, 1867, 1870	0.23	0.16	0.39	40. 1929-38	0.16	0.12	0.28
5. 1870-79	0.26	0.20	0.46	41. 1946-53	0.22	0.13	0.34
6. 1880-89	0.29	0.26	0.55	42. 1950-54	0.22	0.14	0.36
7. 1890-99	0.24	0.16	0.40	<i>Sweden</i>			
8. 1900-09	0.24	0.17	0.41	43. 1861-68	0.12	0.11	0.22
9. 1920-29	0.23	0.17	0.40	44. 1869-78	0.17	0.14	0.31
10. 1930-39	0.17	0.10	0.27	45. 1879-88	0.19	0.15	0.35
11. 1945-52	0.18	0.14	0.32	46. 1889-98	0.19	0.16	0.35
<i>France</i>				47. 1899-1908	0.19	0.14	0.33
12. 1841-50	0.08	0.08	0.16	48. 1909-18	0.15	0.17	0.32
13. 1851-60	0.12	0.13	0.25	49. 1919-28	0.16	0.14	0.30
14. 1861-70	0.15	0.16	0.31	50. 1929-38	0.14	0.13	0.27
15. 1871-80	0.16	0.15	0.31	51. 1939-48	0.12	0.09	0.21
16. 1881-90	0.18	0.15	0.33	52. 1944-53	0.15	0.13	0.28
17. 1891-1900	0.15	0.15	0.30	53. 1950-54	0.17	0.13	0.30
18. 1901-10	0.17	0.16	0.33	<i>Italy</i>			
19. 1920-28	0.28	0.21	0.49	54. 1864-73	0.11	0.09	0.20
20. 1929-38	0.14	0.10	0.24	55. 1874-83	0.12	0.11	0.22
21. 1946-51	0.15	0.10	0.25	56. 1884-93	0.12	0.08	0.20
<i>Netherlands</i>				57. 1894-1903	0.12	0.10	0.22
22. 1900-08	0.56	0.46	1.01	58. 1904-13	0.15	0.11	0.26
23. 1909-18	0.47	0.38	0.85	59. 1919-28	0.15	0.09	0.25
24. 1919-28	0.31	0.20	0.51	60. 1929-38	0.20	0.07	0.27
25. 1929-38	0.24	0.17	0.41	61. 1944-53	0.16	0.11	0.27
26. 1944-53	0.34	0.25	0.59	62. 1949-54	0.13	0.09	0.21
27. 1950-54	0.35	0.28	0.62	<i>United States</i>			
<i>Denmark</i>				63. 1869-78	0.07	0.07	0.14
28. 1870-78	0.24	0.19	0.43	64. 1879-88	0.06	0.07	0.13
29. 1879-88	0.26	0.19	0.44	65. 1889-98	0.05	0.07	0.13
30. 1889-98	0.28	0.21	0.49	66. 1899-1908	0.05	0.07	0.12
31. 1899-1908	0.31	0.25	0.57	67. 1909-18	0.05	0.09	0.14
32. 1909-18	0.25	0.22	0.47	68. 1919-28	0.05	0.07	0.12
33. 1919-28	0.26	0.21	0.47	69. 1929-38	0.04	0.04	0.08
34. 1929-38	0.22	0.18	0.40	70. 1944-53	0.04	0.06	0.11
35. 1944-53	0.20	0.17	0.37	71. 1950-53	0.04	0.06	0.10
36. 1950-54	0.25	0.20	0.45	<i>Japan</i>			
<i>Canada</i>				81. 1878-87	0.05	0.06	0.11
72. 1870-79	0.20	0.15	0.34	82. 1888-97	0.09	0.09	0.18
73. 1880-89	0.15	0.14	0.29	83. 1898-1907	0.13	0.11	0.25
74. 1890-99	0.12	0.13	0.25	84. 1908-17	0.13	0.15	0.29
75. 1900-09	0.19	0.17	0.36	85. 1918-27	0.15	0.13	0.28
76. 1910-19	0.21	0.23	0.44	86. 1928-37	0.14	0.13	0.27
77. 1920-29	0.15	0.17	0.32	87. 1950-54	0.12	0.08	0.20
78. 1930-39	0.12	0.14	0.26				
79. 1945-54	0.15	0.16	0.31				
80. 1950-54	0.15	0.15	0.30				

Source: Simon Kuznets, *Six Lectures on Economic Growth*, Free Press, Glencoe, 1959.

Appendix table 3-B.--OECD imports of all products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	191,886	13,136	36,052	15,024	<u>1/</u> 75,578	19,956	32,140
OECD total-----	138,436	11,796	25,323	6,257	56,753	12,025	26,282
Canada-----	13,444	-	10,390	669	823	1,207	355
United States---	26,502	9,544	-	4,094	7,328	2,667	2,869
Japan-----	7,127	459	4,888	-	889	251	640
European Community----	<u>1/</u> 59,889	730	5,800	821	36,331	3,839	12,368
United Kingdom--	10,876	732	2,121	330	3,588	-	4,105
Other OECD-----	20,598	331	2,124	343	7,794	4,061	5,945
Non-OECD total----	53,281	1,341	10,717	8,766	18,772	7,854	5,831
LDC's-----	40,601	1,075	9,464	6,219	14,785	5,074	3,984

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix table 3-C.--OECD exports of all products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	184,435	13,754	37,444	15,990	<u>1/</u> 75,686	16,894	24,667
OECD total-----	133,010	12,495	23,609	7,550	59,743	10,256	19,357
Canada-----	11,151	-	8,943	481	713	716	298
United States---	24,892	9,799	-	5,017	5,959	2,080	2,037
Japan-----	5,341	579	3,427	-	740	296	299
European Community----	<u>1/</u> 55,587	787	6,669	968	36,456	3,366	7,341
United Kingdom--	10,228	1,030	1,970	348	3,368	-	3,512
Other OECD-----	25,811	300	2,600	736	12,507	3,798	5,870
Non-OECD total----	49,209	1,259	12,185	8,434	15,575	6,505	5,251
LDC's-----	36,772	852	10,536	6,813	11,212	4,094	3,265

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix table 3-D.--Geographic Distribution of Trade of the United States, Canada, Japan, the European Community and United Kingdom in 1969

Source or Destination	(Value in millions of dollars)																			
	United States				Canada				Japan				European Community				United Kingdom			
	Imports		Exports		Imports		Exports		Imports		Exports		Imports		Exports		Imports		Exports	
Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	
Total, all countries	36,051.8	100.0	37,444.2	100.0	13,136.5	100.0	13,754.0	100.0	15,023.5	100.0	15,990.0	100.0	75,577.7	100.0	75,686.0	100.0	19,956.3	100.0	16,894.4	100.0
United States	-	-	-	-	9,543.9	72.7	9,798.7	71.2	4,093.8	27.2	5,016.7	31.4	7,327.7	9.7	5,959.1	7.9	2,667.2	13.4	2,079.5	12.3
Canada	10,389.9	28.8	8,942.8	23.9	-	-	-	-	669.4	4.5	481.0	3.0	822.8	1.1	713.0	0.9	1,207.4	6.0	716.4	4.2
Japan	4,888.3	13.6	3,426.7	9.2	458.5	3.5	579.2	4.2	-	-	-	-	888.9	1.2	740.1	1.0	250.5	1.3	269.0	1.8
European Community	5,800.2	16.1	6,669.1	17.8	730.0	5.6	787.4	5.7	820.5	5.5	968.3	6.1	36,330.6	48.1	36,455.9	48.2	3,838.7	19.2	3,366.5	19.9
United Kingdom	2,120.6	5.9	1,969.9	5.3	731.7	5.6	1,029.8	7.5	330.4	2.2	348.5	2.2	3,588.4	4.7	3,367.9	4.4	-	-	-	-
Australia/ New Zealand/ South Africa	1,057.0	2.9	1,401.1	3.7	169.7	1.3	265.1	1.9	1,699.2	11.3	856.7	5.4	1,255.4	1.7	1,316.7	1.7	1,891.7	9.5	1,742.2	10.3
Centrally planned economies	195.5	0.5	248.1	0.7	95.6	0.7	141.6	1.0	847.6	5.6	764.0	4.8	2,731.9	3.6	3,047.0	4.0	888.4	4.5	669.1	4.0
Developing countries:																				
Africa	792.9	2.2	845.8	2.3	82.6	0.6	41.8	0.3	677.7	4.5	855.7	5.4	6,021.0	8.0	3,691.8	4.9	1,641.0	8.2	1,033.3	6.1
Americas	5,162.3	14.3	5,468.3	14.6	655.6	5.0	537.7	3.9	1,158.6	7.7	885.0	5.5	3,330.7	4.4	2,867.2	3.8	1,129.8	5.7	900.9	5.3
Far East	3,032.8	8.4	3,130.4	8.4	227.1	1.7	220.9	1.6	2,287.8	15.2	4,135.9	25.9	1,456.6	1.9	1,821.1	2.4	975.2	4.9	1,029.4	6.1
Middle East	346.3	1.0	917.1	2.4	95.6	0.7	38.7	0.3	1,913.0	12.7	545.4	3.4	3,351.7	4.4	1,717.7	2.3	1,222.4	6.1	964.5	5.7
Other	2,260.0	6.3	4,424.9	11.8	346.2	2.6	313.1	2.3	525.5	3.5	1,132.8	7.1	8,472.0	11.2	13,988.5	18.5	4,244.0	21.3	4,096.6	24.2

Source: Compiled from OECD, Statistics of Foreign Trade, Series C, 1969.

Appendix Table 3-E.--OECD imports of industrial products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	157,162	11,868	29,094	12,258	<u>1/</u> 61,134	14,792	28,016
OECD total-----	117,862	10,829	22,245	4,943	46,909	9,324	23,614
Canada-----	11,596	-	9,256	523	651	879	287
United States---	21,953	8,793	-	3,098	5,543	2,234	2,285
Japan-----	6,646	437	4,621	-	784	188	616
European Community-----	<u>1/</u> 51,361	649	5,118	728	30,322	3,171	11,373
United Kingdom--	9,840	668	1,706	295	3,340	-	3,831
Other OECD-----	16,466	283	1,544	299	6,269	2,852	5,220
Non-OECD total----	37,779	949	6,514	7,274	13,619	5,315	4,108
LDC's-----	27,324	809	5,381	5,046	10,104	3,460	2,524

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Table 3-F.--OECD exports of industrial products, 1969

(Million of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	161,588	12,209	31,274	15,282	<u>1/</u> 66,711	15,599	20,513
OECD total-----	114,384	11,249	19,553	7,096	51,479	9,331	15,676
Canada-----	10,031	-	8,017	463	639	659	253
United States---	22,703	9,144	-	4,771	5,467	1,762	1,559
Japan-----	4,188	441	2,553	-	661	270	263
European Community-----	<u>1/</u> 46,413	635	5,340	869	30,470	3,122	5,977
United Kingdom--	7,899	763	1,592	286	2,819	-	2,439
Other OECD-----	23,150	266	2,051	707	11,423	3,518	5,185
Non-OECD total----	43,520	928	9,868	8,001	14,126	6,003	4,594
LDC's-----	32,054	651	8,384	6,423	10,065	3,703	2,828

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Table 3-G.--OECD imports of agricultural products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	32,091	1,090	5,696	2,708	<u>1/</u> 13,482	5,049	4,066
OECD total-----	17,324	718	1,935	1,267	8,469	2,564	2,371
Canada-----	1,278	-	614	144	148	309	63
United States---	3,900	557	-	969	1,422	401	551
Japan-----	299	10	140	-	71	55	23
European Community-----	<u>1/</u> 7,374	63	382	82	5,341	632	874
United Kingdom--	773	50	323	28	172	-	200
Other OECD-----	3,700	38	476	44	1,315	1,167	660
Non-OECD total----	14,731	366	3,760	1,437	4,989	2,482	1,697
IDC's-----	10,969	234	3,182	923	3,938	1,331	1,361

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Table 3-H.--OECD exports of agricultural products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	21,264	1,508	5,689	607	<u>1/</u> 8,339	1,036	4,085
OECD total-----	16,365	1,186	3,656	270	7,148	691	3,414
Canada-----	837	-	692	11	58	38	38
United States---	1,815	612	-	130	369	254	450
Japan-----	1,104	134	847	-	64	20	39
European Community-----	<u>1/</u> 7,900	145	1,250	63	5,333	183	926
United Kingdom--	2,184	256	351	46	492	-	1,039
Other OECD-----	2,525	39	516	20	832	196	922
Non-OECD total----	4,778	323	2,017	337	1,111	344	646
IDC's-----	3,977	188	1,881	311	903	289	405

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

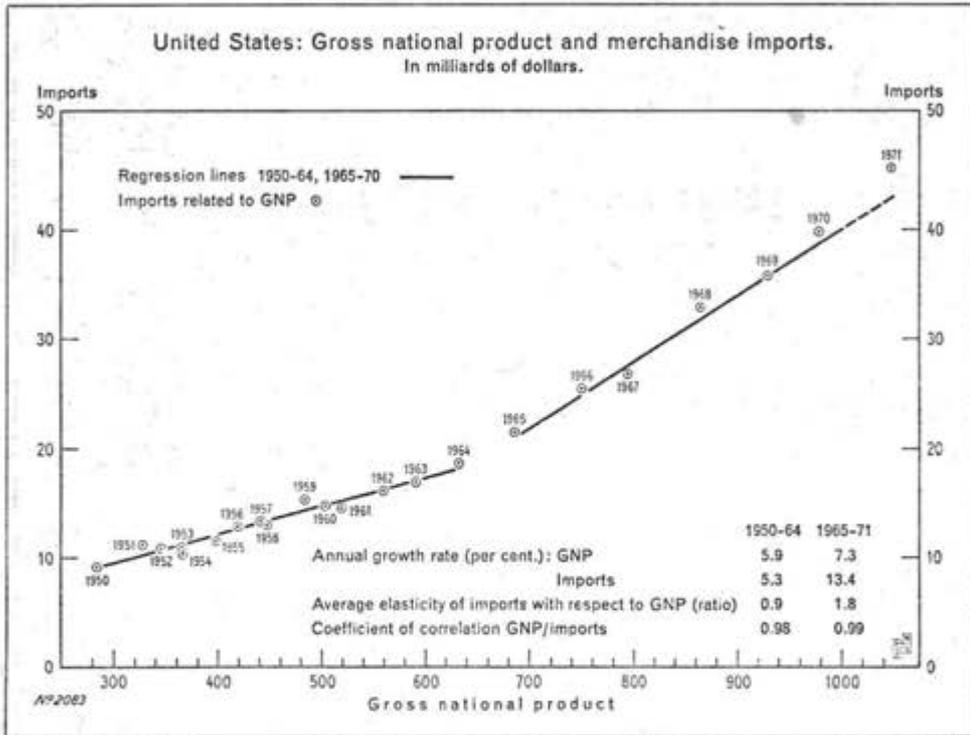
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Table 3-I.--Trade of total OECD, Canada, United States, Japan, the European Community, and the United Kingdom, by major product sectors, 1970

(In millions of dollars)														
Sector	OECD total		Canada		United States		Japan		European Community				United Kingdom	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports		Exports		Imports	Exports
									Total	Intra	Total	Intra		
Major industrial sectors														
I-1 Nonelectrical machinery-----	168,342	174,148	2,474	1,236	2,975	8,030	1,245	1,993	9,213	5,338	14,261	5,125	2,087	3,722
I-2 Transport equipment-----	20,869	30,365	3,258	3,606	5,974	6,947	432	3,498	6,380	4,693	11,335	4,827	727	2,879
I-3 Ores, metals and metal manu- factures-----	33,197	29,860	1,272	3,588	5,528	3,864	3,869	3,817	14,230	6,889	12,679	6,832	2,934	2,199
I-4 Chemicals-----	14,640	18,608	832	352	1,478	3,715	956	1,259	6,444	3,945	9,068	3,964	1,288	1,915
I-5 Textiles-----	16,202	15,212	720	161	2,492	1,315	1,268	2,363	7,296	4,559	7,780	4,678	1,346	1,449
I-6 Electrical machines and apparatus-----	9,988	13,211	728	417	2,109	2,471	366	2,279	3,885	2,391	5,453	2,707	685	1,189
I-7 Pulp, paper and paperboard, and manufactures-----	7,533	9,007	352	2,062	1,734	1,449	275	225	2,982	1,122	1,900	1,105	1,139	437
I-8 Coal, petroleum, natural gas--	23,038	7,128	744	969	3,083	1,645	3,906	48	9,525	1,742	3,621	1,939	2,279	504
I-9 Mineral products and fertil- izers, ceramic products and glass-----	5,652	5,722	276	597	920	871	392	391	2,569	1,485	2,736	1,504	363	451
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	4,344	5,895	427	145	667	1,354	247	709	1,713	757	2,065	786	386	526
I-11 Wood and cork and manufac- tures-----	6,147	3,551	126	863	955	694	1,700	146	1,784	331	553	344	833	32
I-12 Precious stones, precious metals and manufactures----	3,461	2,491	53	59	764	263	261	66	1,091	289	1,051	312	942	831
Major agricultural sectors														
A-1 Foodstuffs-----	13,173	5,614	652	214	3,201	866	856	106	4,932	1,872	2,937	1,879	1,735	340
A-2 Grains-----	4,105	4,609	42	827	29	2,400	1,021	164	1,872	626	1,121	691	643	18
A-3 Animals and products thereof--	5,579	3,384	143	190	1,180	240	165	8	2,466	1,387	1,695	1,384	1,192	130
A-4 Oil seeds, fats and oils and their products-----	4,590	3,398	137	192	214	2,192	659	33	2,360	373	595	372	455	31
A-5 Beverages and spirits-----	2,066	1,987	94	190	741	83	19	8	758	379	881	329	216	543

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

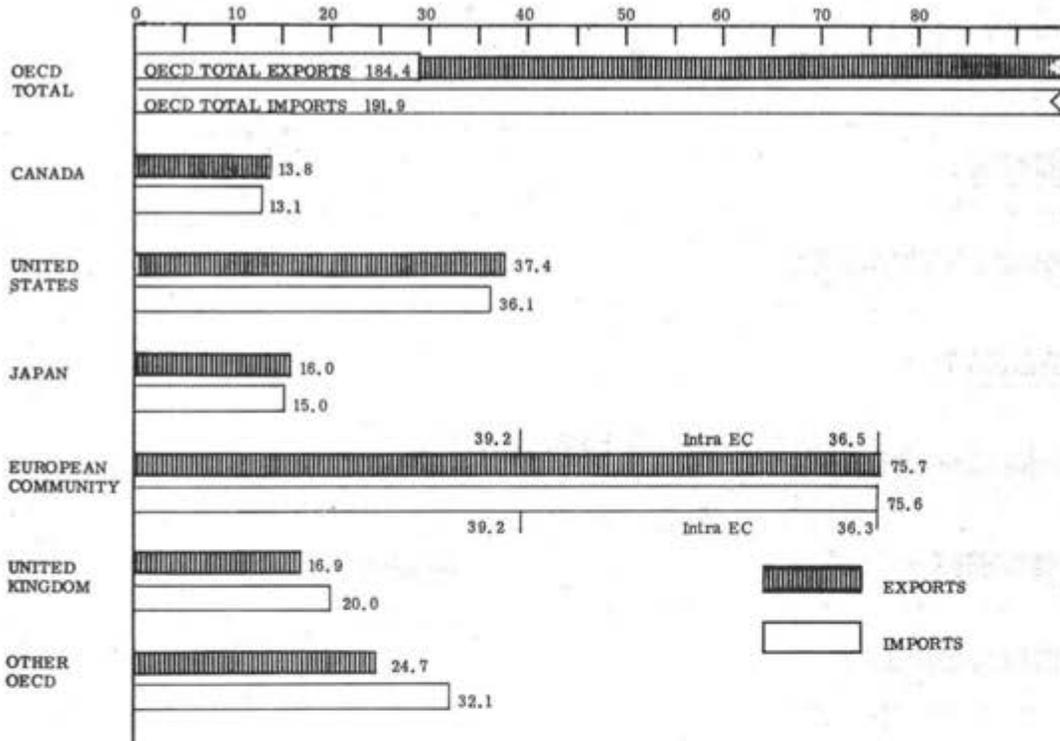
Appendix Chart 3-A



Source: Bank for International Settlements, Forty-Second Annual Report, 1 April 1971-31 March 1972, Basel, Switzerland.

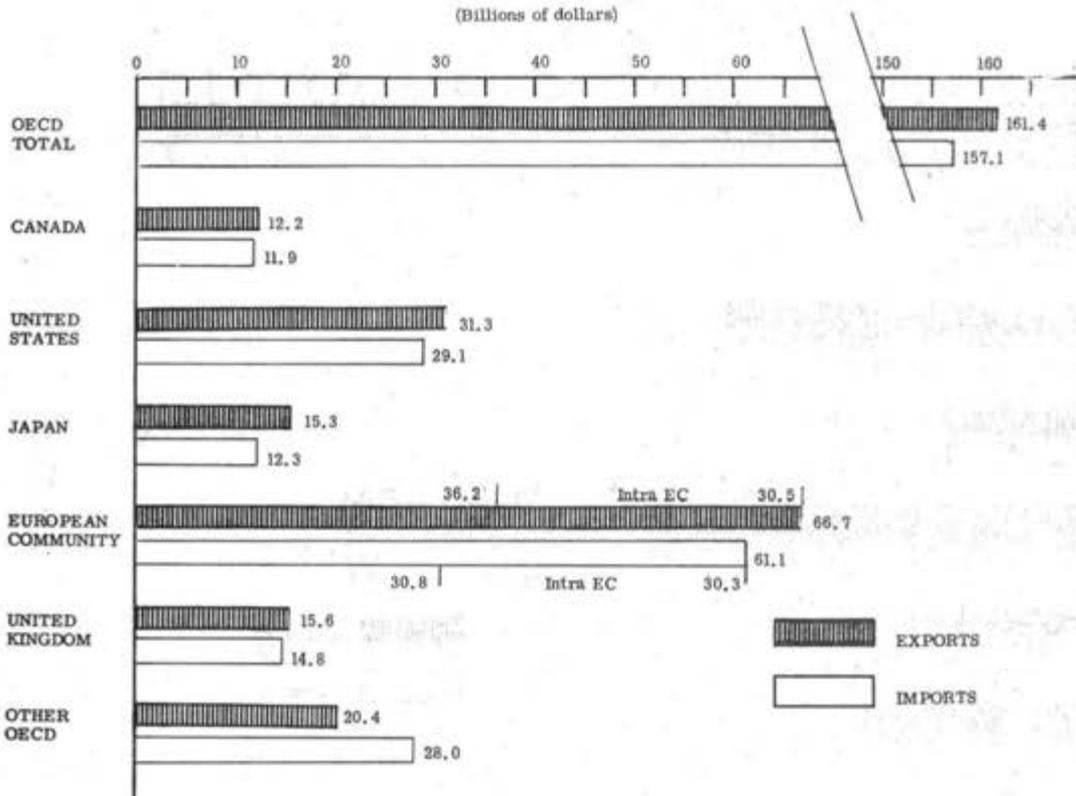
Appendix Chart 3-B. -- OECD trade in all products, 1969

(Billions of dollars)



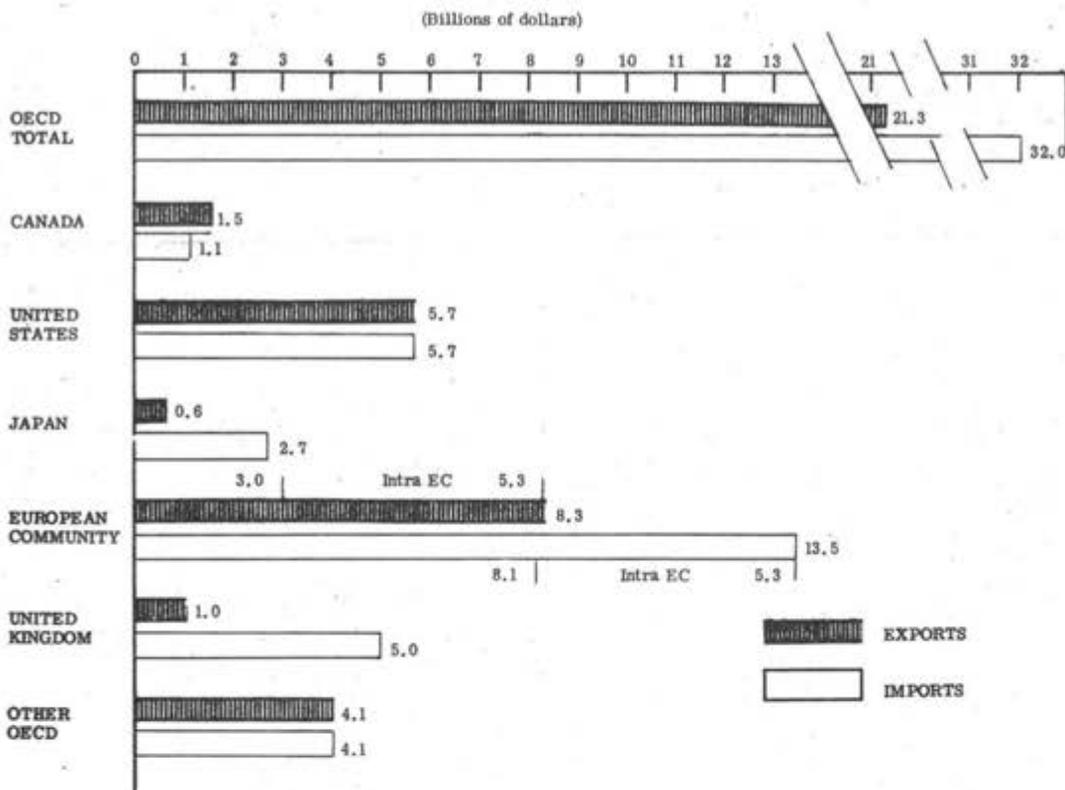
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Chart 3-C. -- OECD trade in industrial products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Appendix Chart 3-D. -- OECD trade in agricultural products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 2 OF 11

PART I. TRADE BARRIERS: AN OVERVIEW

CHAPTER IV. TARIFFS



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April, 1974

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Chapter IV

TARIFFS

Introduction

Customs tariffs are used for two purposes: to raise revenue for the government and/or to shield domestic industry from foreign competition. For most countries a dual role is served. Some countries actually designate certain duties in their tariff schedules as "protective" duties, others as "revenue" duties. In developing countries, customs duties usually are expected to provide a major part of government revenues; thus, extremely high tariff charges are encountered on products not produced in the country (and not likely to be produced - e.g., automobiles). In developed countries, although a large total sum of money may be collected by import duties, it nevertheless is only a small part of the government's income. To the extent there is a conscious policy in a country's tariff (and it frequently is difficult to discern that there is), the major developed countries' interest in maintaining a tariff tends to be protection of domestic industry; in developing countries, the provision of government revenue tends to be the more important of the two roles. 1/

1/ In 1971, the United States collected \$2.7 billion in import duties, but this was only 1.4 percent of national revenue in that year. In 1891, the \$216 million collected was 55 percent of national revenue. Customs duties provide as much as 60 percent of the national revenue of some developing countries; for the majority of LDC's the range is from approximately 20 to 50 percent.

Regardless of the purpose for which the tariff may be maintained, the effect on trade is the same, namely a misuse of the economic factors and distortion of the situation which would prevail in the absence of the tariff. The degree depends, of course, upon the amount of the duty and its relationship to the numerous other economic factors pertinent to trade in a particular product. The effect may range from one so negligible that it cannot be detected to one so great that it completely stops trade in the product.

Because one underlying reason for any comparison of national tariffs usually is to determine or measure the extent to which each country protects its domestic industry and/or impedes or distorts the "normal" flow of trade, it is necessary to strongly stress some highly important caveats which must be attached to the validity of interpretations which may be made, or conclusions which may be drawn, from the kind of tariff comparisons which are to be made in this report. These caveats, together with some basic principles to be born in mind when comparing tariffs, are set out in the following section.

Problems in Comparing Tariffs

The three elements of national tariff systems

There are three basic elements in any country's tariff system. All are important in determining the amount of duty collected on a particular imported product, and consequently all three are important considerations when making an international comparison of tariffs for a product. They are:

(1) The nominal rates of duty, which may be stated as a percentage of the value of the product ("ad valorem" rates) or as an amount charged per unit of measure 1/ ("specific" rates) or a combination of these two ("compound" rates);

(2) The system of customs valuation for determining the value of imported goods against which ad valorem rates are applied; and

(3) The tariff "nomenclature", which is the classification system used to describe and differentiate products for duty purposes.

The tariff schedules of most countries have more than one set of rates. Typically each set is spoken of as a "column." In addition to a "most-favored-nation" column, countries usually have a "general" column, which is applicable to imports from sources not eligible to receive MFN or more favorable (preferential) treatment, and many countries have a "preferential" column. 2/

1/ Usually quantity, but other units are also used, such as size, gauge, etc.

2/ See discussion of most-favored-nation treatment in chapter III.

In comparing tariffs, once the classification of a product in the nomenclature is determined, the tendency is to look only at the nominal rate. However, the form of the rate itself and the manner in which goods are valued can be of equal or greater importance.

The nominal rates of duty

In comparing national tariffs, the form of the duty should also be examined. When an ad valorem rate is applied, the ratio of the amount of duty collected to the value of the goods is constant regardless of the unit price of the product. Consequently, ad valorem duties afford the least protection to domestic industries when foreign goods are cheap and the greatest protection when foreign values are high.

When a specific rate is applied, the ratio of the amount of duty collected to the value of the goods depends upon the price of the product. For any given specific rate, the ratio rises as the price of the product falls, and conversely the protective effect of a specific duty becomes constantly less as the price of the commodity on which it is levied advances. Historically, prices in all countries show a long term tendency to rise.

Over a period of time, an ad valorem rate will collect the same amount of duty in proportion to the value of the product, regardless of changes in the general level of prices, whereas a specific rate will collect a constant absolute amount of duty but the percentage of the value of the product varies as the price level changes.

A compound rate combines the effect of the ad valorem and specific forms. Theoretically, a compound rate is used (1) when it is desired to minimize the "disadvantages" of both the specific and ad valorem rates or (2) in connection with a "compensatory" duty. In the first case, the opinion that compound duties unite the "advantages" of the specific and ad valorem forms is based largely on the idea that low-valued goods will be most affected by the specific part of the rate, while the ad valorem part will equally exclude imports of high-priced goods. The use of compound rates in connection with so-called compensatory duties is illustrated in the U.S. tariff rates on wool fabrics. 1/

Ad valorem equivalents

Because the relationship of specific and compound rates to the value of the imported product varies with changes in the unit price, it becomes necessary for comparison purposes to convert such rates to an "ad valorem equivalent". This is an average figure, expressed as an ad valorem percentage, usually based upon the average unit value of actual imports which succeeded in entering over the duty. This step, though necessary to provide some means for comparison, is an important departure from accuracy in representing the level or significance of the tariff rate.

1/ The United States levies a specific rate of duty on apparel-type raw wool. In recognition of the fact that this taxation of the raw material was a burden to the domestic cloth manufacturer in competing with foreign manufacturers who had access to free wool, a "compensatory" duty was established for wool cloth which supposedly imposed an equivalent tax on the raw wool used by the foreign manufacturer. In addition to this specific duty on cloth designed to "compensate" the American manufacturer, an ad valorem rate was also charged to "protect" the manufacturer.

As an average, the ad valorem equivalent is truly representative of the specific duty only to the extent that imports in the category under consideration all had the same unit price, a situation rarely encountered. Indeed, a wide range of unit prices frequently occurs in imports in any given tariff category. 1/

Customs valuation

For assessing ad valorem duties, the customs valuation systems of most countries use chiefly a type of value in which the value of the product is determined at the port of entry and the value includes the cost of freight, insurance and all other charges attached to the goods up to the time of their importation (a c.i.f. system). The United States, Canada, Australia and a few other countries use a type of value in which the value of the product is determined at the point of shipment in the foreign country. It does not include freight and other charges incurred in transporting the goods to their destination (an f.o.b.--free on board--system). Obviously, for products bearing high freight costs (particularly in relation to the value of the goods themselves), the inclusion or exclusion of these charges in

1/ An illustration of the shortcomings inherent in the use of ad valorem equivalents of specific and compound duties (or, for that matter, any average of tariff rates) is found in the instance in which the United States in one of the multilateral GATT negotiations agreed to a duty reduction on a particular product of interest to a Caribbean country. The United States at that time applied a specific rate of duty to the product, but working on the basis of average ad valorem equivalents derived from trade data, the negotiators agreed that the new concession rate would be an ad valorem duty. When the new "concession" rate was placed in effect, strong protests immediately arose from the Caribbean producer whom it was intended to benefit. Conversion of the rate to an ad valorem duty, although based on a significant reduction in the average ad valorem equivalent of the specific rate, actually increased significantly the amount of duty which would have to be collected on U.S. imports of his product. A corrective Presidential proclamation was issued reinstating the specific form of the rate.

dutiable value significantly affects the amount of duty collected. 1/ Further, most countries use estimated values for assessing duties on non-arm's-length transactions. 2/ Many countries (particularly among the developing nations) set minimum or maximum values to be used in assessing duties on certain products, regardless of the actual price that may have been paid. Also, other valuation methods are sometimes encountered, such as the so-called American selling price system, applied by the United States to a very few products, in which the duty

1/ Later in the chapter it is pointed out that, when large aggregates of products are considered, the significance becomes relatively minor. Obviously the difference in the valuation base is a function of the distance involved. The irregular effect of shipping costs in U.S.-Japan bilateral trade is seen in the following data taken from the Bank of Japan, Economic Statistics Annual, 1969. Imports are in millions of dollars, the f.o.b.-c.i.f. relationships in percent.

	Imports from the United States		Ratios	
	f.o.b.	c.i.f.	f.o.b./c.i.f.	c.i.f./f.o.b.
1962	1,408	1,908	77.8	128.4
1964	1,894	2,337	81.0	123.4
1966	2,312	2,658	86.9	115.0
1968	2,924	3,529	82.9	120.7
1969	3,462	4,094	84.6	118.3

2/ For purposes of customs valuation, countries overwhelmingly require open-market prices. Intracompany-transfer prices are not open market and such prices frequently are adjusted for customs purposes. Such adjustments typically raise the invoice price, since the customs officers are concerned to ensure that intracorporate prices are up to the level of open-market. There is little concern if such prices are above the open-market, hence, the expression "uplift." With the growth of multinationals and increasing intracorporate trade, "uplift" is likely to become far more common than at present. Uplift explains certain significant discrepancies in bilateral trade. Since countries usually do not review export prices, the values reflected in export statistics may be a combination of open-market and intracorporate prices. Since countries usually review import prices inasmuch as they are the basis for ad valorem custom duties, the values in import statistics are more likely to reflect open-market prices since intracorporate prices among imports are adjusted to open-market.

is assessed not on the value of the imported articles but rather upon the value of a U.S.-produced competitive counterpart. 1/

Tariff nomenclature

Since many products may be defined in more than one way and since the duty rates and the product categories are likely to be different, the classification employed in customs tariffs may make a material difference in the duty collected. Evidence of this is the fact that U.S. importers in a recent typical year lodged some 53,000 protests in the Customs Court against the classification assigned their goods.

The international differences in product definitions and the manner in which groups of products are subdivided in the various national tariff schedules give rise to one of the principal problems in making an international comparison of tariff rates. Definitional problems arise, beginning with the individual product and continuing up through various levels of aggregation of products. 2/ Desirable

1/ Customs valuation is a highly complex and technical subject. The loose description provided here is only to illustrate the very important role the valuation system plays in determining the amount of duties collected. For an accurate and detailed discussion of valuation systems, see Customs Valuation, Report of the U.S. Tariff Commission to the Committee on Finance, March 1973.

2/ The divergence in definitions among national tariffs is illustrated in the handling of steel plates and sheets in the Tariff Schedules of the U.S. (TSUS) and in the European Community's Common External Tariff (CET). In the TSUS, 14 individual items are used to describe steel plates and sheets (as defined by the United States). One of these is TSUS item 608.84: Plates and sheets of iron or steel, not cut, not pressed, and not stamped to nonrectangular shapes (except as provided in item 609.17); not coated or plated with metal and not clad; not black plate; not pickled and not cold-rolled; other than alloy iron or steel. If a comparison of the 7.5 percent rate applicable to this TSUS item is to be made with the tariff of the European Community, it is revealed that the products included in TSUS item 608.84 are described in 15 line items of the EC's Common External Tariff and are subject to a variety of rates of duty.

statistical data required for certain comparisons frequently are not available since most nations tend to collect statistics on their imports in terms of product categories in their tariff schedules. The compromise out of these statistical and definitional difficulties is to compare average rate levels for product groups in aggregations of products that will be (1) as nearly comparable as possible, and (2) at as low a level of aggregation as possible.

Since all major trading nations except the United States and Canada use the Brussels Tariff Nomenclature, international comparability in product groups for most of the national tariffs exists at the level of the BTN "4-digit" heading. 1/ This level of aggregation has been used as the basic unit for constructing tariff averages which are compared in the present report. 2/ There are 1,097 BTN headings, 178 of which are in the agricultural area and 919 in the industrial area.

Using the BTN headings as "building blocks," the GATT contracting parties assembled data on tariffs on industrial products in terms of 23 major sectors and 119 subsectors. The Tariff Commission has constructed similar information in the same manner for agricultural products, creating 9 sectors and 28 subsectors.

1/ Below the BTN heading level comparability is only occasionally found because countries adhering to the Nomenclature Convention are free to make their own breakouts under the heading.

2/ It has, of course, been necessary to allocate U.S. and Canadian rate provisions and trade into the BTN structure.

The deficiency of average tariff rates

If the purpose of examining a tariff schedule is to gain some knowledge of the degree of protection the schedule affords domestic industries and the impact of the tariff on trade, this must be done item by item. However, because of the complexity of national tariffs, it is customary that products be grouped for purposes of comparison, though it is almost universally conceded that there is no satisfactory method for averaging rates of duty.

A simple example will underline the dilemma. For illustrative purposes, suppose an international comparison is to be made of rate levels for metallic ores, and that country X within its borders has no deposits of certain ores required for its metal industries and therefore admits these ores duty free; all other ores are subject to protective duties sufficiently high to exclude all imports. To further simplify the example, assume the country has two rate provisions for metallic ores:

Ores with no domestic production--free;
 Ores with domestic production--100 percent ad valorem

The arithmetic average of these rates--50 percent ad valorem--is truly meaningless in terms of both categories. An average weighted by import trade of the country (a common practice) eliminates the 100 percent duty which excludes all imports of the ores to which it applies (by assigning zero weight) and shows the country's "average" duty on metallic ores as free--again substantially incorrect. In an effort to get around this distortion, "world" trade is sometimes resorted to for weighting, with the hope that it is more indicative of what the relative trade importance of individual products for a country might be in the absence of tariffs.

In spite of these very major shortcomings in using averages as indicative of a country's tariffs, the use of averages is the only practical approach in making any far reaching international comparisons of tariff levels.

Difficulties in comparing tariff schedules

Tariff schedules are so complex that even for small groups of products they are generally compared by averaging, and when it is desirable to compare an entire tariff schedule of one country with that of another, severe difficulties present themselves in efforts to summarize their diversity. As an example, the Tariff Schedules of the United States, as of January 1, 1972, contained 6,760 tariff line rate provisions. As in any country's tariff schedule, there is a great difference in the value of goods entering the United States under different duty rate lines of the TSUS. In fact, in 1971, 90 percent of the value of U.S. imports entered under slightly fewer than 500 or less than one-tenth of the available TSUS lines. A sense of the contrast in trade importance of different rate lines is gained in noting TSUS item 308.90 (silk thread) imports of which in 1971 were valued at \$1,506, and TSUS item 608.84 (steel sheets and plates) imports of which were valued at \$399,692,383, or a difference in scale of some 265,000 to 1. TSUS item 308.90 carries a duty rate of 10 percent; item 608.84, a rate of 7.5 percent.

In describing the height of the U.S. tariff, each line might be treated equally, thus equating silk thread and steel sheets and plates, or extra weight might be given to the rates on important items of trade.

To treat each line equally is to produce an "arithmetic" average, popularly referred to as an "unweighted" average. 1/ On the other hand, when duty rates are weighted by the value of trade entering under them ("own-trade weights"), fresh problems emerge. "Own-trade weights" are biased in three important ways. They (1) exclude from the average duty those rates which are so high as to be prohibitive of trade, (2) they underweight high deterring duty rates, and (3) they overweight low facilitating rates. As mentioned above, this difficulty is met in part by using "world" trade weights (or, as proxy for the world, OECD trade weights). However, if a country's trade has strong individualistic features, distortions are introduced by this route.

Four methods of calculating tariff averages

When the GATT contracting parties set out to assemble data on the post Kennedy Round tariff levels of the larger members, they fully recognized the foregoing assortment of problems and realized that agreement among the contracting parties could never be achieved on a single type of average as the "fairest" indicator of a country's tariff level. Thus, four averages--a simple arithmetic average and three averages weighted in different ways--were calculated on MFN rates, 2/

1/ This is a misnomer in the sense that the implicit weight contained in a simple average is the number of tariff lines in the schedule; thus the average is in fact weighted by the degree of detail within the tariff schedules.

2/ MFN rates occupy varying positions of importance in the tariffs of different countries. See the discussion later in this paragraph on the GATT Statistical Study of Preferential Trade.

thereby enabling each country to select an average which it presumed to best serve the purpose at hand. The four averages were:

1. A simple arithmetic average;
2. An average weighted by "world" imports; 1/
3. An average weighted by each country's own imports; and
4. Average number 3 weighted a second time by "world" imports. 1/

It is generally presumed that the simple arithmetic average (average number 1) has the strongest bias upward, since it gives equal weight to each line provision and national nomenclatures usually are more detailed in competitive product areas where higher rates are found and less detailed in noncompetitive products which frequently are duty free. The average weighted by a country's own imports (average number 3) is assumed to have the strongest bias downward because it minimizes the importance of high rates which deter trade and emphasizes the importance of large trade items which are likely to be products with lower rates of duty. The purpose of weighting is to moderate the bias of the two extremes; so presumably, averages 2 and 4 could be expected to fall between the levels of the arithmetic and own-trade-weighted averages.

1/ "World" imports in this instance were total imports of the 18 developed countries for which tariff data were being assembled.

Comparison of four tariff averages--industrial products

With these generally held assumptions in mind, it is useful to examine the relative height of the four averages which have actually resulted from the GATT Tariff Study calculations. The ranks of the four averages are compared in table 4-A for all industrial products and for industrial raw materials, semifinished products and finished manufactures, with each category divided into "all products" and "dutiable products."

Table 4-A.--Comparison of the relative height of industrial tariff averages calculated by four methods for five major tariffs and the "world tariff" ^{1/}

Rank (1 = lowest average; 4, highest)	All products				Dutiable products			
	Aver-: age	Aver-: age	Aver-: age	Aver-: age	Aver-: age	Aver-: age	Aver-: age	Aver-: age
	No. 1:	No. 2:	No. 3:	No. 4:	No. 1:	No. 2:	No. 3:	No. 4:
	All items							
1-----	-	-	5	1	-	1	-	5
2-----	-	2	1	2	-	5	-	1
3-----	-	4	-	3	2	-	4	-
4-----	6	-	-	-	4	-	2	-
	Raw materials							
1-----	1	-	4	1	-	1	-	5
2-----	-	-	2	4	1	3	1	1
3-----	1	4	-	1	2	2	2	-
4-----	4	2	-	-	3	-	3	-
	Semifinished manufactures							
1-----	-	1	5	-	1	1	1	3
2-----	1	1	-	4	1	2	1	2
3-----	1	3	-	2	1	3	1	1
4-----	4	1	1	-	3	-	3	-
	Finished manufactures							
1-----	2	-	3	1	2	-	2	2
2-----	-	2	1	3	-	2	2	2
3-----	-	4	2	-	-	4	1	1
4-----	4	-	-	2	4	-	1	1

^{1/} The five major tariffs compared are those of Canada, United States, Japan, the European Community, and the United Kingdom. With the addition of the "world" tariff to this group, there are six "sets" of averages (each set consisting of the 4 types of averages) at each stage of processing. Each set has been examined and the averages in each set ranked from lowest to highest. The figures in the table indicate the number of times in the six sets each average received the rank shown.

Source: Compiled from Basic Documentation for the Tariff Study, GATT

When the field is "all industrial products," the pattern of averages generally conforms with the assumption. Average No. 1 (simple arithmetic) was highest in four of the five major tariffs which are to be examined in detail in this report (Canada, United States, Japan, the European Community and the United Kingdom), and also the "world tariff," and tied for highest in the fifth major tariff. Average No. 3 (own-trade-weighted) was lowest in five observations and second lowest in one.

When the field is only "all dutiable products," however, the assumption is seen to be less valid. Average No. 1 was highest in four of the six observations, second highest in the other two. Average No. 3 held low rank for none of the tariffs, was highest for two, and second highest for the other four observations.

Additional qualifications to the general assumption are necessary as the level of aggregation moves downward. In the case of "all industrial raw materials," in four cases average No. 1 was highest, and in four cases average No. 3 was lowest; for dutiable raw materials the configuration of the two averages was identical, highest in three observations, second highest in two, and third highest in one.

Moving through semimanufactures and finished manufactures, the configuration continues to change. When the field is "all semimanufactures" and "all finished manufactures" average No. 1 continues as the highest in most instances, and No. 3 is the lowest in at least half of the cases. For dutiable semifinished products, however, averages Nos. 1 and 3 are both highest in three

instances. For dutiable finished manufactures, average No. 1 is highest in four cases, lowest in two; average No. 3 is lowest in two cases, highest in one.

Moving to lower levels of product aggregation, the assumption is seen to be even less valid. Comparisons of the relative heights of the four averages for 119 industrial product categories in the U.S. and EC tariffs are made in table 4-B. There it is seen that when

Table 4-B.--Comparison of the relative height of tariff averages calculated by four methods for 119 industrial product categories for the United States and European Community tariff schedules

(percent of 119 product sectors)								
Rank (1= lowest average; 4, highest)	All products				Dutiable products			
	Average No. 1	Average No. 2	Average No. 3	Average No. 4	Average No. 1	Average No. 2	Average No. 3	Average No. 4
United States tariff								
1-----	20.2	10.1	51.3	18.5	22.7	9.2	44.5	23.5
2-----	9.2	21.8	17.6	51.3	8.4	26.9	19.3	45.4
3-----	30.3	38.7	16.0	15.1	35.3	32.8	16.8	15.1
4-----	40.3	29.4	15.1	15.1	33.6	31.1	19.3	16.0
Total--	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
European Community tariff								
1-----	48.7	20.2	25.2	5.9	55.5	21.0	18.5	5.0
2-----	8.4	40.3	24.4	26.9	11.8	42.0	21.8	24.4
3-----	16.8	18.5	37.0	27.7	15.1	16.8	43.7	24.4
4-----	26.1	21.0	13.4	39.5	17.6	20.2	16.0	46.2
Total--	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Note: Due to rounding, percents may not add to 100.

the field is all products for the U.S. tariff, average No. 1 ranked highest for only 40 percent of the 119 product groups, and was actually the lowest average in about 20 percent of the cases. Average No. 3 for the U.S. tariff was somewhat truer to the assumption in that for slightly more than half of the product groups it was the lowest average, but was the highest average in 15

percent of the groups. The tariff of the European Community for all products illustrates an even greater departure from the assumed situation, however, as in about half of the product categories, average No. 1 is the lowest, rather than the highest average; and in about 40 percent of the categories average No. 4 appears as the highest of the 4 averages. The situation deviates even further from the assumed pattern when only dutiable products are concerned in the EC tariff as it is seen that for 55 percent of the product groups, average No. 1 is the lowest.

Degree of tariff protection

The widespread tendency to regard the absolute level of a tariff as indicative of the degree it restricts imports is a common trap when drawing conclusions from tariff comparisons. The degree of restriction actually depends upon a large number of factors. Many of these are "summed up" in the price at which the domestic industry can turn out a product, compared with the price of the foreign product.

The general notion is that the degree of tariff protection can be "read" from the height of the duty rate. Thus it would seem proper to assume that a duty rate of 10 percent in one country offers twice the degree of tariff protection of a duty rate of 5 percent applied by another country. This rests largely on the assumption that prices of domestic and foreign products are the

same. If, however, as frequently occurs, the products in question differ markedly in price, the amount of protection offered by the duty rates is not at all in proportion to these rates.

As an illustration, assume that country A produces a product at a price of \$100 per unit and country B the same product identical in every respect at a price of \$80 (and that transportation costs are disregarded). Country B can list the item duty free in its tariff schedule with fair assurance that there will be no competition to its domestic industry from imports from country A; and a minimal duty of 2 or 3 percent will almost positively insure this. Country A, on the other hand, to gain the same "degree" of protection for its industry against imports from country B, must levy a duty of 25 percent. A rate of 5 or even 10 percent would be only a slight deterrent, if any, to imports from country B, as its product would continue to undersell the country A product substantially.

"Effective" vs. nominal tariff rates

The hazard of falling into erroneous conclusions from a comparison of absolute tariff levels alone is further illustrated by the research of the past few years into the concept of the "effective" (as contrasted with the nominal) tariff rate.

In analyzing and comparing tariff rates, attention centered until the mid-sixties exclusively on the "nominal" rates, those listed in a country's schedules. As it frequently is the purpose of the tariff to protect domestic industry, it becomes essential

to trace through the price consequences of duty rates in detail to determine the degree of actual protection. This was first attempted in the mid-1960's, when researchers sought to define and determine "effective" rates of protection. ^{1/}

Professor Robert Baldwin has described the comparison between "nominal" and "effective" rates thusly:

"In recent years, commercial policy theory has been expanded to include a concept of protection that recognizes the effects of trade-distorting measures on intermediate inputs as well as final outputs. This "effective" rate of protection--in contrast to the familiar "nominal" rate of protection--is the maximum percentage increase in the value added by primary resources during production that is made possible by trade-distorting policies. It focuses on the protection provided primary factors--labor, land and capital--utilized in producing goods. A product's final value is the sum of these primary production costs plus the cost of intermediate inputs.

The rate of nominal protection is simply the ratio of duties collected to that final value. Effective protection on the other hand, takes into account the costs of intermediate as well as final products; the difference between the change in costs of intermediate products induced by trade-distorting measures and the change in the final value of a product caused by trade-distorting measures indicates the amount of protection afforded to the primary factors." ^{2/}

Two items of information are necessary to link tariff protection to an industry's welfare in the "effective" rate analysis.

The first is the usual assessment of the impact of duties on domestic prices. Among other things, this impact will depend upon

^{1/} Among the pioneering studies are Giorgio Basevi, "The United States Tariff Structure: Estimates of Effective Rates of Protection of United States Industries and Industrial Labor," Review of Economics and Statistics, May 1966, pp. 147-160. (For a fuller treatment cf. writer's doctoral dissertation, International Trade Restrictions and Resource Allocation in the United States, University of Chicago, 1965); and Bela Balassa, "Tariff Protection in Industrial Countries: An Evaluation", Journal of Political Economy, December 1965, pp 573-594.

^{2/} Baldwin, Robert E., Nontariff Distortions of International Trade, The Brookings Institution, Washington, D.C., 1970.

the degree of competitiveness in the various domestic industries. Secondly, even if the effect of the duty rates on the domestic price structure is known, it also is necessary to know the production cost structure of the industry. This is so because while duty rates may protect an industry's output price structure, duties elsewhere in the tariff schedules, or other import restrictions, may raise the industry's input cost. The effective tariff rate concept is concerned not only with the effects of tariffs on output prices but also with their effects on input costs.

Considerations on effective tariffs

Table 4-C shows two hypothetical industries, X and Y, with different cost structures of production. In part A of the table,

Table 4-C.--Hypothetical examples of "effective" duty rates under different cost structures

Industry	Output price (1)	Purchased input costs (2)	Value added = (1) - (2) (3)	"Effective" tariff rate (4)
A. With no tariff protection:				
X-----	\$100	\$90	\$10	-
Y-----	100	50	50	-
B. With a 10 percent nominal tariff inducing a 10 percent output price increase:				
X-----	\$110	\$90	\$20	100% [= (20-10)/10]
Y-----	110	50	60	20% [= (60-50)/50]
C. With 10 percent nominal tariffs inducing 10 percent price increase for firm output and for input cost:				
X-----	\$110	\$99	\$11	10% [= (11-10)/10]
Y-----	110	55	55	10% [= (55-50)/50]

each product sells for \$100 in the absence of tariffs. Industry X is more of a final assembly industry than is Y; this is reflected in an input cost bill of \$90 for industry X as opposed to \$50 for industry Y. Value added, the difference between output price and input costs, is therefore \$10 in industry X and \$50 in industry Y. This value added is crucial in determining whether or not a production process is carried out, since it is the source from which profits and wages must come.

Part B of table 4-C shows how value added increases in both industries when the assumption is made that domestic output prices will increase by the full amount of the duty, in this case 10 percent. Under this assumption the products now sell for \$110, boosting value added to \$20 in industry X and \$60 in industry Y. The percentage increase in value added, or the "effective" tariff rate as the concept is normally defined, is 100 percent for industry X and only 20 percent for Y. Clearly industry X's resources (capital and labor) have benefited much more from the 10 percent ad valorem tariff than have the resources in industry Y.

Part C of table 4-C shows the situation where, in addition to the 10 percent output price increase, tariff induced price increases raise input costs by 10 percent for value added and thus both industries benefit equally.

The three main considerations that make up the picture of tariff effects, namely the "effective" tariff rate, can now be summarized. First, the effective rate tends to be higher when the nominal rate is higher. Second, the effective rate tends to be

higher than the nominal rate as the share of value added in total value becomes smaller. (This is illustrated in parts A and B of table 4-C). Finally, the tariff-induced input cost increases may offset the tariff-induced output price increase for an industry. (This is illustrated by the difference between the effective rate for industries in parts B and C of table 4-C). In some cases it may even be possible for the tariff-induced increase in input costs to more than offset output price increases so that the resulting "effective" tariff rate may be negative (i.e. conducive to imports).

Table 4-D gives some examples of various nominal and effective tariff rates for U.S. industries presented in a study by Professor Robert Baldwin. A wide range of possible relationships

Table 4-D.--Nominal and effective tariff rates for selected U.S. industries

Industry	Nominal	Effective
	tariff rate	rate ^{1/}
	Percent	Percent
"Miscellaneous" electrical machinery, equipment and supplies-----	8	17
Primary nonferrous metal manufacturing-----	2	2
Livestock and livestock products-----	6	2
"Miscellaneous" textile goods and floor coverings---	4	-12

^{1/} Reflects the net effect of all trade-distorting measures (tariff and nontariff).

Source: R.E. Baldwin, Nontariff Distortions of International Trade, Brookings Institution, Washington, D.C., 1970, pp. 163-64.

is shown between the nominal and effective rates. The electrical machinery example shows the most prevalent type of case observed, where, because of the industry cost structure and the greater protection to output than to inputs, the effective rate is much larger than the nominal rate. The primary metal sector illustrates the case where protection for outputs and inputs combines to leave the nominal and effective rates equal.

The livestock sector shows a situation where some of the nominal protection is offset by increased input costs arising from protection elsewhere in the economy. In this situation the effective rate is less than the nominal rate. The miscellaneous textile sector shows this effect to an extreme degree. Here the effective rate is -12 percent while the nominal rate is a +4 percent. Thus, when all of the duty rates are considered, rather than being helped, as the 4 percent nominal rate would seem to indicate, this portion of the textile sector is actually harmed. Resources in this sector receive 12 percent less for their efforts per unit of output than they would receive were there no tariff protection.

In a study prepared for the Economic Council of Canada employing effective tariff rate type of analysis, it was found that Canadian protection in some instances had actually gone up rather than down in consequence of Kennedy Round cuts in nominal rates. 1/

1/ Prepared by Professors James R. Melvin and Bruce W. Wilkinson, the report Effective Protection in the Canadian Economy, is the first study in Canada to move beyond the concept of effective duty rates to actual calculations for a wide range of manufacturing industries.

Average Tariff Levels of Canada, the United States,
Japan, the European Community and the United Kingdom

Post-Kennedy Round tariff averages

In the sixth multilateral tariff negotiations under the General Agreement on Tariffs and Trade (the Kennedy Round), the major trading nations, having initially sought to reduce duties by 50 percent, finally agreed on tariff reductions which would have meant a 35 percent lower average level of base year duty collections on industrial products. Much smaller reductions were made on agricultural products.

In the following pages, post-Kennedy Round average tariff levels for MFN imports of Canada, the United States, Japan, the European Community and the United Kingdom are compared. The rates of duty on which the comparison is based were scheduled to be in effect on January 1, 1972, the date on which the final stage of Kennedy Round rate reductions was to be made. 1/ The rates in large part represent the GATT "commitments" of the individual countries, i.e., the duties which they have contracted under the GATT not to exceed on imports from other parties to the agreement. 2/ Moreover, for Japan, and to a

1/ The United States was required by legislation to phase most Kennedy Round duty reductions in equal parts over 5 years, and this became the pattern for the Round. Subsequently, among the 5 major countries, Canada and Japan, both with strong trade surpluses with the United States, elected to complete their reductions ahead of schedule.

2/ In the industrial sector, the United States and the European Community have practically all tariff rates used in the present comparison bound under the GATT against increase. In the case of Japan and the United Kingdom, just over 90 percent of the industrial sector tariff lines are bound, but they cover only about 65 percent of MFN imports. Canada has only about three-fourths of its industrial tariff provisions bound, covering about 60 percent of MFN imports. An accurate tabulation of the GATT coverage in the agricultural sector has not been made. It is, however, somewhat less than in the industrial sector for the United States, and significantly less for the other countries.

lesser extent Canada, the January 1, 1972, rates are no longer descriptive of the levels of the tariffs actually being applied.

In efforts to cope with its growing trade surpluses, Japan in 1972 twice unilaterally cut tariffs and placed temporary rates in effect. The first such cut was on April 1, 1972, and affected, in whole or in part, some 318 of the 1,097 BTN headings. The second unilateral reduction came in November 1972, when a 20 percent cut was made in the rates then applied on 80 percent of all tariff items (most industrial items and several agricultural products). ^{1/}

Canada, in February 1973, temporarily reduced duties on a wide range of products, particularly consumer goods, by an average of 5 percentage points. The action was part of a package of economic and fiscal measures designed to stimulate the Canadian economy and to deal with the upward thrust in the cost of living; the tariff changes were not made primarily with commercial policy objectives in mind. The duty reductions covered Canadian imports valued at \$1.3 billion in 1972, roughly 10 percent of Canada's total imports and 20 percent of dutiable imports.

Moreover, beginning January 1, 1974, the United Kingdom will begin the staged alignment of its MFN tariff rates to conform to the European Community's Common External Tariff. The staged removal

^{1/} This double cut has very substantially reduced rates on some products of particular interest to the United States, such as passenger automobiles. From earlier very high rates on automobiles, tariffs were reduced in May 1970, to 20 percent on small passenger cars and to 17.5 percent on large cars and for both to 10 percent in April 1971. The double unilateral cut Japan made reduced this 10 percent figure to 8 percent in April 1972 and to 6.4 percent in November 1972.

of United Kingdom duties on its trade with other members of the enlarged European Community, formerly subject to MFN treatment, began in April 1973. ^{1/} The entry of the United Kingdom, Denmark and Ireland into the European Community will have an undetermined effect on the EC tariff averages weighted by trade of the original six members, presented in the following pages; the EC arithmetic averages, of course, will not be affected.

The average tariff levels presented in this chapter are principally two types, a simple arithmetic average of tariff line rates and an average weighted by the country's own MFN imports. ^{2/} These have been selected for two reasons; first, their simplicity of concept, and second, as explained in the previous section of this chapter, they are widely presumed to represent the extremes of bias and can generally be considered indicative of the range in which the true average is found. In a few noted instances, averages additionally weighted by world trade are discussed. Unless otherwise specified, all weighted averages in this chapter are based on 1970 import data.

Industrial products: Overall average MFN tariff levels

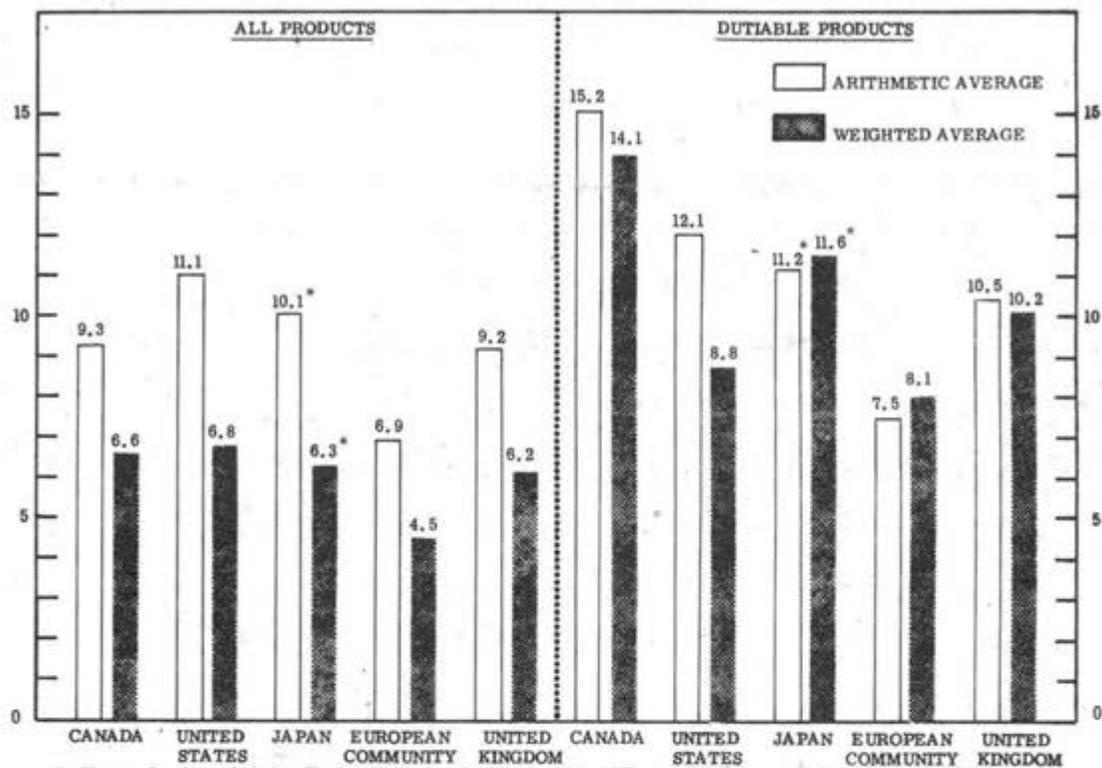
Average MFN tariff rates on industrial products compositely are shown for Canada, the United States, Japan, the European

^{1/} The schedule of installments for alignment of the tariffs of the acceding countries to the Common External Tariff is as follows: 40 percent on January 1, 1974, and 20 percent each on January 1, 1975, January 1, 1976, and July 1, 1977. The schedule of installments for removing the tariffs on internal trade in the enlarged Community is as follows: 20 percent each on April 1, 1973; January 1, 1974; January 1, 1975; January 1, 1976; and July 1, 1977.

^{2/} Although import data for the United States and Canada are based on f.o.b. value, while the remaining countries' import data are based on c.i.f. value, it will be pointed out later in this chapter that the differences have an insignificant effect upon the weighted averages derived by using the data.

Community and the United Kingdom in chart 4-A. For each country,

Chart 4-A. --Average MFN tariff rates on industrial products
(Percent ad valorem)



* Figures for Japan do not reflect unilateral reductions made in 1972 on about 94 percent of the rates of duty for industrial products. About 80 percent of the rates were reduced by 20 percent, about 2 percent were made duty-free, and about 6 percent were cut by amounts ranging from 10 to 95 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

simple arithmetic and own-trade weighted MFN averages are given for all industrial products and for dutiable industrial products only. It will be seen that United States duty rates are slightly in excess of the other four countries when the universe is all industrial products; that Canada's rates are highest when only dutiable

products are considered. The European Community has the lowest average rates in both cases. 1/

Profiles of these overall averages are presented in chart 4-B which shows the distribution, by duty level, of each country's tariff lines and MFN imports. This chart provides the range of rates which make up the averages and shows the relative importance (in percent) of the various rate levels in each average. 2/ It also provides an easy comparison of the rate pattern of a country's tariff provisions with the rate pattern of its actual imports.

Canada, which from chart 4-A is seen to have the highest average tariffs on dutiable industrial products, is seen from chart 4-B also to have by far the largest proportion of duty-free tariff provisions and the largest proportion of duty-free MFN imports. The United States and the European Community have the lowest percentage of duty-free provisions for industrial products (each slightly more than 8 percent). However, 23 percent of U.S. MFN imports enter

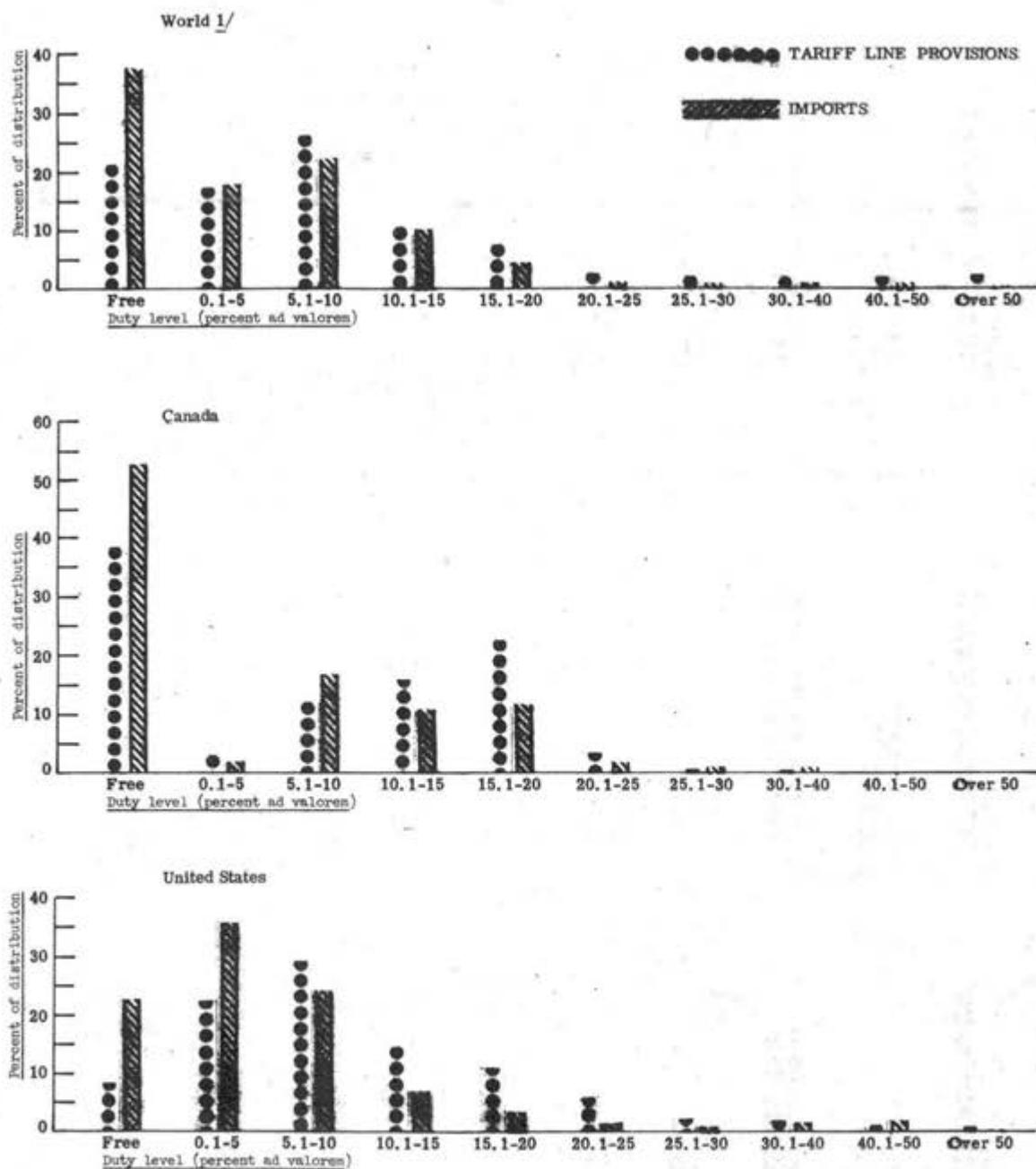
1/ For the reader wishing to compare the relative height of national tariff schedules by the four different averages (calculated separately for "all products" and "dutiable only"), these are reproduced below from the GATT tariff study.

(Percent ad valorem)

Country	Average No. 1: simple arithmetic		Average No. 2: world-trade weighted		Average No. 3: own-trade weighted		Average No. 4: own-trade and world trade weighted	
	All dutiable products	All dutiable products	All dutiable products	All dutiable products	All dutiable products	All dutiable products	All dutiable products	All dutiable products
United States-----	11.1	12.1	7.3	8.1	6.8	8.8	6.3	7.1
Canada-----	9.3	15.2	6.8	11.5	6.6	14.1	7.3	11.0
Japan-----	10.1	11.2	10.1	10.8	6.3	11.6	10.1	10.7
European Community-----	6.9	7.5	6.4	6.7	4.5	8.1	6.5	6.9
United Kingdom-----	9.2	10.5	7.8	8.5	6.2	10.2	7.3	8.1

2/ The statistical data from which the chart is constructed are found in appendix table 4-A.

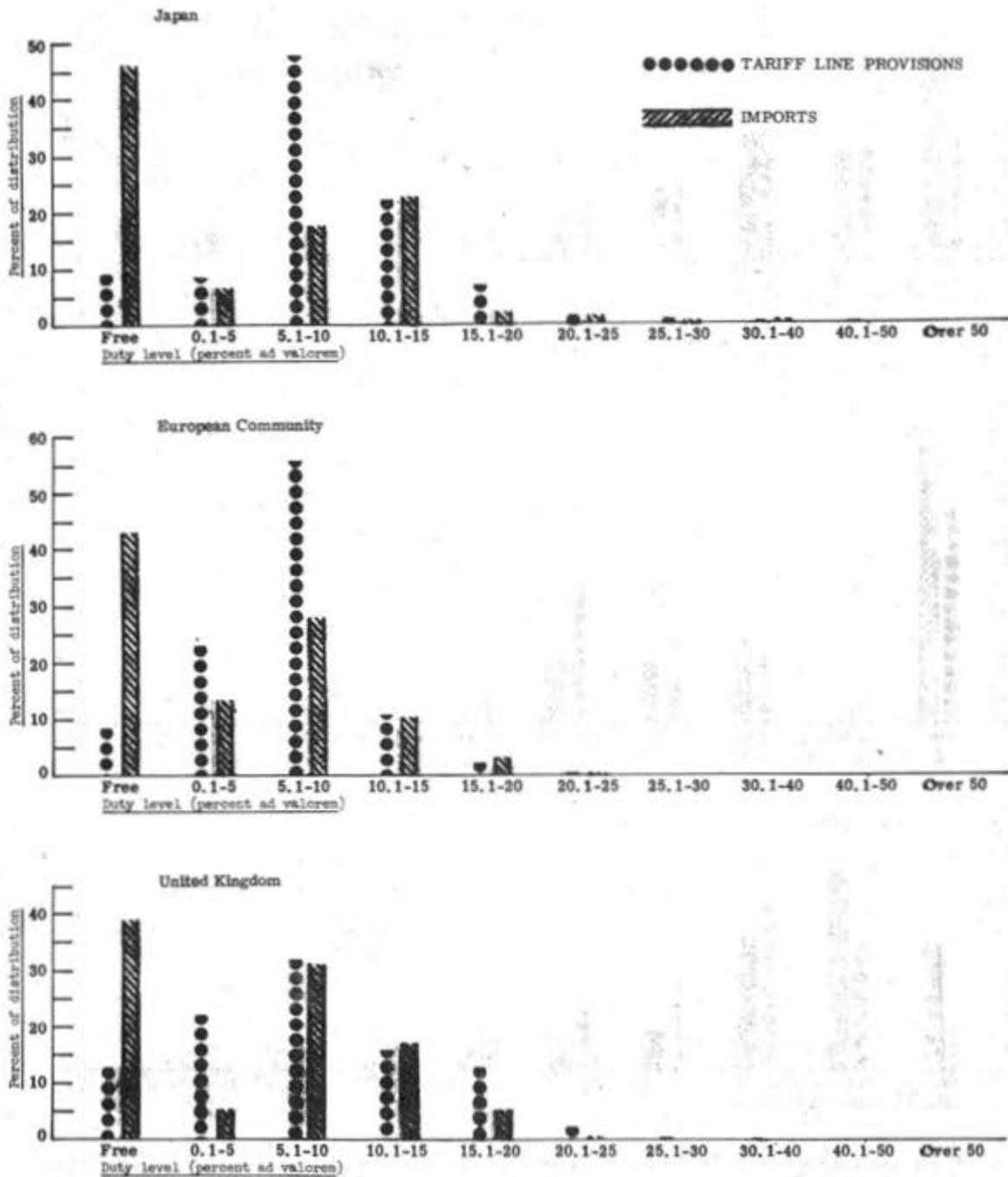
Chart 4-B. --All industrial products: Distribution, by duty level, of MFN tariff provisions and imports



^{1/} "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-B. --All industrial products: Distribution by duty level, of MFN tariff provisions and imports--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

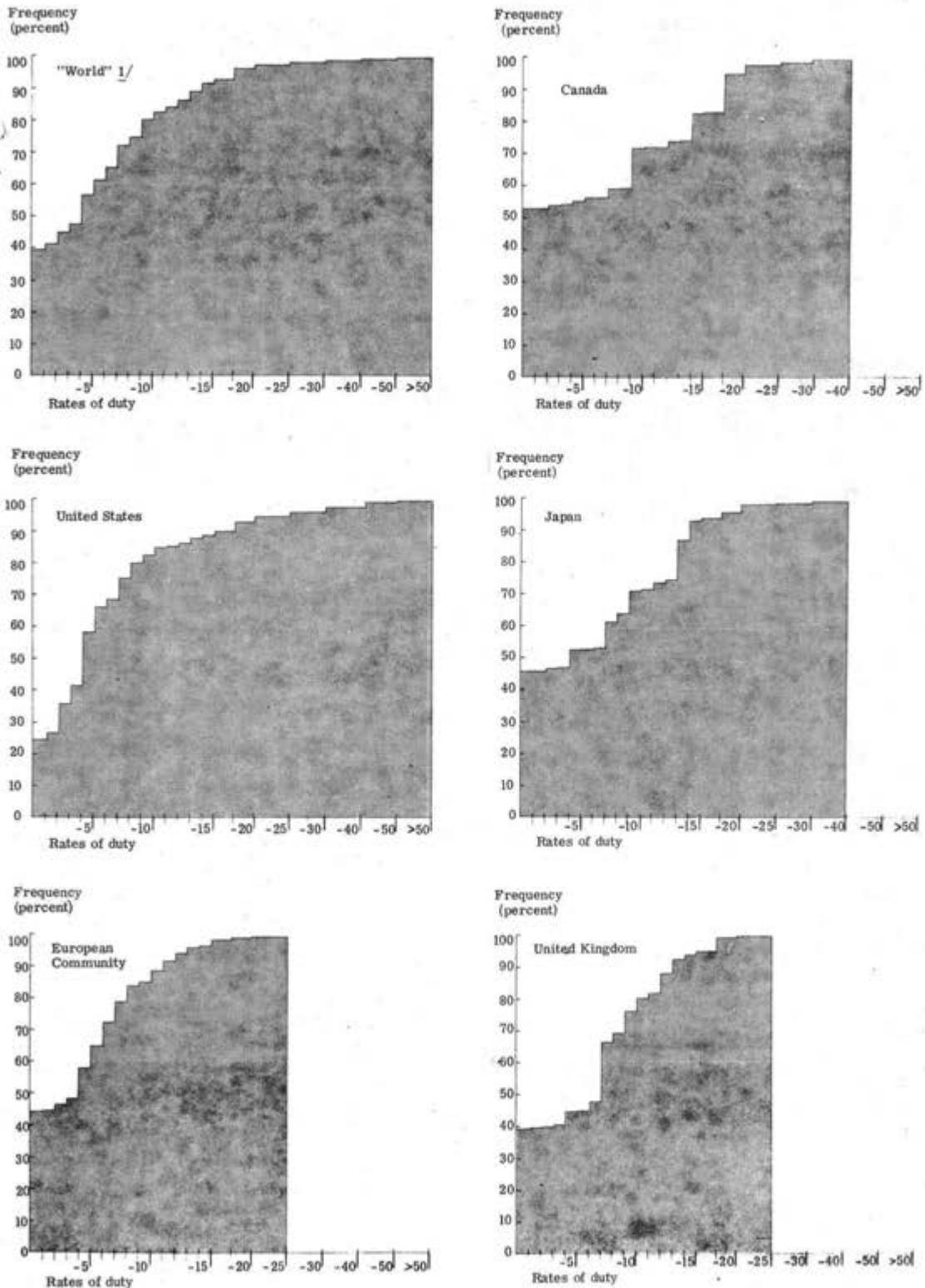
duty free, whereas 44 percent of the Community's MFN entries receive such treatment. In dutiable products, the rate levels with the highest concentrations when grouped in 5 percentage point categories (i.e., 0.1-5, 5.1-10) are as follows:

	<u>Rate category with--</u>	
	<u>Highest percent of tariff provisions</u>	<u>Highest percent of imports</u>
Canada	15.1-20	5.1-10
United States	5.1-10	0.1-5
Japan ^{1/}	5.1-10	10.1-15
European Community	5.1-10	5.1-10
United Kingdom	5.1-10	5.1-10

The difference in the industrial tariff patterns of the five countries can also be graphically illustrated by the cumulative distribution of each country's MFN imports by duty level. This is done in chart 4-C for the five major countries and, for comparison, for "world" imports. In this chart, a curve skewed to the left and rising sharply indicates a higher percentage of imports at low rates; to the extent the curve is skewed to the right and rises slowly, higher rates are applied to a greater proportion of imports. The "world average" performance indicates 40 percent of MFN imports entering at rates of less than 1 percent (virtually all duty free).

^{1/} Does not reflect unilateral rate reductions made by Japan after the Kennedy Round.

Chart 4-C.--All industrial products: Cumulative distribution, by duty level, of MFN imports



1/ "World" data represent a cumulative distribution by duty level of imports by 12 developed countries plus the European Community.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The curve rises from that point almost at a steady 45 degree angle, so that at the point a 15 percent duty is reached, 92 percent of total MFN imports have been accounted for. The U.S. curve starts at a much lower point (only 23 percent of United States MFN imports enter duty free) but it rises more rapidly than the world curve to the 15 percent duty level, at which point it falls slightly below world performance.

The European Community curve is quite close to the world curve up to the five percent duty level, then rises more sharply, and all EC industrial imports are accounted for by the time the 25 percent duty level is reached. The Canadian curve starts considerably higher than the world (53 percent of Canadian industrial MFN imports are duty free) but quickly--at the 5 percent rate level--drops below the world average and remains substantially below the world line for most of the curve. The same is true, but to a lesser degree, of the Japanese and the United Kingdom trade patterns. The actual percentages of MFN trade entering below selected rate levels are as follows:

<u>Duty rate</u>	<u>"World"</u>	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
FREE	38.4	53.4	23.0	46.1	44.2	39.6
Under 5%	57.1	55.4	58.9	53.0	58.2	44.7
Under 10%	80.7	72.2	83.0	71.4	86.5	76.6
Under 15%	92.1	83.2	89.3	94.2	96.9	94.2
Under 20%	96.7	95.8	93.7	97.5	99.8	99.7
Under 50%	99.9	100.0	99.9	100.0	100.0	100.0

Average MFN industrial tariff levels by stage of manufacture

Moving from the very general indicators represented by the overall averages for industrial tariffs, the first useful breakdown to examine is in terms of stages of manufacture. Before

discussing the tariff levels in these terms, however, the substantial differences in this respect in the composition of trade of the major countries should be noted. Table 4-E shows the relative importance of each country's MFN imports of industrial raw materials, semifinished products, and finished industrial products in 1970.

Table 4-E.--MFN imports of industrial raw materials, semifinished products and finished products by Canada, United States, Japan, the European Community, and the United Kingdom in 1970

(Value in millions of dollars)								
Country	Raw materials		Semifinished products		Finished products		Total	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent
Canada, total-----	858	8.0	1,455	13.6	8,379	78.4	10,692	100.0
Free-----	802	7.5	436	4.1	4,471	41.8	5,710	53.4
Dutiable-----	55	0.5	1,020	9.5	3,908	36.6	4,982	46.6
United States, total-----	4,784	17.7	7,742	28.6	14,540	53.7	27,065	100.0
Free-----	2,473	9.1	2,835	10.5	923	3.4	6,231	23.0
Dutiable-----	2,311	8.5	4,907	18.1	13,616	50.3	20,835	77.0
Japan, total-----	8,859	57.9	2,552	16.7	3,898	25.5	15,309	100.0
Free-----	6,359	41.5	558	3.6	142	0.9	7,059	46.1
Dutiable-----	2,500	16.3	1,994	13.0	3,756	24.5	8,250	53.9
European Community,								
total-----	11,283	35.2	8,789	27.5	11,944	37.3	32,016	100.0
Free-----	10,079	31.5	3,681	11.5	388	1.2	14,148	44.2
Dutiable-----	1,205	3.8	5,107	16.0	11,555	36.1	17,867	55.8
United Kingdom, total-----	2,163	24.5	2,082	23.6	4,580	51.9	8,825	100.0
Free-----	2,075	23.5	680	7.7	743	8.4	3,499	39.6
Dutiable-----	88	1.0	1,402	15.9	3,837	43.5	5,327	60.4

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Note: Figures do not add to totals shown because of rounding.

Canada exhibits the extreme case where 78 percent of industrial MFN imports are finished products; only 8 percent are raw materials. Japan is the opposite, with raw materials covering 58 percent of industrial imports, finished products only 25 percent. The United States and the United Kingdom import a smaller proportion of raw materials than the European Community and a larger proportion of finished products.

In Canada, the European Community and the United Kingdom almost all MFN imports of industrial raw materials are duty free. The United States levies a duty on products representing about half of the value of its MFN imports of raw materials and Japan, on about one-fourth. In semifinished products, a larger proportion of each country's MFN imports is dutiable than is duty free, but the percentages of individual countries vary widely. In finished products, all countries except Canada have only negligible or small portions of their MFN imports duty free. Forty-two percent of Canada's finished product MFN imports are admitted free. ^{1/}

A general practice in national tariffs is to levy low or no duties on raw materials not produced in the country, higher duties on semifinished manufactures, and still higher duties on finished products. ^{2/} Average MFN tariff levels for industrial raw materials, semimanufactured industrial products, and finished industrial products are presented in charts 4-D, 4-E and 4-F, respectively. These charts indicate a fairly consistent pattern of duty rates rising with the stage of fabrication. Inasmuch as duty rates protect only the value added in production, it would be expected

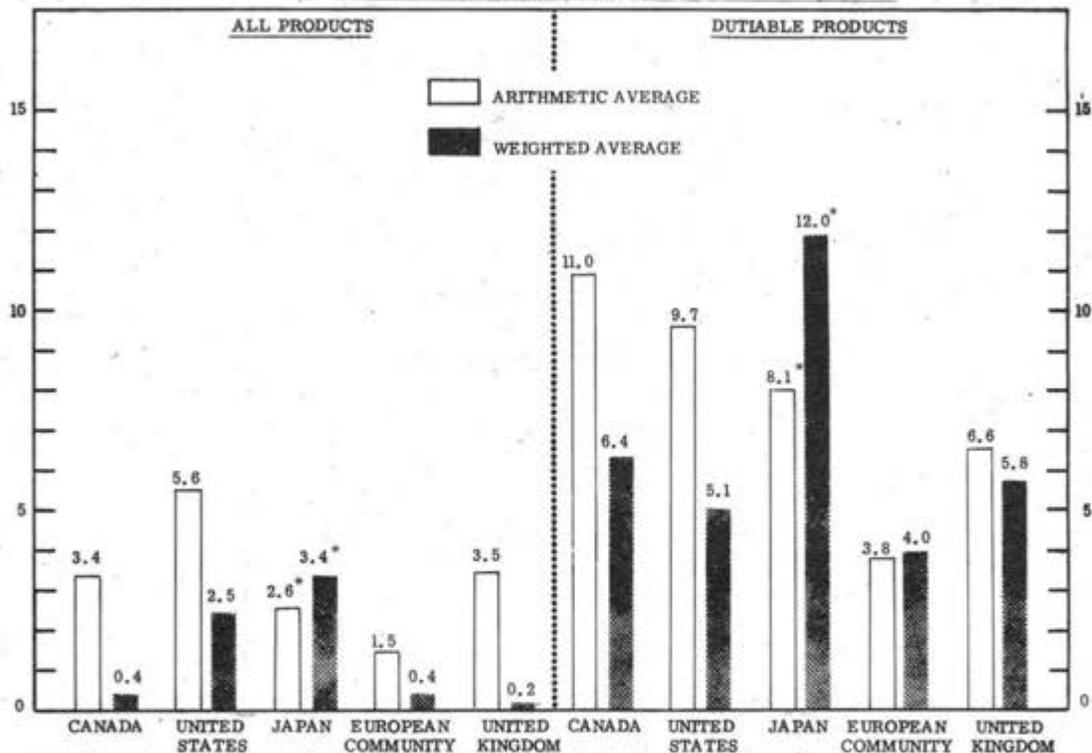
^{1/} The very substantial duty-free portion for Canada is accounted for chiefly by automobiles, which Canada accords MFN duty-free entry. (The large U.S. imports of automotive products from Canada have preferential duty-free status, and hence are not included in the above data which refer only to MFN imports.)

^{2/} There are, of course, numerous exceptions to this pattern. The tendency is to protect local industry regardless of whether the output is a raw material or finished product. Examples of raw materials having protective tariffs include certain apparel wool, tungsten ore, ethylene oxide and the duties and U.S. quotas (imposed in the 1950's) on lead and zinc as well as the quotas imposed until recently on petroleum, the voluntary restraint arrangement on steel, and European protection of its coal production.

on most processed or fabricated products that the "effective" duty rates (cf. discussion supra) would be above the rates depicted in these charts. However, depending on cost structures and given the substantial duties imposed on semifinished products, there are instances where protection on final products is actually negative.

In chart 4-D on industrial raw materials, when the reference

Chart 4-D. --Average MFN tariff rates on industrial raw materials
(Percent ad valorem)



* Figures for Japan do not reflect unilateral reductions made in 1972 in the sectors covering industrial raw materials. Nearly two-thirds of the rates of duty were reduced by 20 percent, about 8 percent of the rates were made duty-free and about one-sixth of the rates were reduced by amounts ranging from 50 percent to 73 percent; the remainder were excepted from reductions.

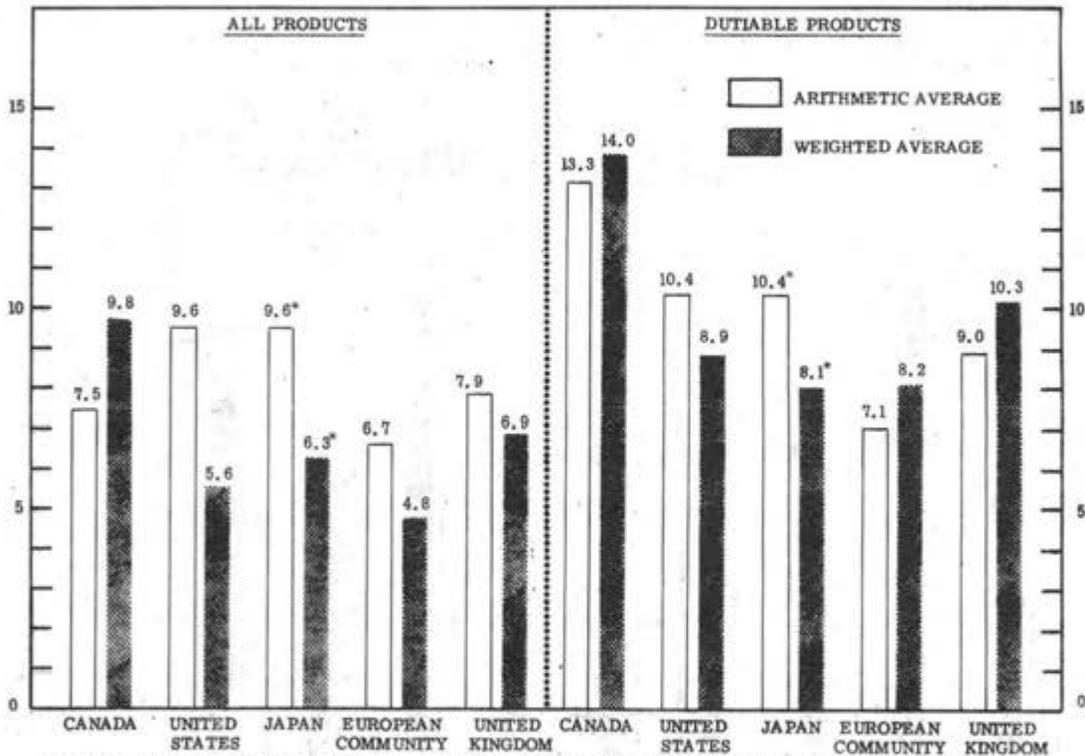
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

is all raw materials, all averages are lower than corresponding overall averages in chart 4-A, and some are near zero. The United States is seen to have the highest arithmetic average; Japan, the highest own-trade-weighted average. The European Community has

the lowest arithmetic average; the United Kingdom the lowest own-trade-weighted average. When only dutiable raw materials are considered, Canada is highest by the arithmetic average, Japan by the weighted average. For dutiable raw materials, the European Community is lowest by either measure.

Chart 4-E deals with semifinished industrial products. In

Chart 4-E.--Average MFN tariff rates on semifinished industrial products
(Percent ad valorem)



* Figures for Japan do not reflect unilateral reductions made in 1972 in the sectors covering semifinished industrial products. About three-fourths of the rates of duty were reduced by 20 percent, nearly 3 percent were made duty-free, about 8 percent were reduced by amounts ranging from 21 percent to 99 percent, while the remainder were excepted from reductions.

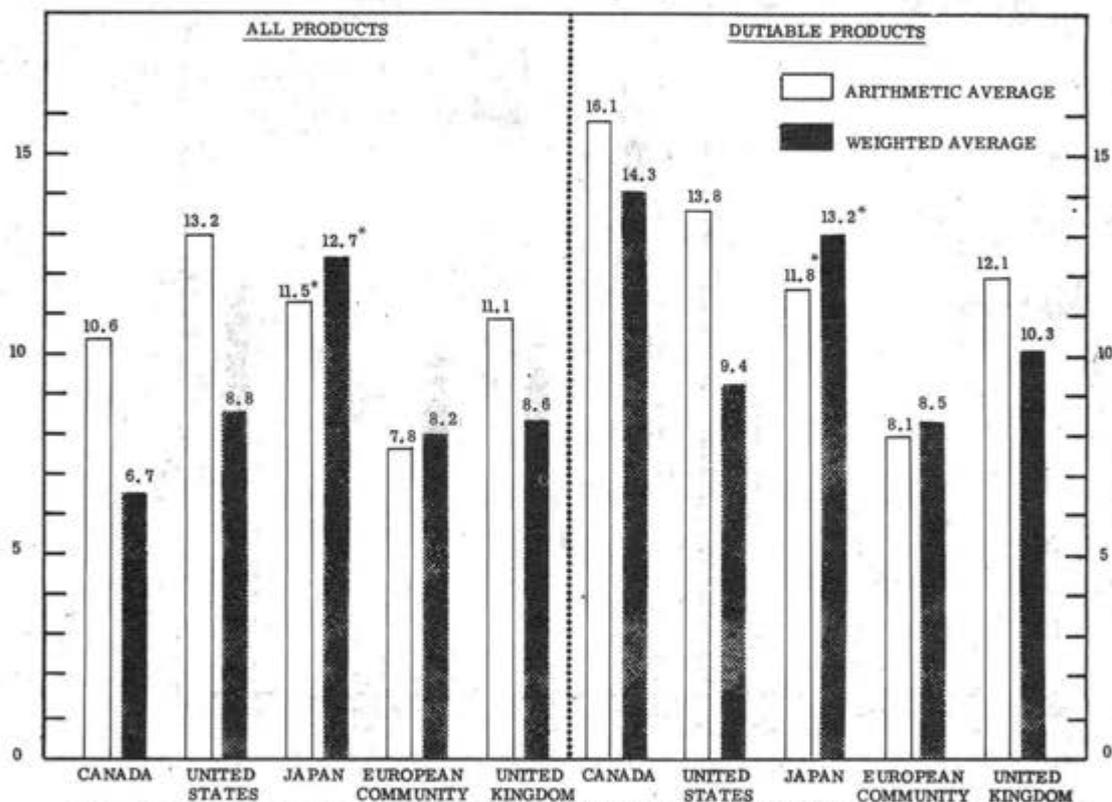
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

this chart, the United States and Japan tie for highest rates when all semifinished products are considered and the arithmetic average is employed. By the own-trade-weighted average, Canada

holds top position. By either measure, the EC average rates are lowest. In dutiable semifinished products, Canada is seen to have the highest rates by either measure, the European Community the lowest by the arithmetic average, and Japan the lowest weighted average.

Chart 4-F presents comparisons on finished industrial products. When all finished products are considered, the United States is

Chart 4-F.--Average MFN tariff rates on finished industrial products
(Percent ad valorem)



* Figures for Japan do not reflect unilateral reductions made in 1972 in the sectors covering finished industrial products. About 83 percent of the rates of duty were cut by 20 percent; about 13 percent were reduced by amounts ranging from 10 to 80 percent, and no change was made on about 4 percent of the classes.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

seen to have the highest rates by the arithmetic average, Japan by the own-trade-weighted average. The European Community has the lowest arithmetic average, Canada the lowest weighted average. For

dutiable finished products, Canada is seen to have the highest rates by either measure; the European Community the lowest rates by either measure.

If ranks of 1 through 5 (1, lowest; 5, highest) are assigned to countries within each set of average tariff levels which have been given for raw materials, semimanufactures and finished products (charts 4-D, 4-E and 4-F), the European Community is seen to hold the lowest average tariff level in 9 out of the 12 sets, and the second lowest in the remaining 3 sets. Canada has the largest number of "highest tariff" rankings. The number of times each country received each of the ranks is as follows:

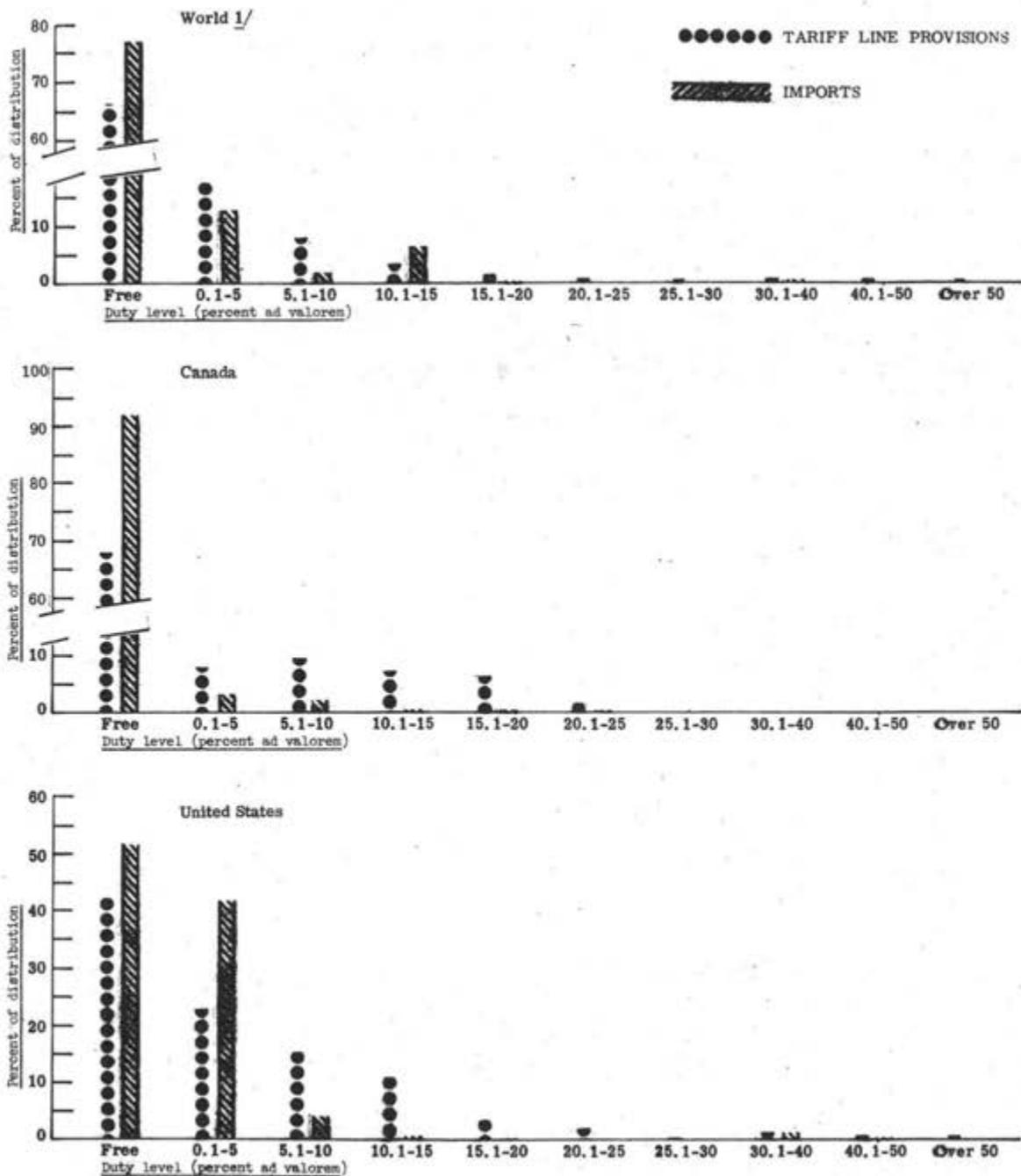
<u>Rank</u>	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
1 (lowest average)	1	0	1	9	1
2	2	3	2	3	2
3	2	1	3	0	6
4	1	5	3	0	3
5 (highest average)	6	3	3	0	0

Tariff and trade profiles by stage of manufacture

The tariff and trade profiles presented in charts 4-G, 4-H and 4-I assist in interpreting and comparing the average duties by stages of manufacture. ^{1/} It is seen from the profiles on raw materials (chart 4-G) that all countries have MFN rate provisions extending into the 15.1-20 percent ad valorem range (Canada, the United States, Japan and the United Kingdom go higher). The dutiable provisions and dutiable MFN imports are concentrated in the 0.1-5 percent ad valorem bracket, except for Japan, where almost all dutiable raw material imports are in the 10.1-15 percent bracket.

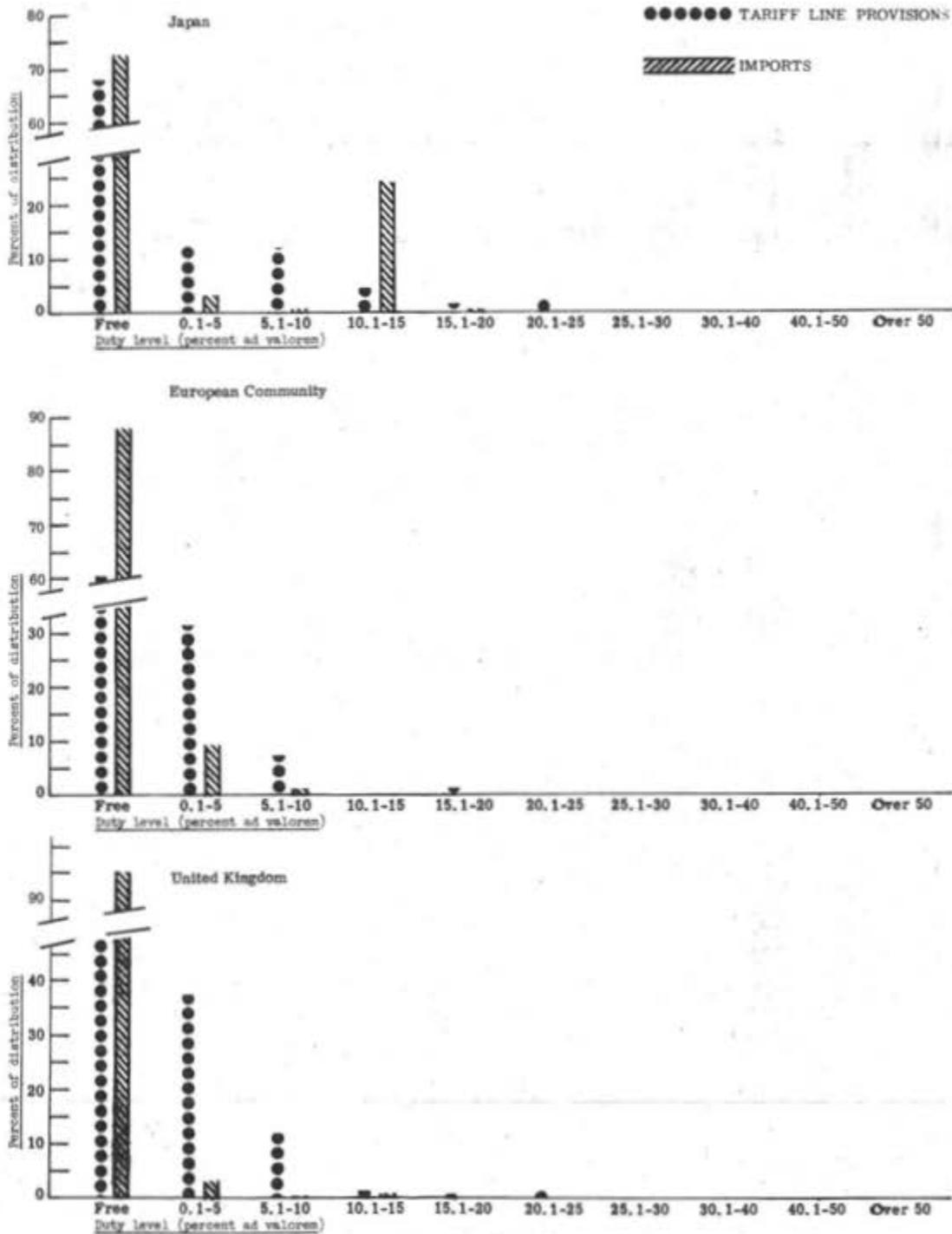
^{1/} The statistical data from which charts 4-G, 4-H and 4-I are constructed is found in appendix tables 4-B, 4-C and 4-D, respectively.

Chart 4-G. --Industrial raw materials: Distribution, by duty level, of MFN tariff provisions and imports



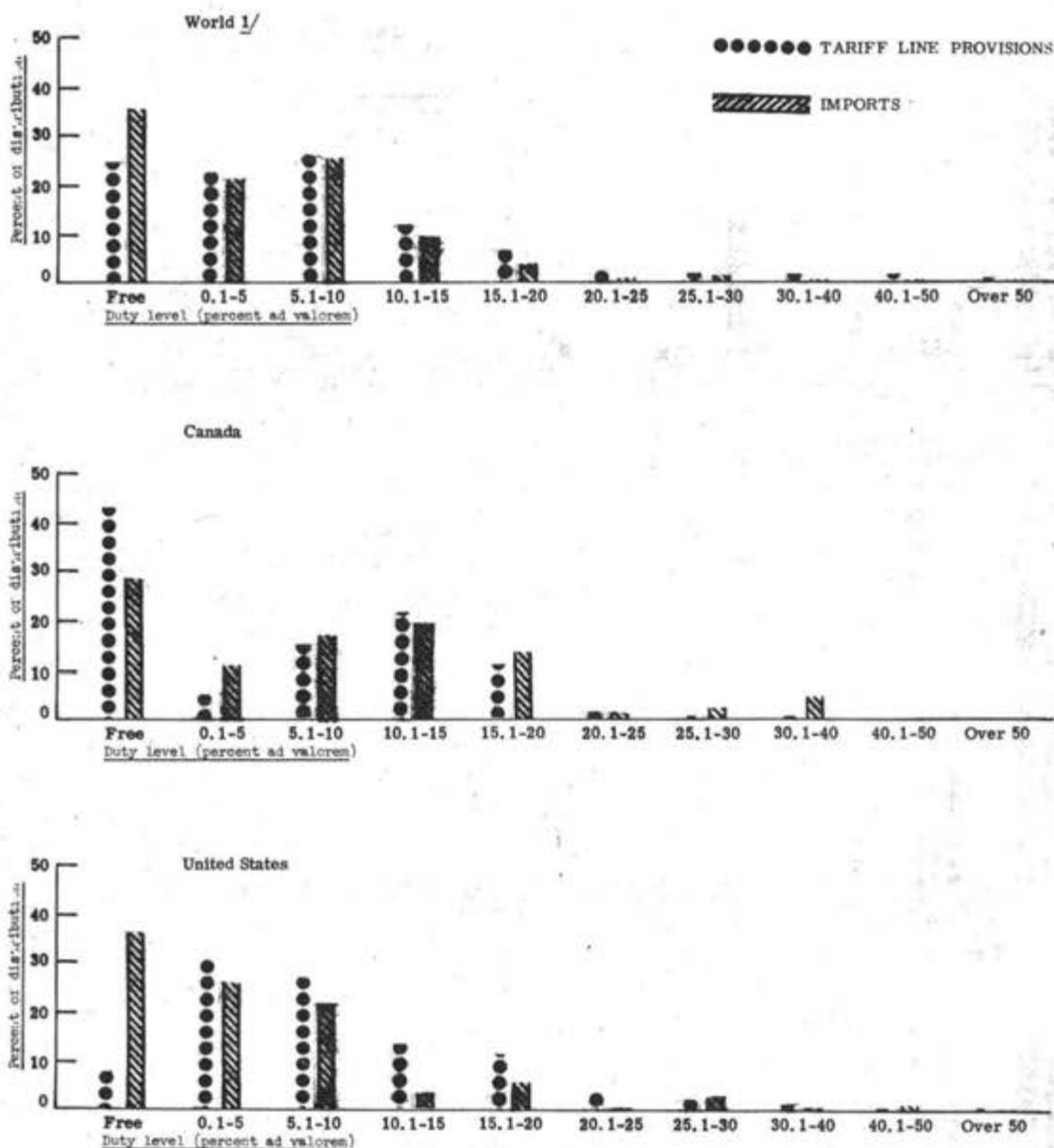
1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Chart 4-G. --Industrial raw materials: Distribution, by duty level, of MFN tariff provisions and imports--Continued



Source: Compiled from Basic Documentation for the Tariff Study, "ATT."

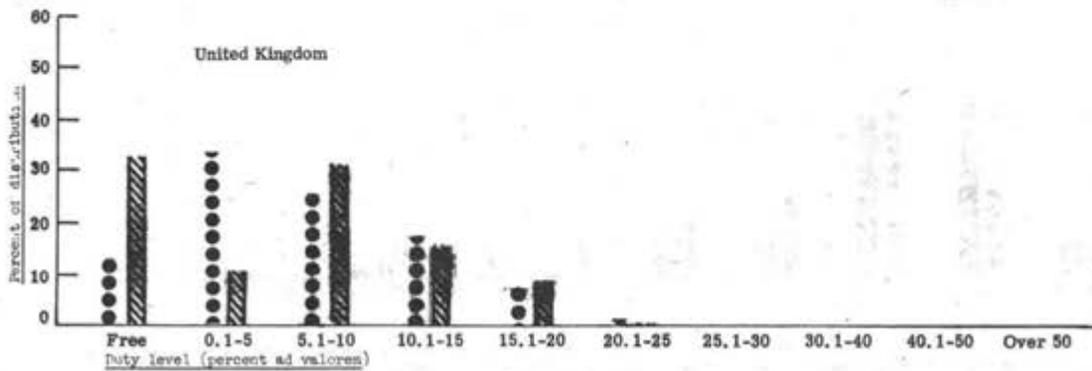
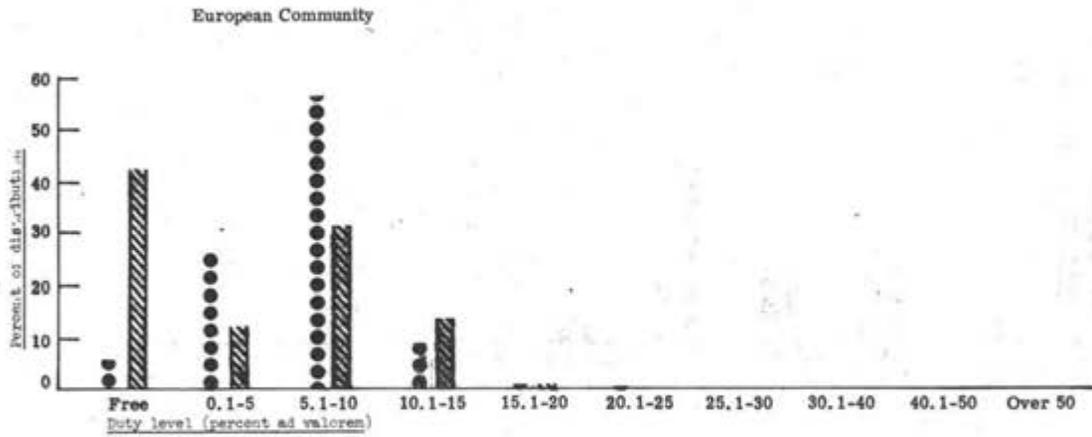
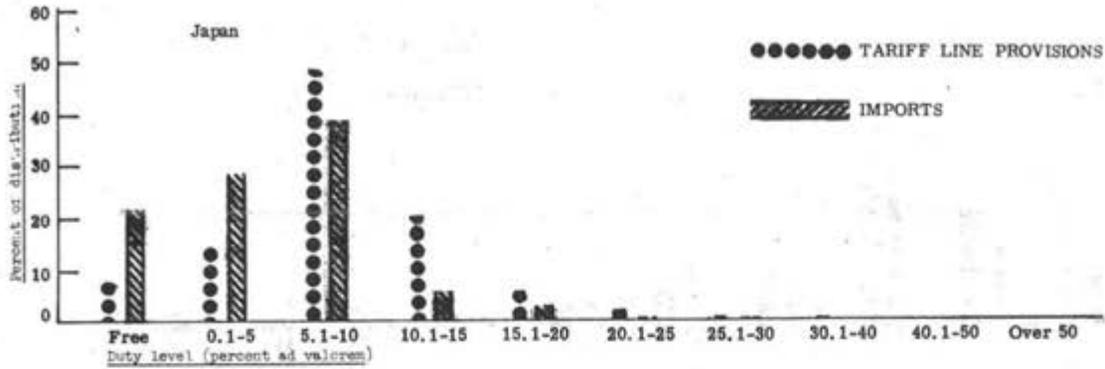
Chart 4-H. --Semifinished industrial products: Distribution, by duty level, of MFN tariff provisions and imports



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

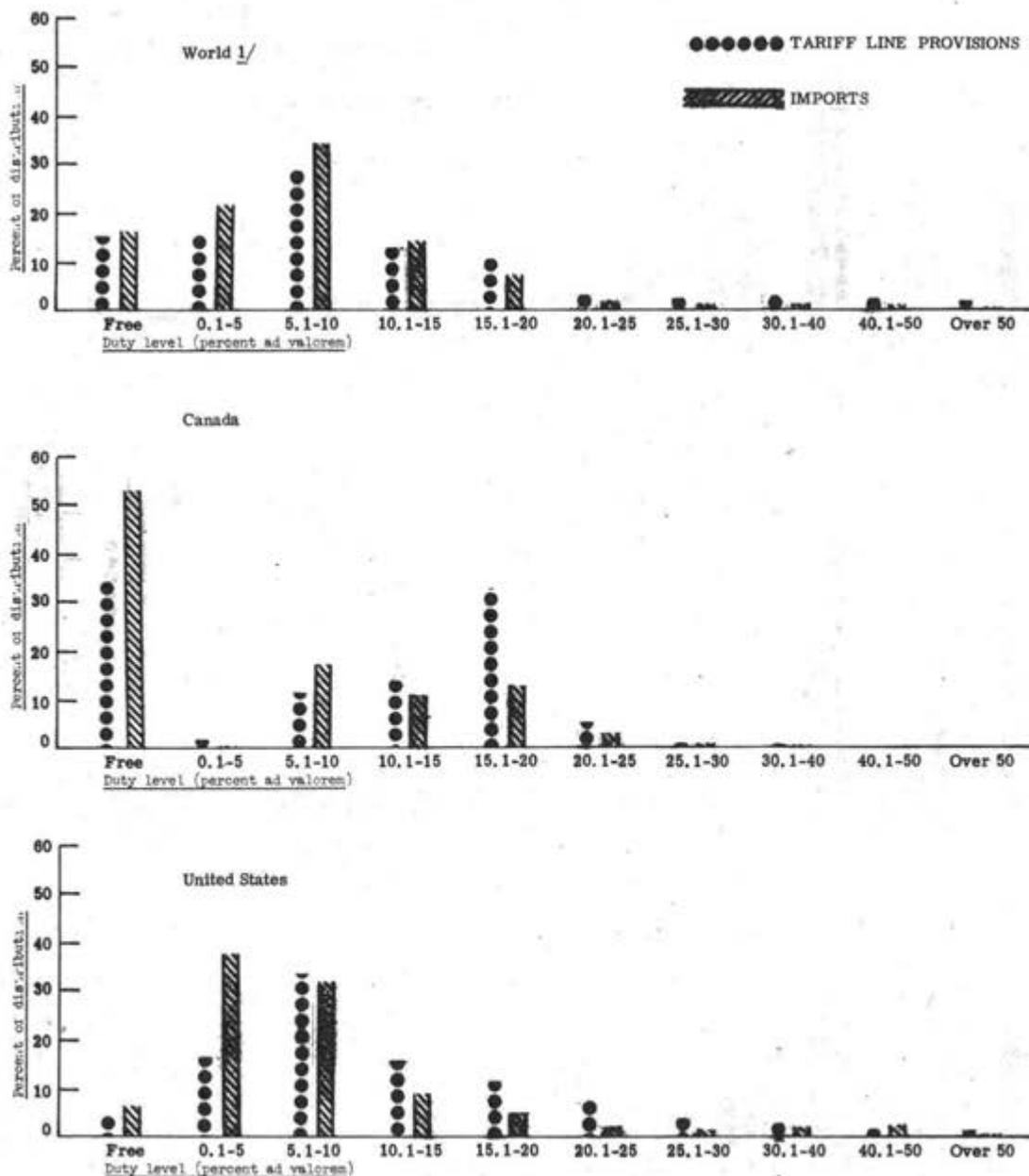
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-H. --Semifinished industrial products: Distribution, by duty level, of MFN tariff provisions and imports--Continued



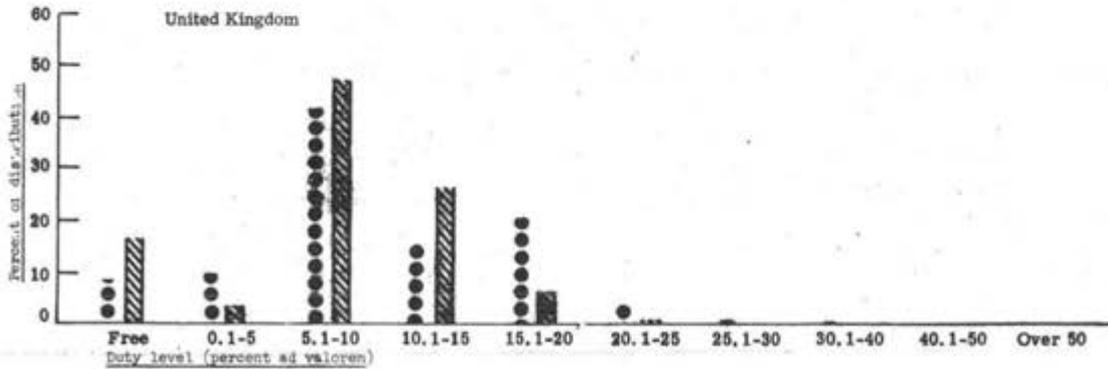
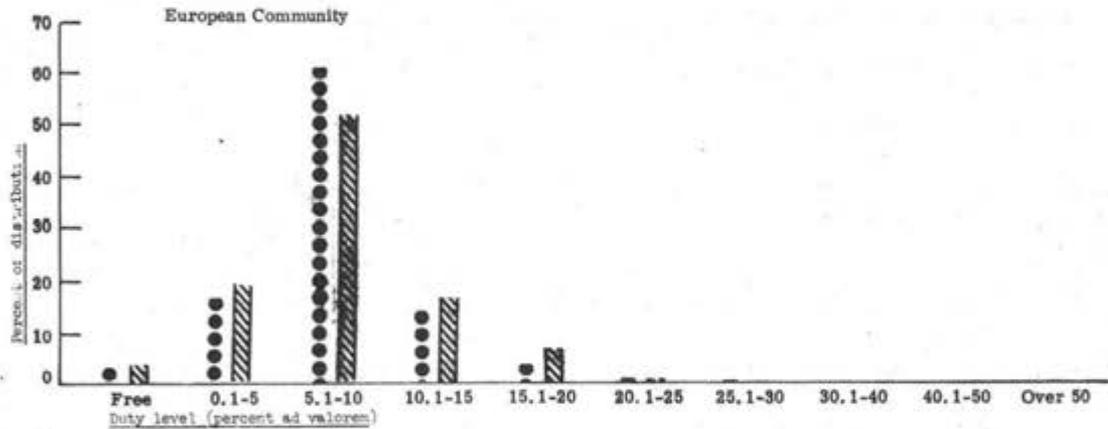
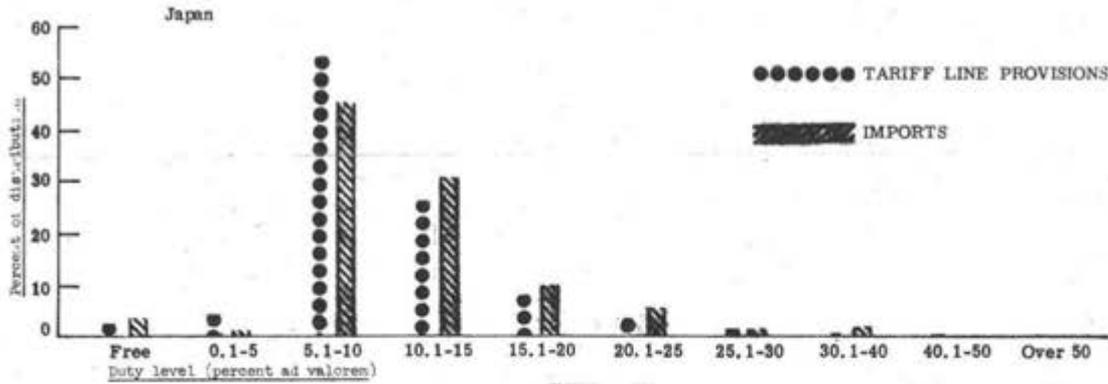
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-I.--Finished industrial products: Distribution, by duty level, of MFN tariff provisions and imports



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Chart 4-1. --Finished industrial products: Distribution, by duty level, of MFN tariff provisions and imports--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The profiles on semimanufactures indicate the largest concentration of U.S. dutiable MFN imports to be at rates of 5 percent ad valorem or less; the largest concentration of dutiable MFN imports for Japan, the European Community and the United Kingdom falls in the 5.1-10 percent bracket; and for Canada in the 10.1-15 percent bracket.

The profiles for finished manufactures show the largest concentration of U.S. dutiable MFN imports again in the 0.1-5 percent ad valorem bracket, and the largest concentration of the other countries in the 5.1-10 percent range.

Average MFN tariff levels for industrial product sectors

A lower level of aggregation at which average duty levels can be examined is that of the product sector. At this level, the diversity of rate treatment given to the various products emerges, and the averages, by virtue of the disaggregation, become considerably more meaningful indicators.

To develop average tariff data in terms of product sectors, the GATT contracting parties classified all industrial products into 23 sectors. In table 4-F, for each of the five countries, arithmetic and own-trade-weighted average MFN tariff levels are given for all products and for dutiable products in each of the 23 sectors, together with each country's imports in the sector.

Table 4-F.--Industrial sectors: Average MFN rates of duty and 1970 imports of Canada, the United States, Japan, the European Community and the United Kingdom

Country and sector	All products				Dutiable products			
	Average MFN duty		Total imports		Average MFN duty		MFN imports	
	A 1/	W 1/	Value	Percent	A 1/	W 1/	Value	Percent
CANADA								
	Percent	Million			Percent	Million		
	ad valorem	Dollars			ad valorem	Dollars		
I-1 Nonelectrical machinery-----	7.6 : 6.5	2,460	20.5	14.0	11.2	1,296	26.0	
I-2 Transport equipment-----	9.0 : 2.2	3,263	27.2	15.1	12.5	545	10.9	
I-3 Ores, metals and metal manufactures-----	8.4 : 7.4	1,274	10.6	13.8	12.4	603	12.1	
I-4 Chemicals-----	7.7 : 9.2	837	7.0	13.5	13.9	460	9.2	
I-5 Textiles-----	15.7 : 20.8	705	5.9	19.9	23.8	476	9.6	
I-6 Electrical machines and apparatus-----	7.8 : 11.4	712	5.9	14.8	15.5	469	9.4	
I-7 Pulp, paper and paperboard, and manufactures-----	8.9 : 6.7	358	3.0	15.2	15.5	143	2.9	
I-8 Coal, petroleum, natural gas-----	6.1 : 1.7	744	6.2	13.6	7.6	148	3.0	
I-9 Mineral products and fertilizers, ceramic products and glass-----	7.9 : 7.4	278	2.3	14.5	14.8	118	2.4	
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	8.3 : 5.9	441	3.7	14.4	13.5	174	3.5	
I-11 Wood and cork and manufactures-----	8.2 : 5.7	133	1.1	14.2	13.4	54	1.1	
I-12 Precious stones, precious metals and manufactures-----	8.9 : 5.6	57	.5	18.3	22.0	12	.2	
I-13 Rubber and rubber manufactures-----	7.0 : 9.8	177	1.5	15.1	13.7	102	2.0	
I-14 Raw hides and skins, leather and furskins and manufactures-----	13.1 : 8.1	76	.6	15.3	14.6	33	.7	
I-15 Footwear and travel goods-----	20.7 : 23.5	90	.8	20.7	23.5	76	1.5	
I-16 Musical instruments, sound recording or reproduction apparatus-----	9.3 : 11.7	79	.7	14.5	12.9	65	1.3	
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	12.1 : 15.8	31	.3	14.9	16.6	28	.6	
I-18 Furniture-----	14.2 : 19.0	34	.3	17.6	19.0	31	0.6	
I-19 Toys and sporting goods-----	17.0 : 18.0	74	.6	17.4	18.3	62	1.2	
I-20 Photographic and cinematographic supplies-----	7.2 : 9.6	75	.6	14.0	16.2	31	0.6	
I-21 Works of art and collectors' pieces-----	4.4 : .5	21	.2	19.5	21.3	-	-	
I-22 Office and stationary supplies-----	16.1 : 17.2	11	.1	17.0	17.7	10	.2	
I-23 Manufactured articles not elsewhere specified-----	14.0 : 13.4	68	.6	17.8	17.5	47	.9	
Total industrial sectors-----	9.3 : 6.6	11,998	100.0	15.2	14.1	4,982	100.0	
UNITED STATES								
I-1 Nonelectrical machinery-----	6.8 : 5.0	3,093	9.7	7.5	5.7	2,419	11.6	
I-2 Transport equipment-----	7.4 : 3.8	5,966	18.8	7.8	4.1	1,955	9.4	
I-3 Ores, metals and metal manufactures-----	8.7 : 4.6	5,472	17.2	9.2	6.3	3,923	18.8	
I-4 Chemicals-----	9.0 : 8.0	1,277	4.0	9.7	9.1	1,033	5.0	
I-5 Textiles-----	17.8 : 22.3	2,472	7.8	18.4	25.0	2,167	10.4	
I-6 Electrical machines and apparatus-----	8.4 : 7.2	2,088	6.6	8.4	7.2	2,323	9.7	
I-7 Pulp, paper and paperboard, and manufactures-----	5.5 : .5	1,733	5.5	6.6	5.0	176	.8	
I-8 Coal, petroleum, natural gas-----	3.3 : 3.7	3,065	9.6	8.0	4.1	2,708	13.0	
I-9 Mineral products and fertilizers, ceramic products and glass-----	9.8 : 8.8	919	2.9	12.3	16.6	468	2.2	
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	19.5 : 12.1	669	2.1	19.5	12.1	666	3.2	
I-11 Wood and cork and manufactures-----	7.1 : 4.4	958	3.0	10.9	12.1	331	1.6	
I-12 Precious stones, precious metals and manufactures-----	12.5 : 3.1	699	2.2	14.4	7.4	279	1.3	
I-13 Rubber and rubber manufactures-----	9.6 : 2.4	543	1.7	10.5	4.4	290	1.4	
I-14 Raw hides and skins, leather and furskins and manufactures-----	14.6 : 6.0	336	1.1	16.0	8.8	216	1.0	
I-15 Footwear and travel goods-----	11.8 : 11.2	737	2.3	12.0	11.2	727	3.5	
I-16 Musical instruments, sound recording or reproduction apparatus-----	8.2 : 6.7	326	1.0	8.8	6.7	324	1.6	
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	13.1 : 9.1	97	.3	14.2	9.4	94	.5	
I-18 Furniture-----	10.9 : 7.6	230	.7	10.9	7.6	143	.7	
I-19 Toys and sporting goods-----	11.0 : 13.9	420	1.3	11.4	13.9	419	2.0	
I-20 Photographic and cinematographic supplies-----	5.4 : 3.5	105	.3	6.5	3.5	105	.5	
I-21 Works of art and collectors' pieces-----	.5 : -	157	.5	7.5	7.5	-	-	
I-22 Office and stationary supplies-----	10.8 : 11.9	16	.1	10.8	11.9	16	.1	
I-23 Manufactured articles not elsewhere specified-----	12.9 : 9.1	386	1.2	13.2	9.9	354	1.7	
Total industrial sectors-----	11.1 : 6.8	31,762	100.0	12.1	8.8	20,835	100.0	

See footnote at end of table.

Table 4-F. --Industrial sectors: Average MFN rates of duty and 1970 imports of Canada, the United States, Japan, the European Community and the United Kingdom--Continued

Country and sector	All products				Dutiable products			
	Average MFN duty		Total imports		Average MFN duty		MFN imports	
	A %	W %	Value	Percent	A %	W %	Value	Percent
	Percent ad valorem	Million Dollars	Million Dollars	Percent	Percent ad valorem	Million Dollars	Million Dollars	Percent
<u>JAPAN</u>								
I-1 Nonelectrical machinery-----	10.8	12.0	1,240	8.0	10.8	12.0	1,232	14.9
I-2 Transport equipment-----	11.3	12.2	433	2.8	11.8	12.8	411	5.0
I-3 Ores, metals and metal manufactures-----	9.6	2.1	3,874	25.0	10.7	6.7	1,170	14.2
I-4 Chemicals-----	9.6	9.5	929	6.0	10.4	10.3	835	10.1
I-5 Textiles-----	12.0	3.5	1,267	8.2	13.1	12.7	329	4.0
I-6 Electrical machines and apparatus-----	10.8	11.7	366	2.4	10.8	11.7	365	4.4
I-7 Pulp, paper and paperboard, and manufactures-----	6.9	4.0	276	1.8	8.2	5.6	196	2.4
I-8 Coal, petroleum, natural gas-----	9.1	10.5	3,909	25.2	11.7	14.1	2,895	35.1
I-9 Mineral products and fertilizers, ceramic products and glass-----	5.3	1.2	390	2.5	8.6	9.6	45	.5
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	10.6	9.7	247	1.6	10.6	9.7	246	3.0
I-11 Wood and cork and manufactures-----	6.1	.5	1,702	11.0	10.8	15.4	58	.7
I-12 Precious stones, precious metals and manufactures-----	12.3	3.2	260	1.7	13.7	5.5	150	1.8
I-13 Rubber and rubber manufactures-----	6.4	.6	162	1.0	8.7	8.6	11	.1
I-14 Raw hides and skins, leather and furskins and manufactures-----	13.5	2.3	126	.8	14.5	10.8	26	.3
I-15 Footwear and travel goods-----	16.4	14.9	19	.1	16.4	14.9	19	.2
I-16 Musical instruments, sound recording or reproduction apparatus-----	10.2	10.0	38	.2	10.2	10.0	38	.5
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	21.1	20.9	18	.1	21.1	20.9	18	.2
I-18 Furniture-----	12.5	10.7	7	-	12.5	10.7	6	.1
I-19 Toys and sporting goods-----	10.8	13.3	97	.6	10.8	13.3	96	1.2
I-20 Photographic and cinematographic supplies-----	18.8	22.4	45	.3	18.8	22.4	45	0.5
I-21 Works of art and collectors' pieces-----	-	-	35	.2	-	-	-	-
I-22 Office and stationery supplies-----	12.1	16.3	9	.1	12.1	16.3	9	.1
I-23 Manufactured articles not elsewhere specified-----	11.9	9.2	70	.4	12.6	12.2	47	.6
Total industrial sectors-----	10.1	6.3	15,519	100.0	11.2	11.6	8,250	100.0
<u>EUROPEAN COMMUNITY</u>								
I-1 Nonelectrical machinery-----	6.2	6.6	3,847	10.7	6.2	6.6	3,843	21.5
I-2 Transport equipment-----	8.2	7.1	1,667	4.7	8.9	7.9	1,508	8.4
I-3 Ores, metals and metal manufactures-----	6.3	2.9	7,340	20.4	7.0	7.0	2,632	14.7
I-4 Chemicals-----	10.6	10.0	2,527	7.0	10.9	11.3	2,155	12.1
I-5 Textiles-----	9.5	7.6	2,751	7.6	10.3	13.2	1,503	8.4
I-6 Electrical machines and apparatus-----	8.4	9.3	1,494	4.2	8.4	9.3	1,368	7.7
I-7 Pulp, paper and paperboard, and manufactures-----	7.0	5.3	1,861	5.2	9.8	8.5	1,161	6.5
I-8 Coal, petroleum, natural gas-----	3.2	.7	7,783	21.6	3.8	4.6	951	5.3
I-9 Mineral products and fertilizers, ceramic products and glass-----	5.7	3.4	1,056	2.9	7.4	8.3	370	2.1
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	9.3	10.4	956	2.7	9.3	10.4	952	5.3
I-11 Wood and cork and manufactures-----	5.9	1.2	1,452	4.0	7.0	9.6	157	.9
I-12 Precious stones, precious metals and manufactures-----	3.9	.3	842	2.3	5.3	6.9	37	.2
I-13 Rubber and rubber manufactures-----	5.3	2.8	546	1.5	6.7	8.0	183	1.0
I-14 Raw hides and skins, leather and furskins and manufactures-----	5.1	1.9	706	2.0	6.9	6.6	186	1.0
I-15 Footwear and travel goods-----	11.2	12.0	102	.3	11.2	12.0	98	.5
I-16 Musical instruments, sound recording or reproduction apparatus-----	7.6	8.3	251	.7	7.6	8.3	147	.8
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	6.4	9.0	96	.3	7.2	9.0	15	.1
I-18 Furniture-----	8.2	8.4	100	.3	8.2	8.4	100	.6
I-19 Toys and sporting goods-----	10.5	12.8	153	.4	11.3	12.8	153	.9
I-20 Photographic and cinematographic supplies-----	4.2	7.6	113	.3	5.6	7.8	110	.6
I-21 Works of art and collectors' pieces-----	-	-	56	.2	-	-	-	-
I-22 Office and stationery supplies-----	7.2	9.2	25	.1	7.2	9.2	25	.1
I-23 Manufactured articles not elsewhere specified-----	7.9	8.5	217	.6	8.1	8.5	213	1.2
Total industrial sectors-----	6.9	4.5	35,962	100.0	7.5	8.1	17,867	100.0

See footnote at end of table.

Table 4-F. --Industrial sectors: Average MFN rates of duty and 1970 imports of Canada, the United States, Japan, the European Community and the United Kingdom. --Continued

Country and sector	All products				Dutiable products			
	Average MFN duty		Total imports		Average MFN duty		MFN imports	
	A 1/	W 1/	Value	Percent	A 1/	W 1/	Value	Percent
	Percent ad valorem	Percent ad valorem	Million Dollars	Percent	Percent ad valorem	Percent ad valorem	Million Dollars	Percent
UNITED KINGDOM								
I-1	9.0	9.3	2,071	13.2	9.2	9.3	1,642	30.8
I-2	10.2	8.7	727	4.6	11.3	9.6	563	10.6
I-3	8.4	4.3	2,807	17.8	10.5	9.3	522	9.8
I-4	11.2	13.1	1,195	7.6	12.4	14.0	691	13.0
I-5	14.8	11.5	1,258	8.0	16.1	15.9	345	6.5
I-6	10.8	12.0	690	4.4	11.0	12.0	494	9.3
I-7	10.3	5.8	1,138	7.2	13.5	13.0	114	2.1
I-8	3.0	0.1	2,275	14.5	5.6	6.1	23	.4
I-9	6.9	5.5	356	2.3	8.7	8.6	158	3.0
I-10	15.5	13.0	385	2.4	15.5	13.0	278	5.2
I-11	5.5	2.2	831	5.3	7.2	6.3	102	1.9
I-12	5.6	0.8	933	5.9	8.8	11.5	7	.1
I-13	8.0	5.8	205	1.3	9.1	7.3	68	1.3
I-14	10.3	3.5	253	1.6	12.0	13.4	27	.5
I-15	9.3	7.0	115	.7	9.6	7.0	62	1.2
I-16	10.3	8.4	93	.6	11.4	8.4	74	1.4
I-17	10.8	10.7	6	.2/	10.8	10.7	5	.1
I-18	14.0	10.1	37	.2	14.0	10.1	21	.4
I-19	12.4	13.4	53	.3	12.4	13.4	20	.4
I-20	3.6	7.8	62	.4	8.2	8.2	52	1.0
I-21	2.5	.5	130	.8	10.0	10.0	4	.1
I-22	8.6	9.6	17	.1	8.6	9.6	13	.2
I-23	10.5	11.0	102	.6	11.5	11.3	41	.8
Total industrial sectors	9.2	6.2	15,740	100.0	10.5	10.2	5,327	100.0

1/ A = Simple arithmetic average; W = weighted average (weights are country's own MFN imports).

2/ Less than 0.05 percent

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Note.--Because of rounding, figures may not add to the totals shown.

For an easier intercountry visual comparison of the average tariff levels by product sector, profiles of each country's tariff in terms of sectors are presented graphically in the charts on the following pages, the coverage of which is listed below:

Arithmetic averages:

- Chart 4-J -- Tariff profiles for all industrial products
 Chart 4-K -- Tariff profiles for dutiable industrial products

Weighted averages:

- Chart 4-L -- Tariff profiles for all industrial products
 Chart 4-M -- Tariff profiles for dutiable industrial products

Because the volume of trade is so very different between the first 12 sectors and the remaining 11, each of the profiles is shown in 2 parts: Part A gives the profiles for the major sectors, 1 through 12; part B gives the minor sectors, 13 through 23 (blown up on a much larger scale than the profiles of part A). The tariff profiles are drawn so that the height of the bar represents the duty average; the width of the bar, the scale of trading occurring under it. The various designs of patterns used within the bars are simply visual aids and have no significance of themselves.

It will be seen for all five countries that there is considerable concentration within the major sectors of trade (shown in part A of the profiles). For all five countries, four sectors (I-1, nonelectrical machinery; I-2, transport equipment; I-3, ores, metals and manufactures; and I-8, coal, petroleum and natural gas)

constitute half or more of their industrial imports. In comparing charts 4-J and 4-K with charts 4-L and 4-M it will be seen, that, typically, while arithmetic averaging produces a higher figure than own-trade-weighted averages, this is not consistently so. A further insight into the averages of each sector can be obtained by consulting the sector tariff and trade profile found in appendix chart 4-A.

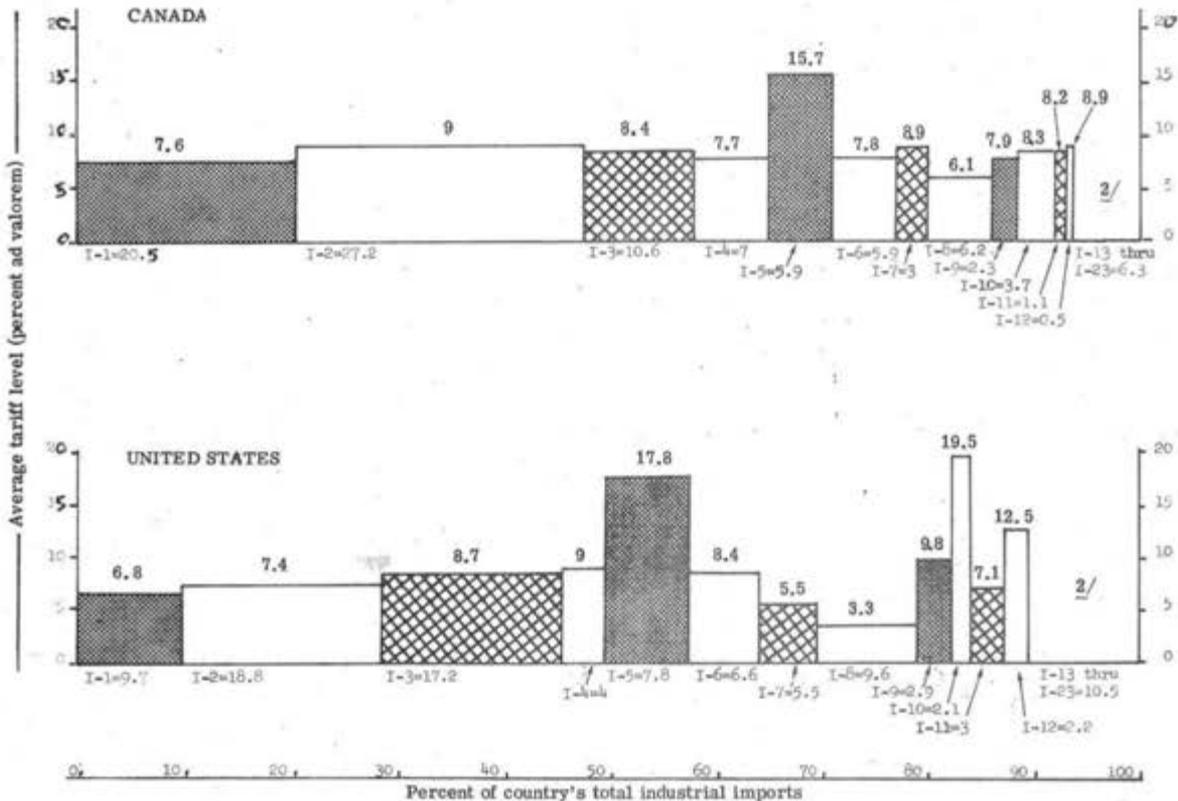
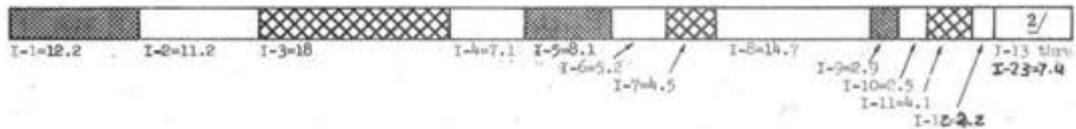
CHART 4-J.--TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS
(Part A - Major Sectors (I-1 thru I-12))

Arithmetic average tariffs and tariff distribution of imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

- | | |
|---|--|
| I-1 Nonelectrical machinery | I-13 Rubber and rubber manufactures |
| I-2 Transport equipment | I-14 Raw hides and skins, leather and furskins and manufactures |
| I-3 Ores, metals and metal manufactures | I-15 Footwear and travel goods |
| I-4 Chemicals | I-16 Musical instruments, sound recording or reproduction apparatus |
| I-5 Textiles | I-17 Firearms, ammunition, tanks and other armored fighting vehicles |
| I-6 Electrical machines and apparatus | I-18 Furniture |
| I-7 Pulp, paper and paperboard, and manufactures | I-19 Toys and sporting goods |
| I-8 Coal, petroleum, natural gas | I-20 Photographic and cinematographic supplies |
| I-9 Mineral products and fertilizers, ceramic products and glass | I-21 Works of art and collectors' pieces |
| I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches | I-22 Office and stationery supplies |
| I-11 Wood and cork and manufactures | I-23 Manufactured articles not elsewhere specified |
| I-12 Precious stones, precious metals and manufactures | |

World trade ^{1/} distribution by sector:

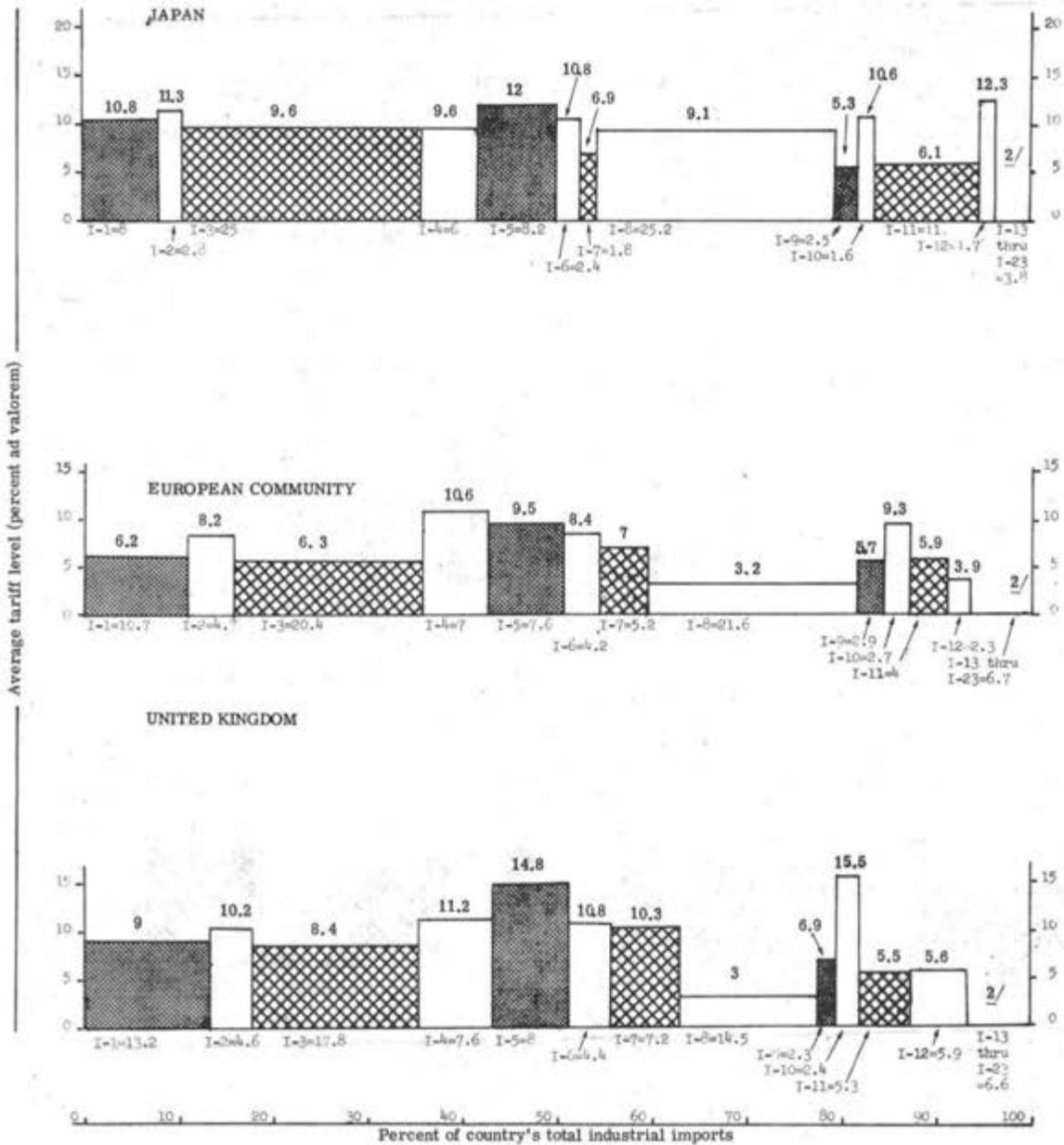
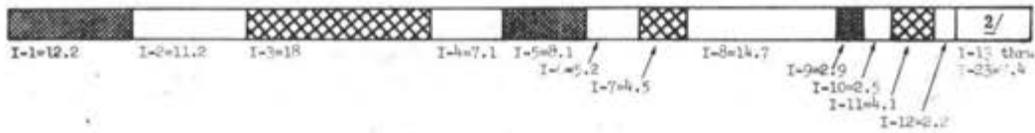


^{1/} "World trade" consists of imports of 18 major trading countries.
^{2/} See Part B of this chart for profiles of minor sectors.

CHART 4-J. --TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS--Continued

(Part A - Major Sectors (I-1 thru I-12)--Continued

World trade ^{1/} distribution by sector:



^{1/} "World trade" consists of imports of 16 major trading countries.
^{2/} See Part B of this chart for profiles of minor sectors.

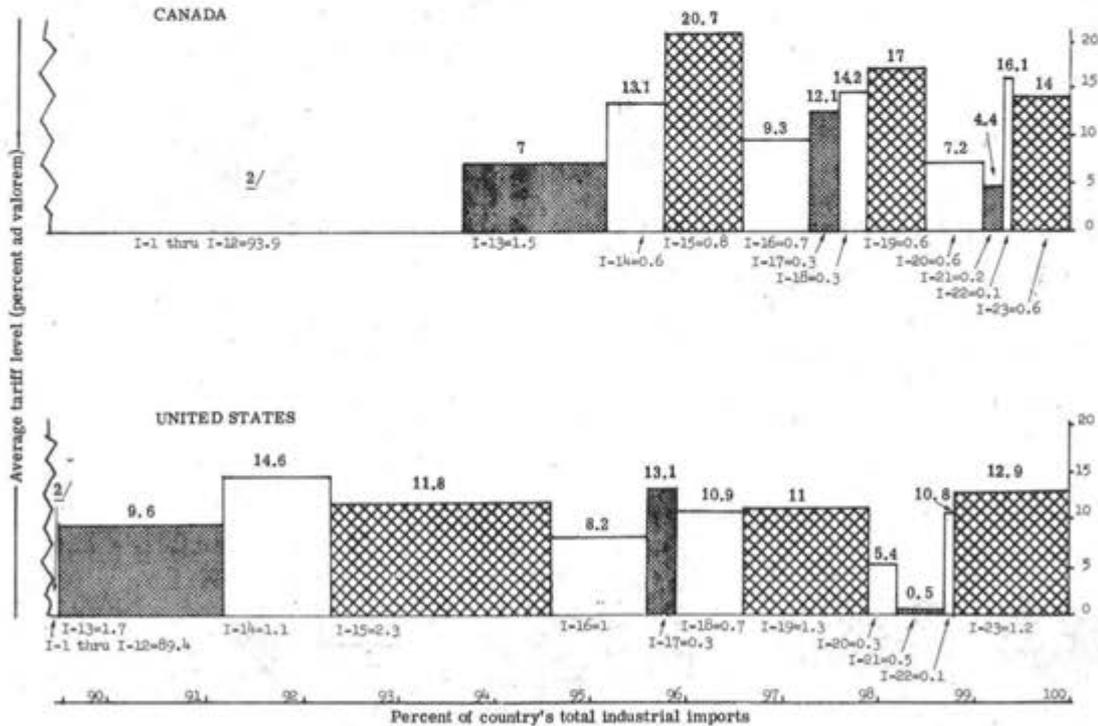
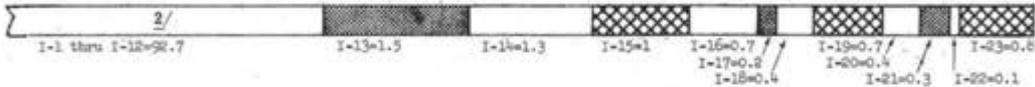
CHART 4-J. --TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS--Continued
(Part B-Minor Sectors (I-13 thru I-23))

Arithmetic average tariffs and tariff distribution of imports by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

- | | |
|---|--|
| 1-1 Nonelectrical machinery | 1-13 Rubber and rubber manufactures |
| 1-2 Transport equipment | 1-14 Raw hides and skins, leather and furskins and manufactures |
| 1-3 Ores, metals and metal manufactures | 1-15 Footwear and travel goods |
| 1-4 Chemicals | 1-16 Musical instruments, sound recording or reproduction apparatus |
| 1-5 Textiles | 1-17 Firearms, ammunition, tanks and other armored fighting vehicles |
| 1-6 Electrical machines and apparatus | 1-18 Furniture |
| 1-7 Pulp, paper and paperboard, and manufactures | 1-19 Toys and sporting goods |
| 1-8 Coal, petroleum, natural gas | 1-20 Photographic and cinematographic supplies |
| 1-9 Mineral products and fertilizers, ceramic products and glass | 1-21 Works of art and collectors' pieces |
| 1-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches | 1-22 Office and stationery supplies |
| 1-11 Wood and cork and manufactures | 1-23 Manufactured articles not elsewhere specified |
| 1-12 Precious stones, precious metals and manufactures | |

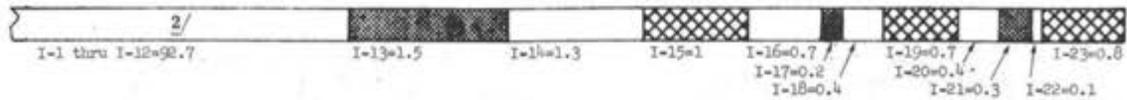
World trade ^{1/} distribution by sector:



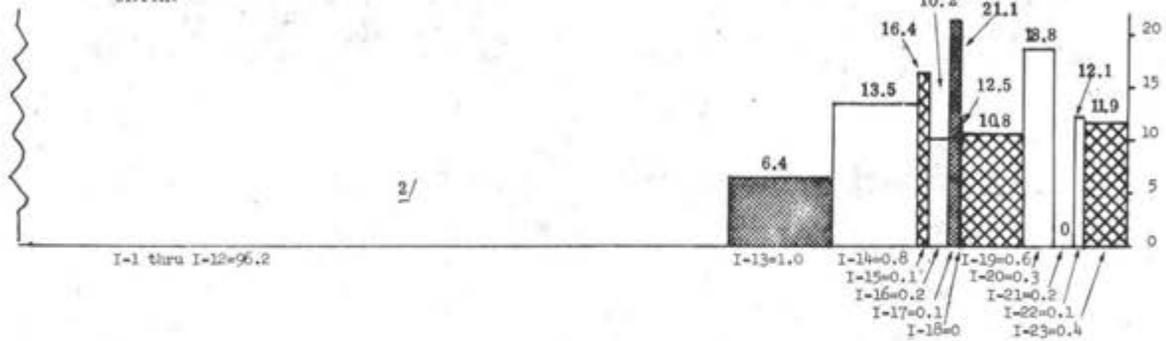
^{1/} "World trade" consists of imports of 16 major trading countries.
^{2/} See Part A of this chart for profiles of major sectors.

CHART 4-J. --TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS--Continued
 (Part B--Minor Sectors (I-13 thru I-23)--Continued)

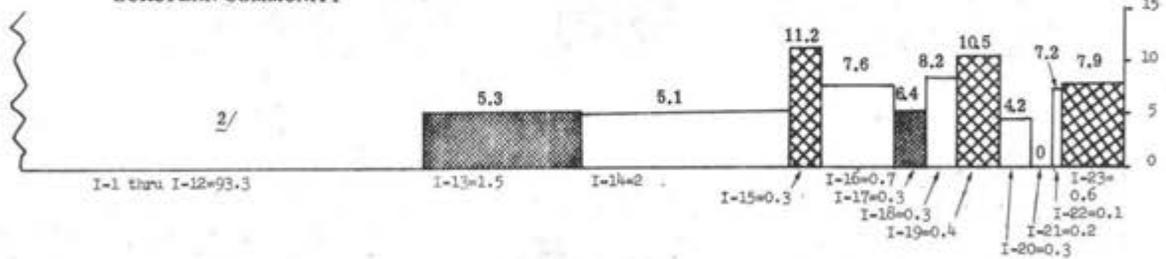
World trade ^{1/} distribution by sector:



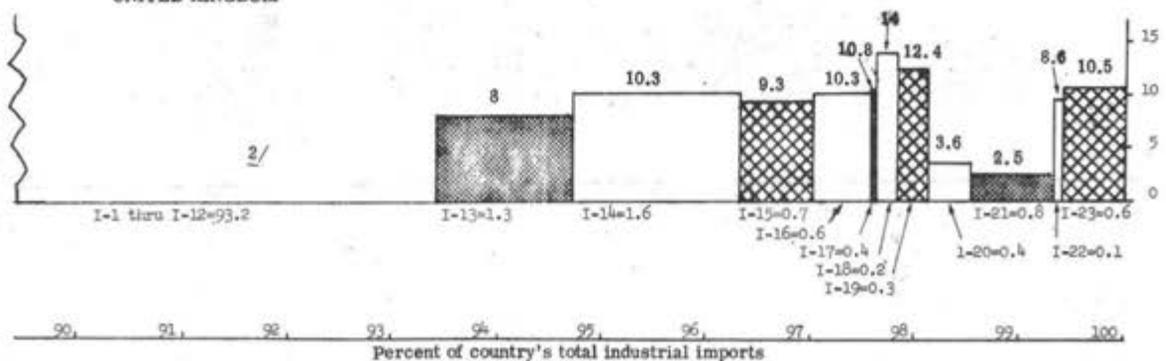
JAPAN



EUROPEAN COMMUNITY



UNITED KINGDOM



^{1/} "World trade" consists of imports of 18 major trading countries.
^{2/} See Part A of this chart for profiles of major trading sectors.

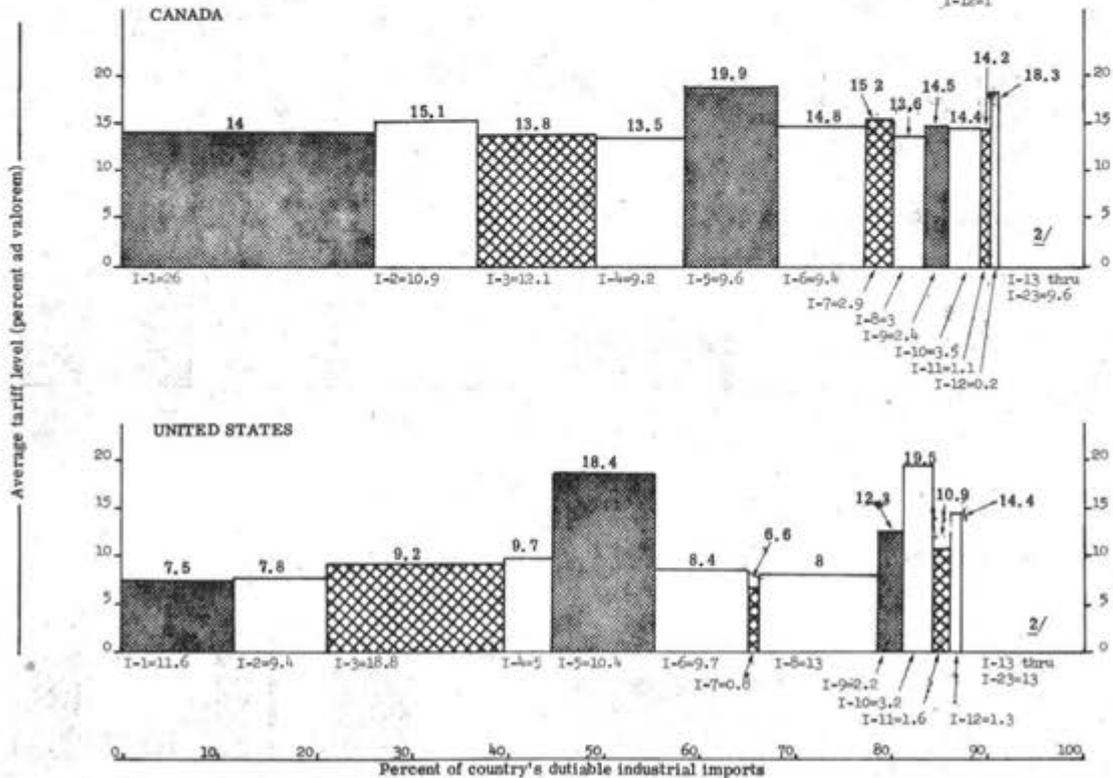
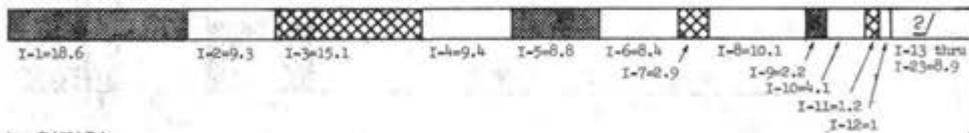
CHART 4-K.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS
Part A - Major Sectors (I-1 thru I-12)

Arithmetic average tariffs and tariff distribution of dutiable imports by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

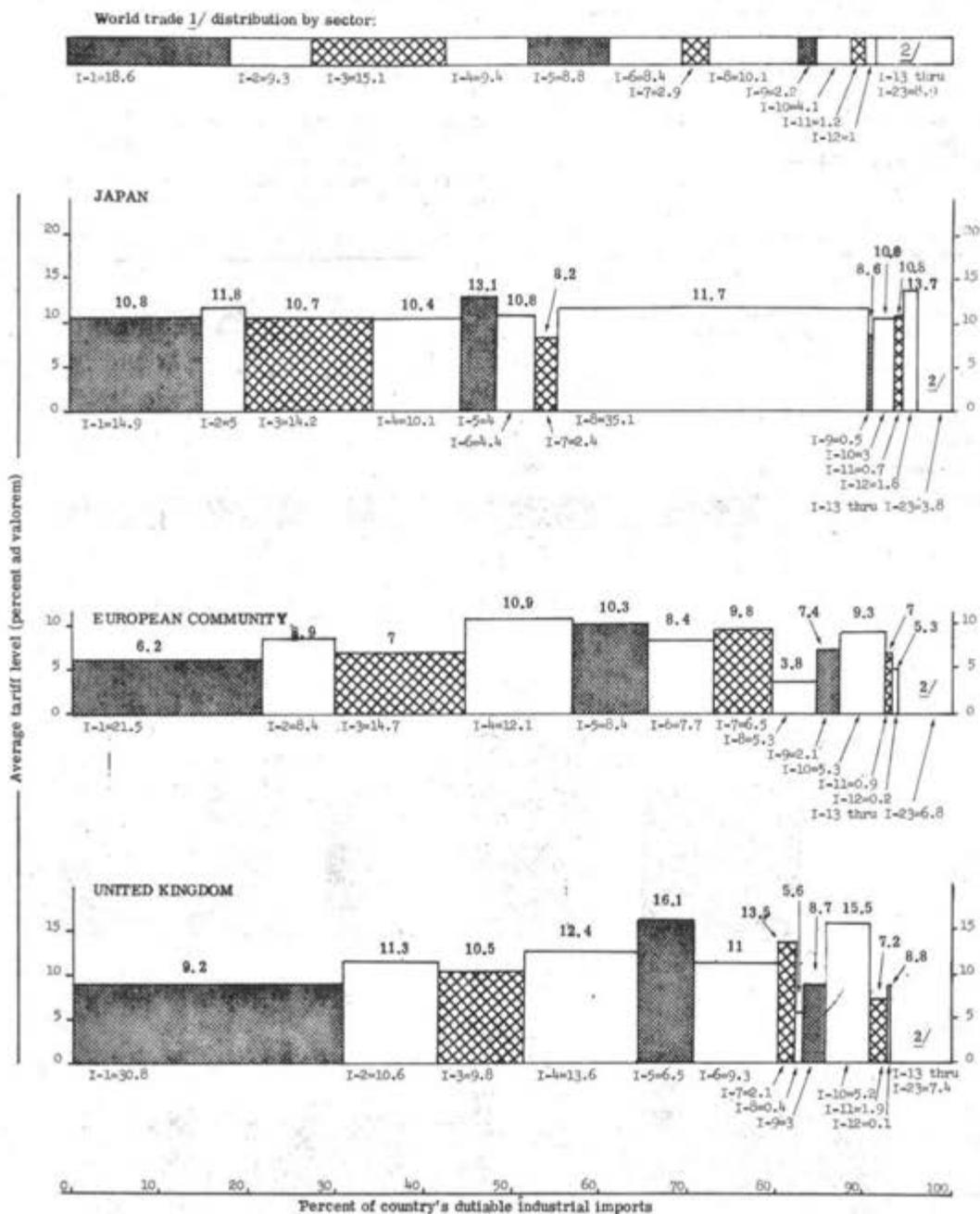
- | | |
|---|--|
| I-1 Nonelectrical machinery | I-13 Rubber and rubber manufactures |
| I-2 Transport equipment | I-14 Raw hides and skins, leather and furskins and manufactures |
| I-3 Ores, metals and metal manufactures | I-15 Footwear and travel goods |
| I-4 Chemicals | I-16 Musical instruments, sound recording or reproduction apparatus |
| I-5 Textiles | I-17 Firearms, ammunition, tanks and other armored fighting vehicles |
| I-6 Electrical machines and apparatus | I-18 Furniture |
| I-7 Pulp, paper and paperboard, and manufactures | I-19 Toys and sporting goods |
| I-8 Coal, petroleum, natural gas | I-20 Photographic and cinematographic supplies |
| I-9 Mineral products and fertilizers, ceramic products and glass | I-21 Works of art and collectors' pieces |
| I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches | I-22 Office and stationery supplies |
| I-11 Wood and cork and manufactures | I-23 Manufactured articles not elsewhere specified |
| I-12 Precious stones, precious metals and manufactures | |

World trade ^{1/} distribution by sector:



^{1/} "World trade" consists of imports of 18 major trading countries.
^{2/} See Part B of this chart for profiles of minor sectors.

CHART 4-K. -- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part A - Major Sectors (I-1 thru I-12)--Continued



1/ "World trade" consists of imports of 18 major trading countries.
See Part B of this chart for profiles of minor sectors.

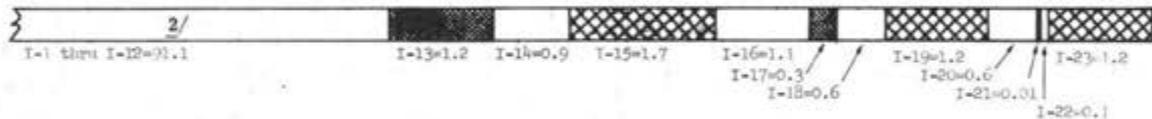
CHART 4-K.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part B - Minor Sectors (I-13 thru I-23)

Arithmetic average tariffs and tariff distribution of dutiable imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

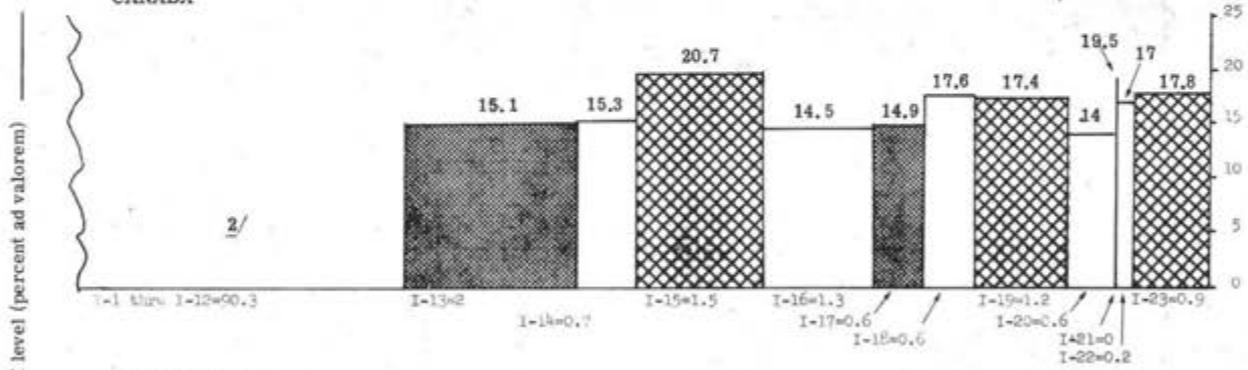
Industrial Sectors

I-1 Nonelectrical machinery	I-13 Rubber and rubber manufactures
I-2 Transport equipment	I-14 Raw hides and skins, leather and furskins and manufactures
I-3 Ores, metals and metal manufactures	I-15 Footwear and travel goods
I-4 Chemicals	I-16 Musical instruments, sound recording or reproduction apparatus
I-5 Textiles	I-17 Firearms, ammunition, tanks and other armored fighting vehicles
I-6 Electrical machines and apparatus	I-18 Furniture
I-7 Pulp, paper and paperboard, and manufactures	I-19 Toys and sporting goods
I-8 Coal, petroleum, natural gas	I-20 Photographic and cinematographic supplies
I-9 Mineral products and fertilizers, ceramic products and glass	I-21 Works of art and collectors' pieces
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches	I-22 Office and stationery supplies
I-11 Wood and cork and manufactures	I-23 Manufactured articles not elsewhere specified
I-12 Precious stones, precious metals and manufactures	

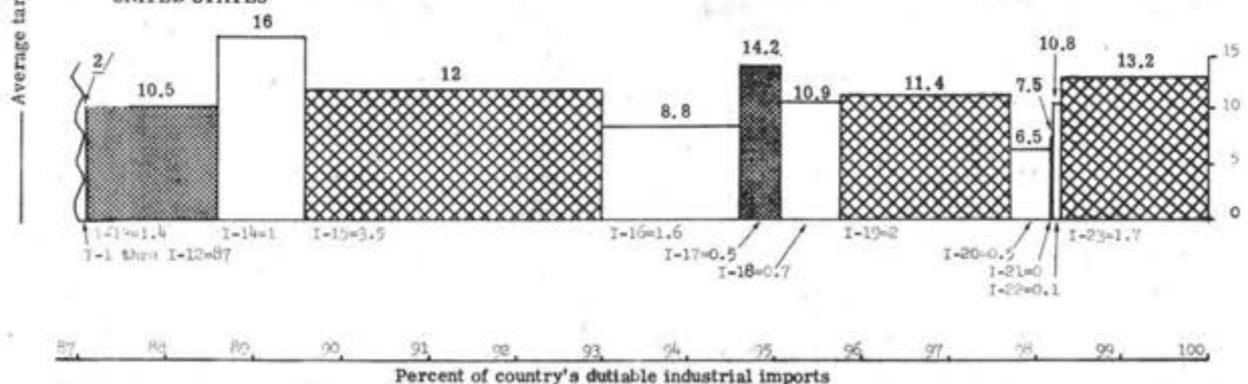
World trade ^{1/} distribution by sector:



CANADA

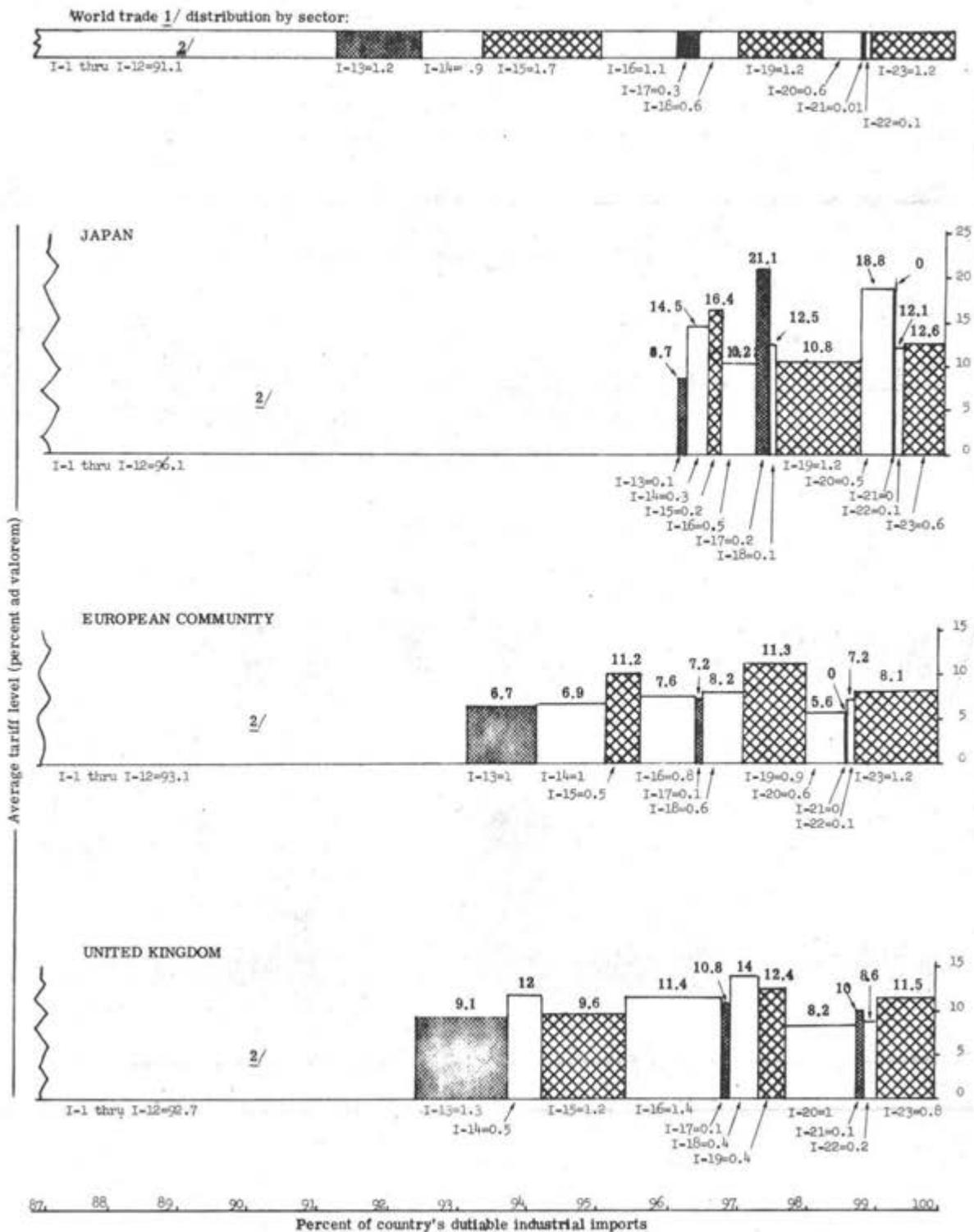


UNITED STATES



^{1/} "World trade" consists of imports of 18 major trading countries.
^{2/} See part A of this chart for profiles of minor sectors.

CHART 4-K.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part B - Minor Sectors (I-13 thru I-23)--Continued



^{1/} "World trade" consists of imports of 18 major trading countries.

^{2/} See Part A of this chart for profiles of major sectors.

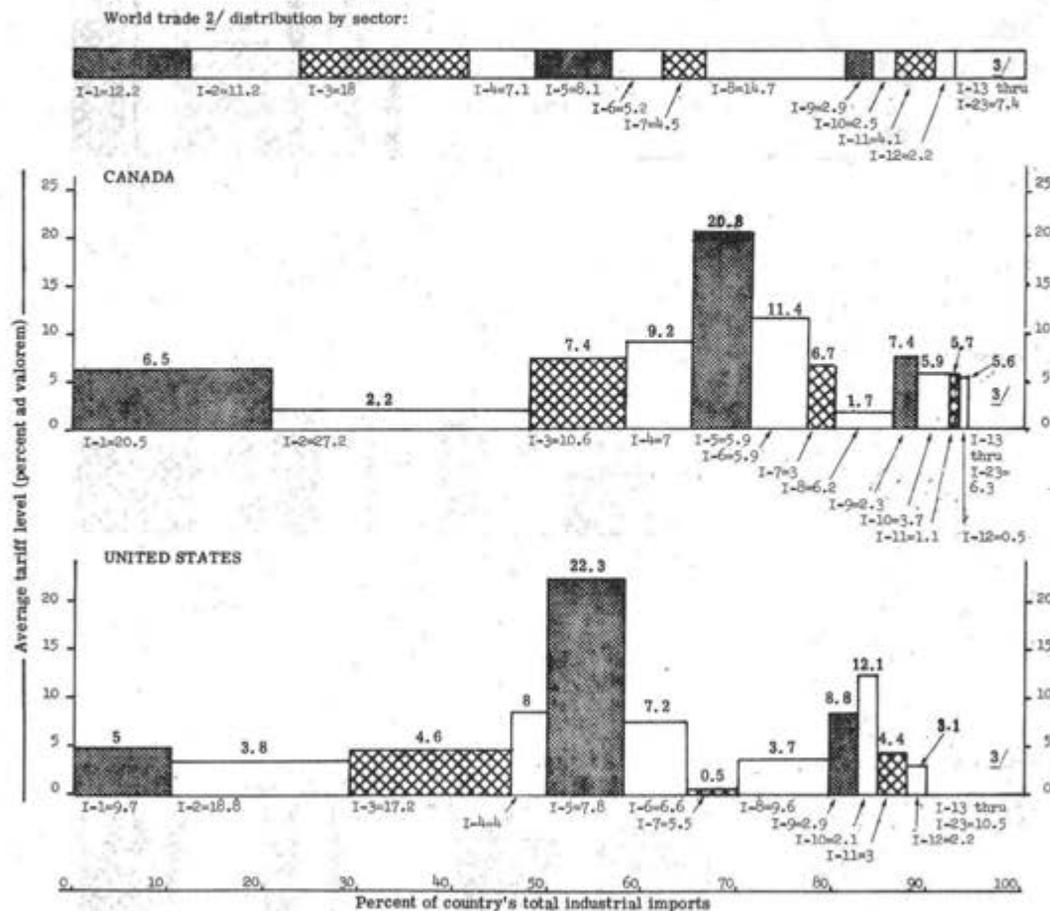
Source: Compiled from national tariffs and trade statistics.

CHART 4-L.-- TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS
Part A - Major Sectors (I-1 thru I-12)

Weighted 1/ average tariffs and tariff distribution of imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

I-1 Nonelectrical machinery	I-13 Rubber and rubber manufactures
I-2 Transport equipment	I-14 Raw hides and skins, leather and furskins and manufactures
I-3 Ores, metals and metal manufactures	I-15 Footwear and travel goods
I-4 Chemicals	I-16 Musical instruments, sound recording or reproduction apparatus
I-5 Textiles	I-17 Firearms, ammunition, tanks and other armored fighting vehicles
I-6 Electrical machines and apparatus	I-18 Furniture
I-7 Pulp, paper and paperboard, and manufactures	I-19 Toys and sporting goods
I-8 Coal, petroleum, natural gas	I-20 Photographic and cinematographic supplies
I-9 Mineral products and fertilizers, ceramic products and glass	I-21 Works of art and collectors' pieces
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches	I-22 Office and stationery supplies
I-11 Wood and cork and manufactures	I-23 Manufactured articles not elsewhere specified
I-12 Precious stones, precious metals and manufactures	



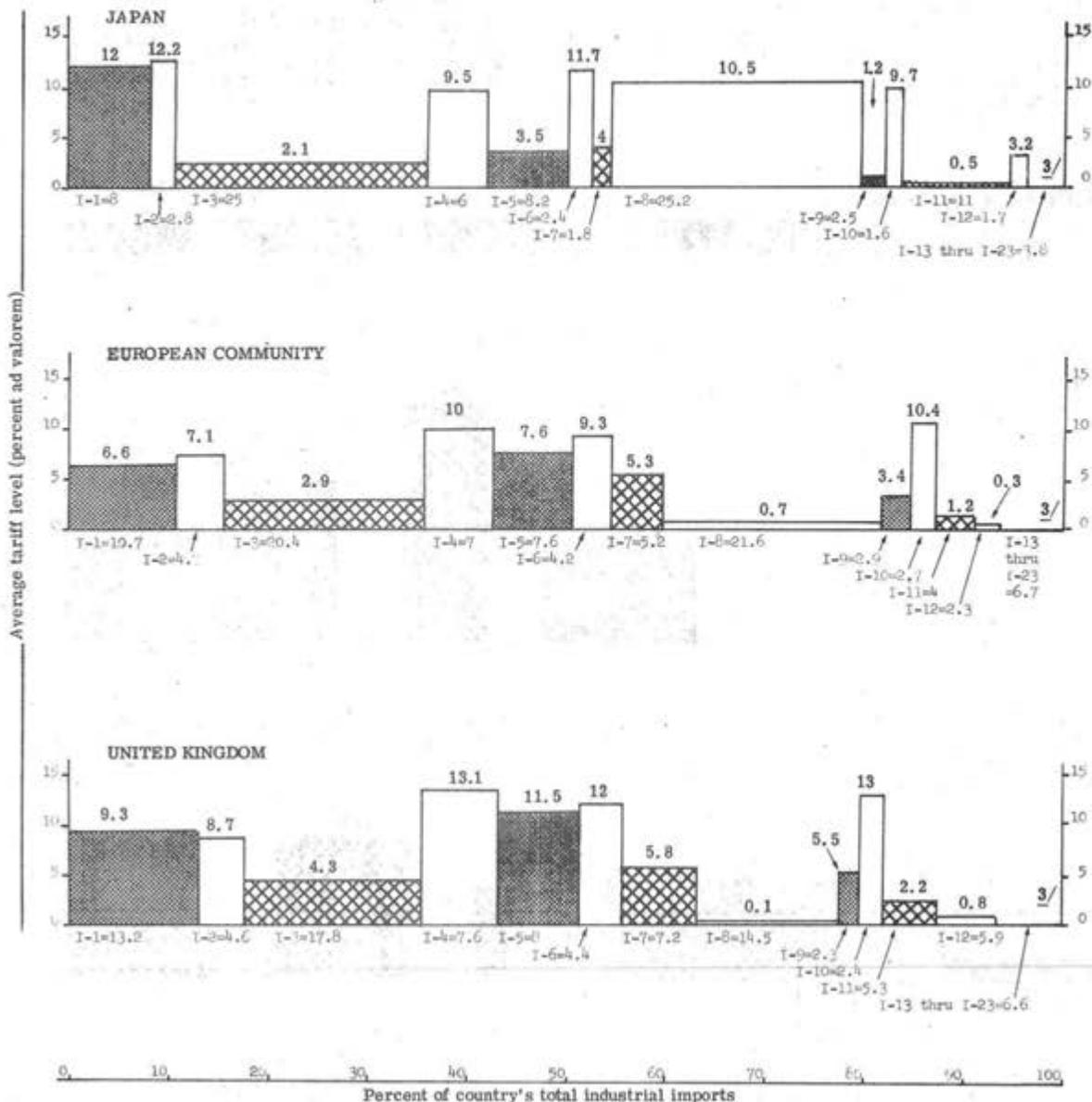
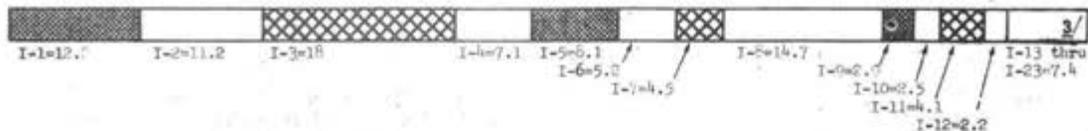
1/ Weights used are country's own imports.

2/ "World trade" consists of imports of 18 major trading countries.

3/ See Part B of this chart for profiles of minor sectors.

CHART 4-L.-- TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS--Continued
Part A - Major Sectors (1-1 thru 1-12)--Continued

World trade ^{2/} distribution by sector:



^{2/} "World trade" consists of imports of 18 major trading countries.
See Part B of this chart for profiles of minor sectors.

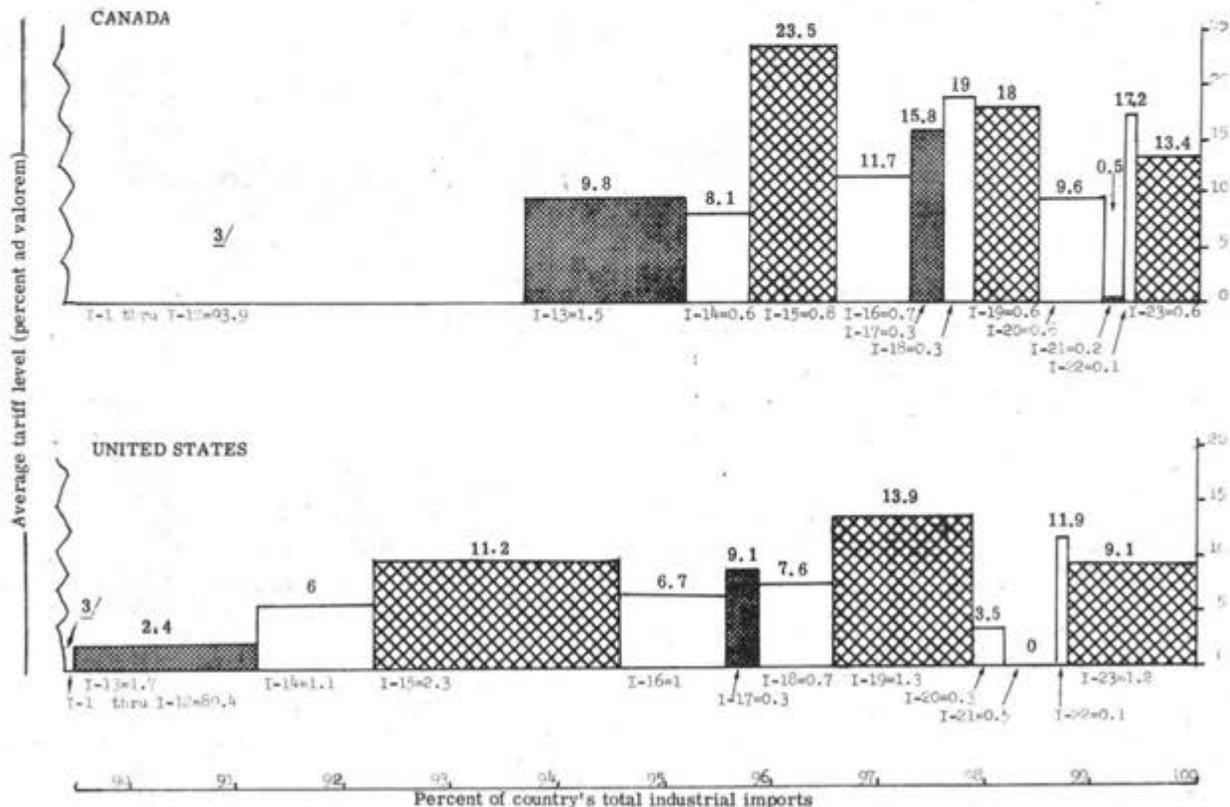
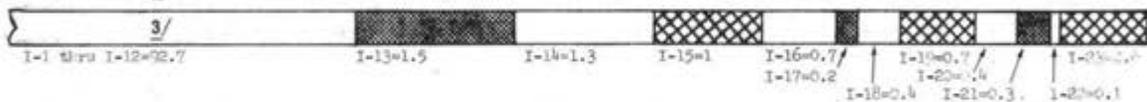
CHART 4-L.-- TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS -- Continued
Part B - Minor Sectors (I-13 thru I-23)

Weighted 1/ average tariffs and tariff distribution of imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

I-1 Nonelectrical machinery	I-13 Rubber and rubber manufactures
I-2 Transport equipment	I-14 Raw hides and skins, leather and furskins and manufactures
I-3 Ores, metals and metal manufactures	I-15 Footwear and travel goods
I-4 Chemicals	I-16 Musical instruments, sound recording or reproduction apparatus
I-5 Textiles	I-17 Firearms, ammunition, tanks and other armored fighting vehicles
I-6 Electrical machines and apparatus	I-18 Furniture
I-7 Pulp, paper and paperboard, and manufactures	I-19 Toys and sporting goods
I-8 Coal, petroleum, natural gas	I-20 Photographic and cinematographic supplies
I-9 Mineral products and fertilizers, ceramic products and glass	I-21 Works of art and collectors' pieces
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches	I-22 Office and stationery supplies
I-11 Wood and cork and manufactures	I-23 Manufactured articles not elsewhere specified
I-12 Precious stones, precious metals and manufactures	

World trade 2/ distribution by sector:



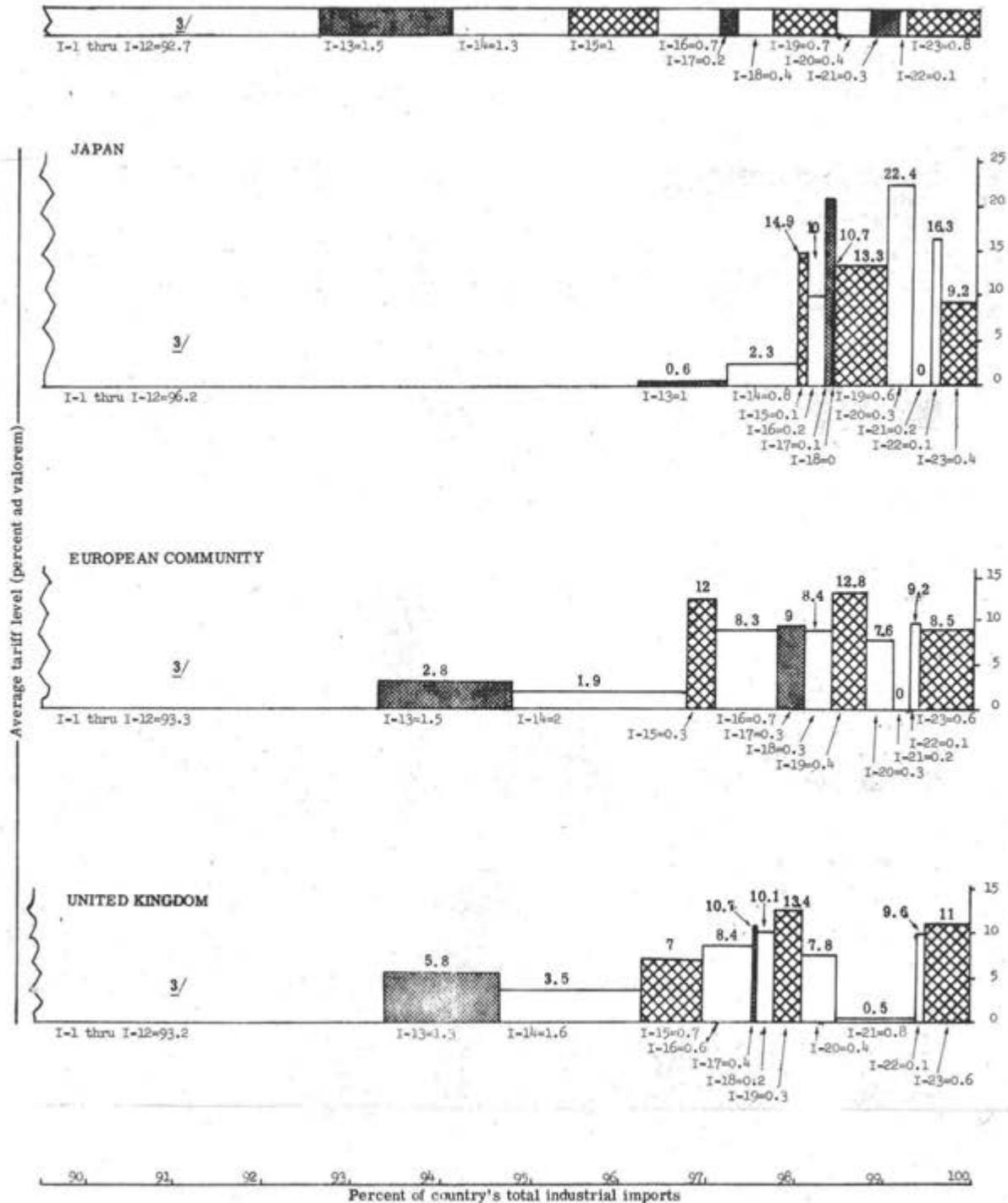
1/ Weights used are country's own imports.

2/ "World trade" consists of imports of 18 major trading countries.

3/ See Part A of this chart for profiles of major sectors.

CHART 4-L.-- TARIFF PROFILES FOR ALL INDUSTRIAL PRODUCTS -- Continued
Part B - Minor Sectors (I-13 thru I-23) -- Continued

World trade ^{3/} distribution by sector:



^{3/} "World trade" consists of imports of 18 major trading countries.
^{4/} See Part A of this chart for profiles of major sectors.

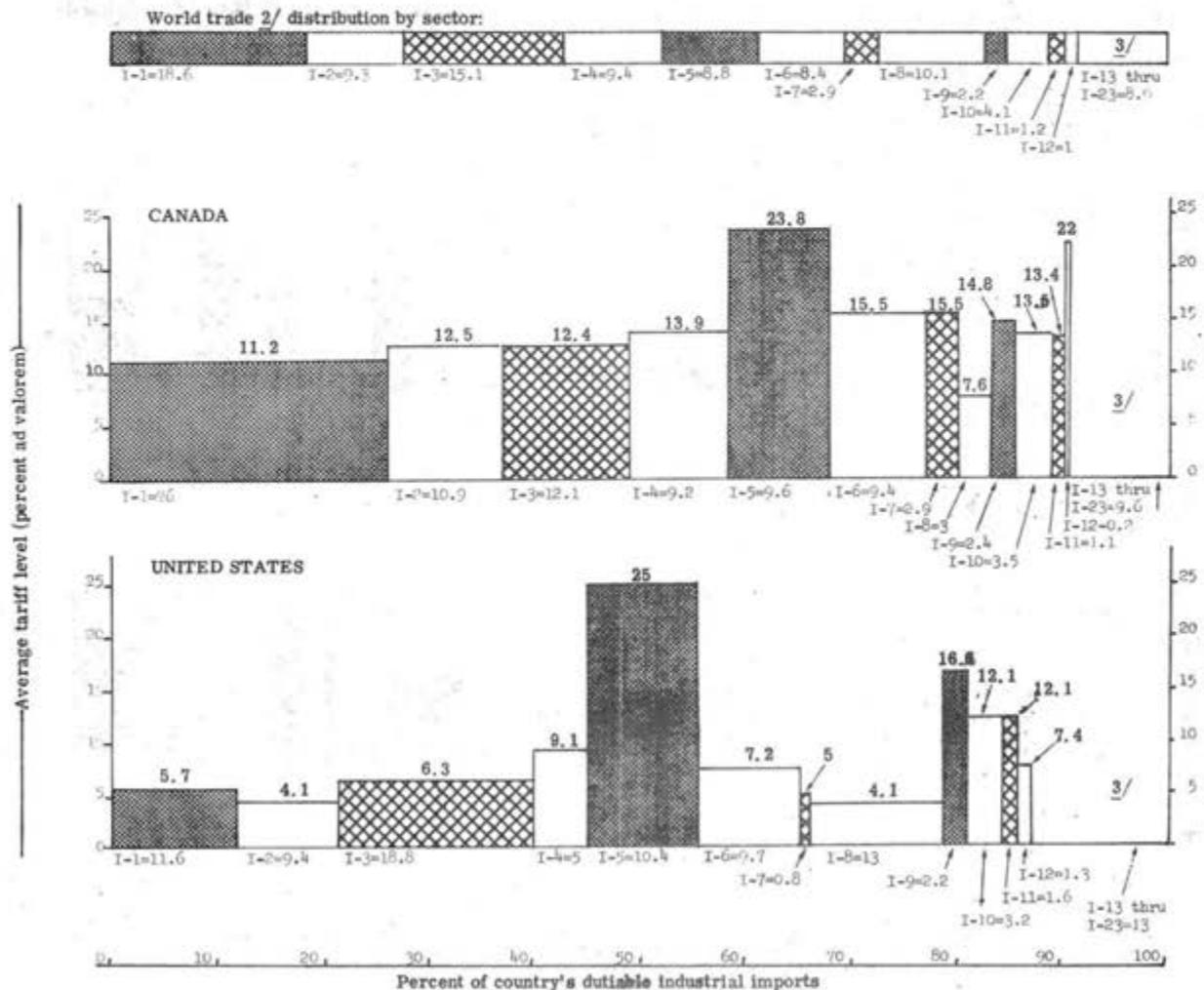
Source: Compiled from national tariffs and trade statistics.

CHART 4-M.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS
Part A - Major Sectors (I-1 thru I-12)

Weighted 1/ average tariffs and tariff distribution of dutiable imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

- | | |
|---|--|
| I-1 Nonelectrical machinery | I-13 Rubber and rubber manufactures |
| I-2 Transport equipment | I-14 Raw hides and skins, leather and furskins and manufactures |
| I-3 Ores, metals and metal manufactures | I-15 Footwear and travel goods |
| I-4 Chemicals | I-16 Musical instruments, sound recording or reproduction apparatus |
| I-5 Textiles | I-17 Firearms, ammunition, tanks and other armored fighting vehicles |
| I-6 Electrical machines and apparatus | I-18 Furniture |
| I-7 Pulp, paper and paperboard, and manufactures | I-19 Toys and sporting goods |
| I-8 Coal, petroleum, natural gas | I-20 Photographic and cinematographic supplies |
| I-9 Mineral products and fertilizers, ceramic products and glass | I-21 Works of art and collectors' pieces |
| I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches | I-22 Office and stationery supplies |
| I-11 Wood and cork and manufactures | I-23 Manufactured articles not elsewhere specified |
| I-12 Precious stones, precious metals and manufactures | |



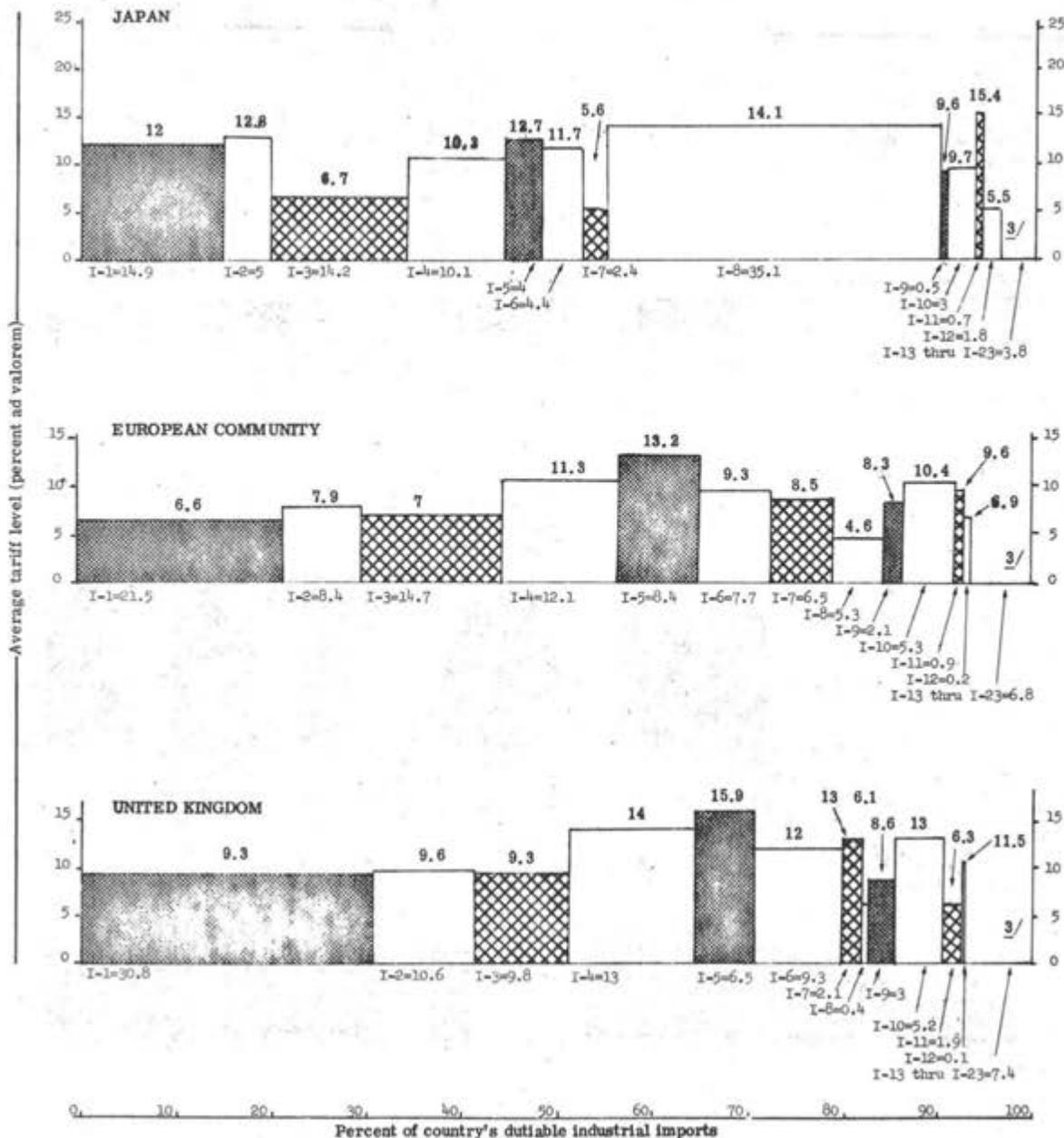
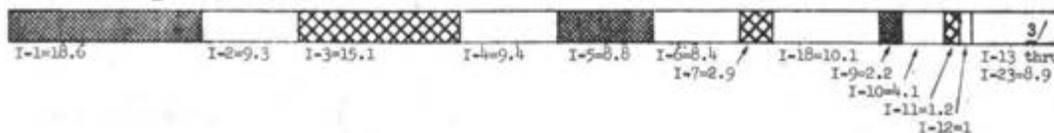
1/ Weights used are country's own imports.

2/ "World trade" consists of imports of 18 major trading countries.

3/ See Part B of this chart for profiles of minor sectors.

CHART 4-M.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part A - Major Sectors (I-1 thru I-12)--Continued

World trade ^{2/} distribution by sector:



^{2/} "World trade" consists of imports of 18 major trading countries.

^{3/} See Part B of this chart for profiles of minor sectors.

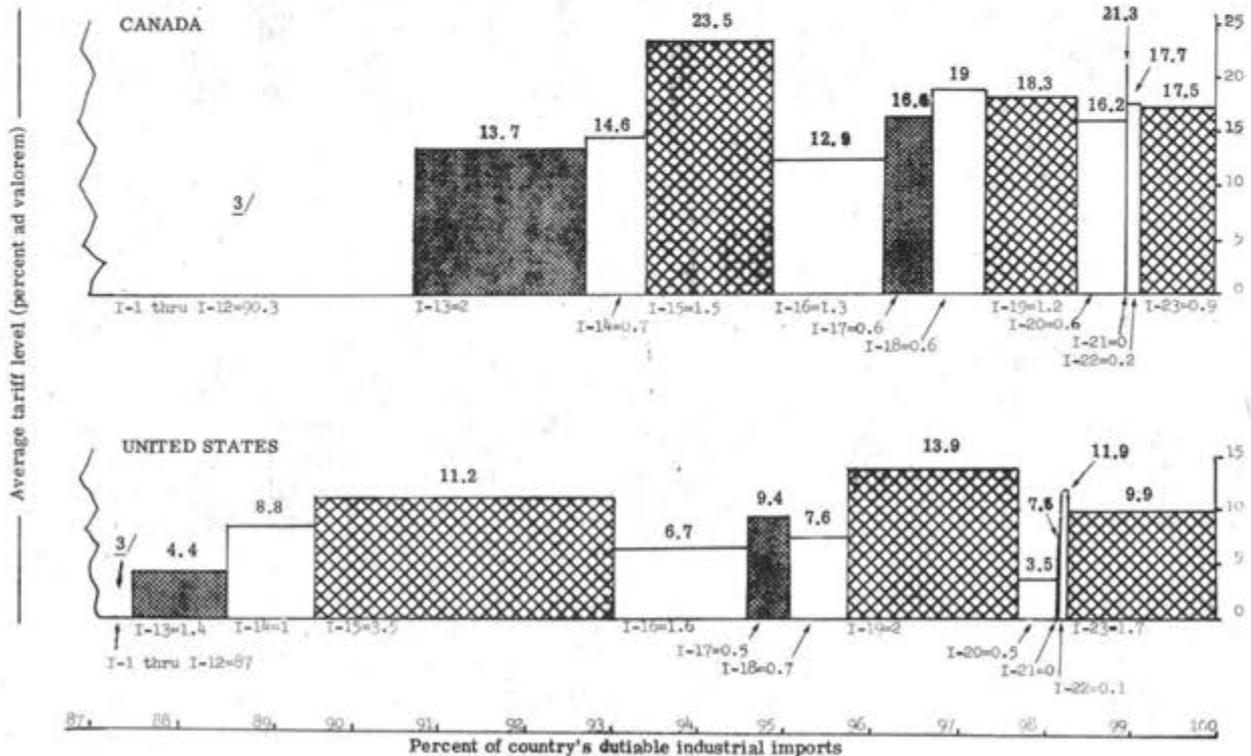
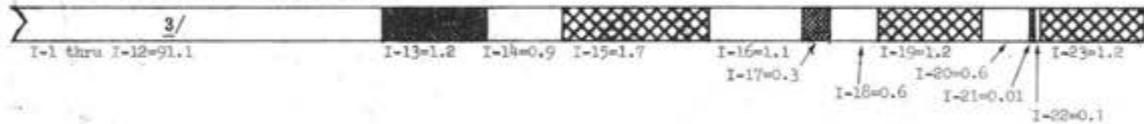
CHART 4-M.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part B - Minor Sectors (I-13 thru I-23)

Weighted 1/ average tariffs and tariff distribution of dutiable imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

I-1 Nonelectrical machinery	I-13 Rubber and rubber manufactures
I-2 Transport equipment	I-14 Raw hides and skins, leather and furskins and manufactures
I-3 Ores, metals and metal manufactures	I-15 Footwear and travel goods
I-4 Chemicals	I-16 Musical instruments, sound recording or reproduction apparatus
I-5 Textiles	I-17 Firearms, ammunition, tanks and other armored fighting vehicles
I-6 Electrical machines and apparatus	I-18 Furniture
I-7 Pulp, paper and paperboard, and manufactures	I-19 Toys and sporting goods
I-8 Coal, petroleum, natural gas	I-20 Photographic and cinematographic supplies
I-9 Mineral products and fertilizers, ceramic products and glass	I-21 Works of art and collectors' pieces
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches	I-22 Office and stationery supplies
I-11 Wood and cork and manufactures	I-23 Manufactured articles not elsewhere specified
I-12 Precious stones, precious metals and manufactures	

World trade 2/ distribution by sector:

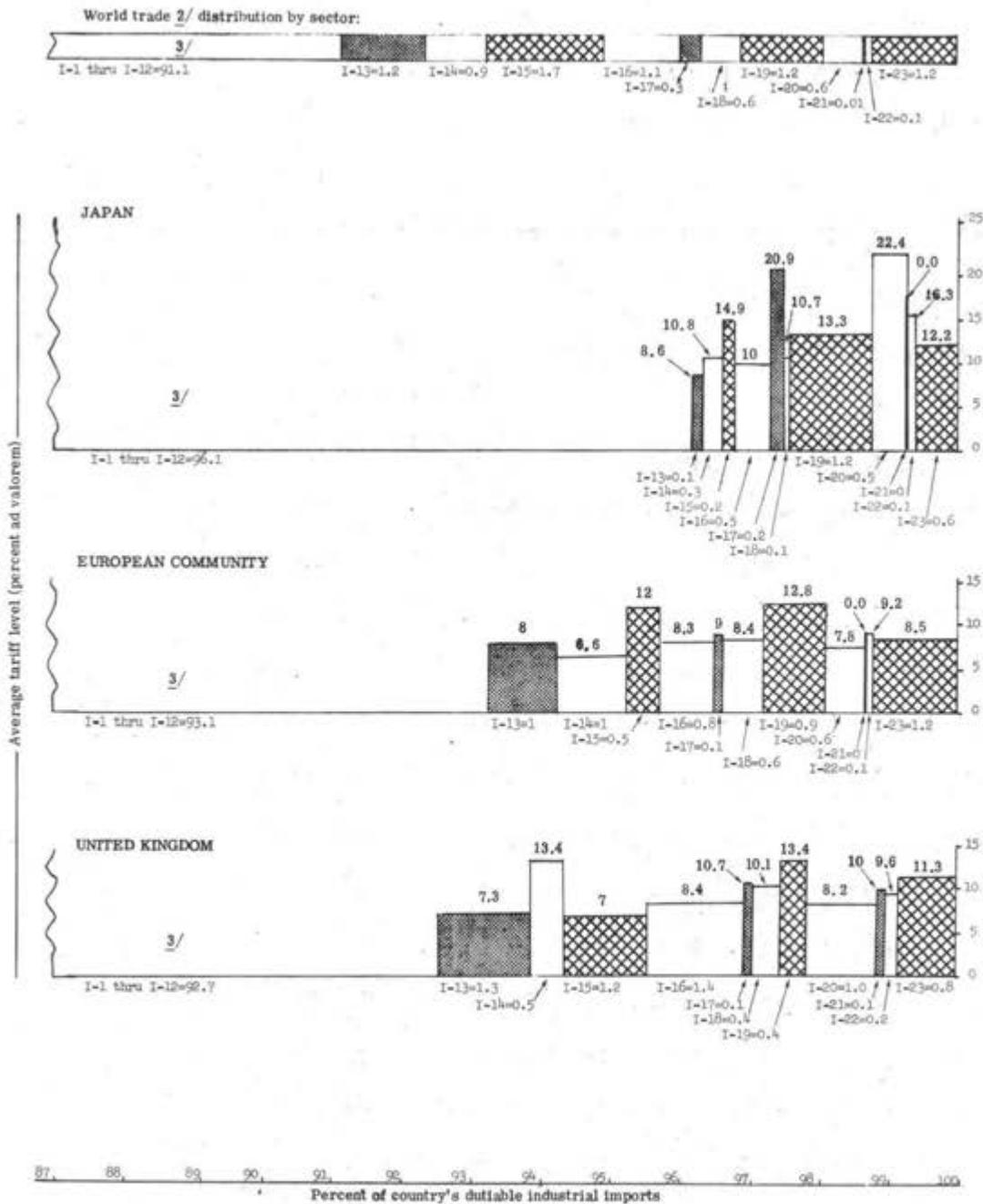


1/ Weights used are country's own imports.

2/ "World trade" consists of imports of 18 major trading countries.

3/ See Part A of the chart for profiles of major sectors.

CHART 4-M.-- TARIFF PROFILES FOR DUTIABLE INDUSTRIAL PRODUCTS--Continued
Part B - Minor Sectors (I-13 thru I-23)--Continued



^{2/} "World trade" consists of imports of 18 major trading countries.

^{3/} See Part A of the chart for profiles of major sectors.

Source: Compiled from national tariffs and trade statistics.

Inter-country rank correlations for industrial product sectors

The pattern of each country's rate levels among the 23 industrial product sectors and 119 subsectors was compared with the pattern of each of the other countries to measure the degree of similarity of their patterns of protection and to see if high or low rates are predominantly found in only certain sectors. Each of the four averages calculated both on "all products" and "dutiable products only" in the GATT tariff study for the 23 sectors and 119 subsectors was arranged by height of duty for each country for comparison purposes and rank correlations then developed.

Rank correlation relates to ranking patterns only. Thus, it is a measure of the relationship of the consistency of the sectors carrying the highest duty rates, those carrying middle-level duty rates, and those carrying lowest rates in the different national schedules. The technique disregards the absolute level of duty rates and focuses only on the sequence or ranking of duty rates. Thus it would be possible for two countries with quite different rate levels to show perfect rank correlations so long as the sequence from highest to lowest was the same.

Table 4-G contains the Spearman rank correlation coefficients resulting from comparing the ranking patterns of each country's average tariffs for the 23 industrial sectors with the pattern of each of the four other countries; table 4-H gives the rank correlation coefficients for the 119 industrial subsectors. The tables are in

matrix format with the particular rank correlation coefficient for any pair of countries being read by combining a row with an adjoining column.

The coefficient of any rank correlation will be affected by any elements common to the data being ranked. Thus, common weights (even the number of BTN headings in a sector in the case of a simple mean) may increase the rank correlation coefficient of a set of numbers. It is therefore difficult to ascribe a definitive meaning to any given rank correlation, for example, 0.7, since part of the rank association may be due to common weighting elements. A coefficient of 0.7, however, does mean that if the ranks of one set of numbers are known, then about 70 percent of the ranks of the other set will be similar. But this knowledge does not include the information on how much of the 70 percent is due to actual tariff similarities and how much is due to common weights of one sort or another.

Table 4-G.--Spearman rank correlation coefficients for four types of average duties on 23 industrial sectors of United States, Canada, European Community, Japan, and United Kingdom

ALL PRODUCTS						DUTIABLE PRODUCTS					
A-1. -- Arithmetic average						D-1. -- Arithmetic average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.665	.517	.465	.659	United States	-	.390	.375	.309	.341	United States
	-	.591	.686	.643	Canada		-	.291	.361	.467	Canada
		-	.295	.398	European Community			-	.042	.028	European Community
			-	.800	Japan				-	.669	Japan
				-	United Kingdom					-	United Kingdom
A-2. -- World-trade-weighted average						D-2. -- World-trade-weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.756	.435	.649	.694	United States	-	.331	.346	.463	.553	United States
	-	.592	.733	.687	Canada		-	.451	.659	.872	Canada
		-	.630	.587	European Community			-	.553	.495	European Community
			-	.869	Japan				-	.846	Japan
				-	United Kingdom					-	United Kingdom
A-3. -- Own-trade-weighted average						D-3. -- Own-trade-weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.693	.383	.774	.738	United States	-	.467	.143	.646	.956	United States
	-	.436	.721	.606	Canada		-	.655	.401	.443	Canada
		-	.715	.550	European Community			-	.381	.228	European Community
			-	.869	Japan				-	.283	Japan
				-	United Kingdom					-	United Kingdom
A-4. -- Own-trade-weighted and world-trade weighted average						D-4. -- Own-trade-weighted and world-trade weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.839	.528	.797	.738	United States	-	.466	.339	.622	.562	United States
	-	.543	.793	.725	Canada		-	.478	.691	.534	Canada
		-	.612	.442	European Community			-	.521	.364	European Community
			-	.861	Japan				-	.824	Japan
				-	United Kingdom					-	United Kingdom

Source: Computed from average rates in Basic Documentation for the Tariff Study, GATT.

Table 4-H.--Spearman rank correlation coefficients for four types of average duties on 119 industrial subsectors of United States, Canada, European Community, Japan, and the United Kingdom

ALL PRODUCTS						DUTIABLE PRODUCTS					
A-1. -- Arithmetic average						D-1. -- Arithmetic average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.676	.678	.641	.856	United States	-	.546	.485	.552	.792	United States
	-	.684	.511	.635	Canada		-	.499	.366	.492	Canada
		-	.564	.693	European Community			-	.355	.501	European Community
			-	.530	Japan				-	.437	Japan
				-	United Kingdom					-	United Kingdom
A-2. -- World-trade-weighted average						D-2. -- World-trade-weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.683	.651	.675	.812	United States	-	.577	.603	.606	.772	United States
	-	.626	.522	.597	Canada		-	.476	.362	.485	Canada
		-	.513	.653	European Community			-	.417	.573	European Community
			-	.560	Japan				-	.460	Japan
				-	United Kingdom					-	United Kingdom
A-3. -- Own-trade-weighted average						D-3. -- Own-trade-weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.673	.722	.675	.802	United States	-	.495	.538	.531	.733	United States
	-	.681	.521	.554	Canada		-	.465	.297	.455	Canada
		-	.503	.645	European Community			-	.293	.544	European Community
			-	.487	Japan				-	.325	Japan
				-	United Kingdom					-	United Kingdom
A-4. -- Own-trade-weighted and world-trade-weighted average						D-4. -- Own-trade-weighted and world-trade-weighted average					
United States	Canada	European Community	Japan	United Kingdom	Country	United States	Canada	European Community	Japan	United Kingdom	Country
-	.660	.728	.659	.794	United States	-	.538	.643	.553	.738	United States
	-	.688	.467	.593	Canada		-	.521	.299	.472	Canada
		-	.537	.696	European Community			-	.423	.574	European Community
			-	.488	Japan				-	.351	Japan
				-	United Kingdom					-	United Kingdom

Source: Computed from average rates in Basic Documentation for the Tariff Study, GATT.

Nevertheless, in spite of the problem of interpreting the absolute magnitudes of the rank correlation coefficients and in spite of the problem of comparing coefficients using different averaging schemes, a fairly clear pairwise picture of relative tariff structures of countries can be obtained. That is, pairs of countries can be roughly ordered as to the similarity of their tariff structures on a rank basis. There is some ambiguity for certain pairs of countries that arises because of the averaging problem, but this can be put in perspective.

Certain statistical tests can be applied to determine whether a set of coefficients in a matrix are either statistically significant or simply chance. For the matrices in table 4-G, coefficients above 0.413 are statistically significant with a 95 percent probability, and those above 0.526 for 99 percent probability.

When all products are being considered (table 4-G), virtually all coefficients are statistically significant (only 3 of the 40 are not) and most are well above the level of 95 percent probability. As would be expected, the world-trade-weighted averages have generally higher coefficients than the arithmetic and own-trade-weighted averages. It is also notable, however, that, when only dutiable products at the sector level are examined, most coefficients for the arithmetic and own-trade-weighted averages are not statistically significant, whereas almost all coefficients for the world-trade-weighted averages are. The coefficients, however, tend to be generally lower than for all products.

Tariff averages for the 119 subsectors would seem to be the most desirable for comparing tariff structures between countries because the increased number of observations involved allows for a greater significance level at a given absolute value of correlation. Consequently, for table 4-H the correlation coefficients are significant at the 1 percent level.

Table 4-I ranks the rank correlation coefficients of table 4-H on the basis of one country paired with another. The means and

Table 4-I.--Ranks of country pairs of rank correlation coefficients for 10 calculations of average tariffs on industrial products ^{1/}

Pairs of countries	Ranks of averages for all products				Ranks of averages for dutiable products				Mean of all ranks	Standard deviation
	A-1	A-2	A-3	A-4	D-1	D-2	D-3	D-4		
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
United States-Canada-----	7	6	6	8	8	7	6	6	6.75	0.89
United States-European Community-----	8	7	9	9	4	8	8	9	7.75	1.67
United States-Japan-----	5	9	7	7	9	9	7	7	7.50	1.41
United States-United Kingdom-----	10	10	10	10	10	10	10	10	10.00	0.00
Canada-European Community-----	6	5	8	6	6	4	5	5	5.63	1.19
Canada-Japan-----	1	2	3	1	2	1	2	1	1.63	0.74
Canada-United Kingdom-----	4	4	4	4	5	5	4	4	4.25	0.48
European Community-Japan-----	3	1	2	3	1	2	1	3	2.00	0.93
European Community-United Kingdom-----	9	8	5	5	7	6	9	8	7.13	1.64
Japan-United Kingdom-----	2	3	1	2	3	3	3	2	2.38	0.74

^{1/} The Spearman rank correlation matrix below for columns 2 through 9 has all coefficients statistically significantly different from zero:

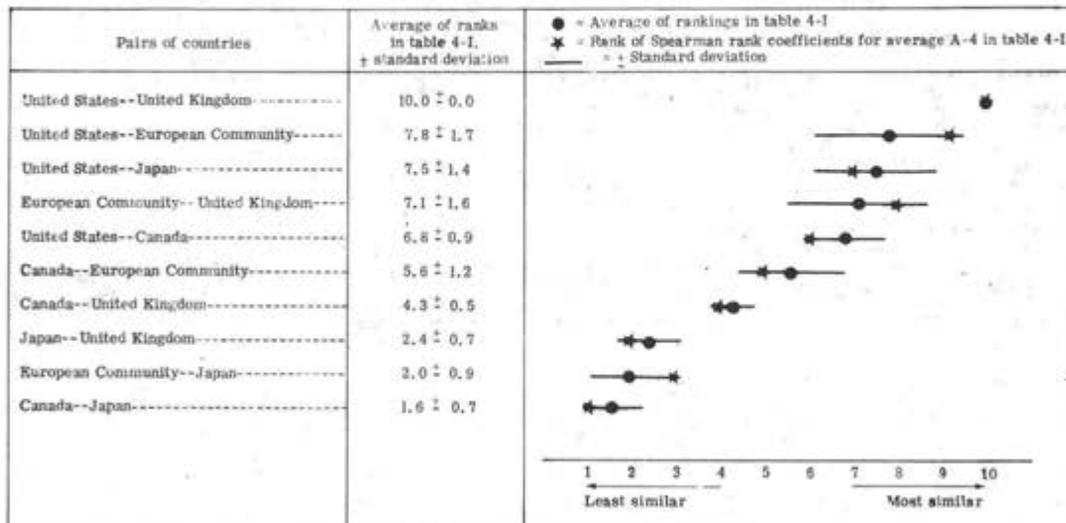
2	3	4	5	6	7	8	9	Column
*	0.84	0.81	0.87	0.73	0.81	0.93	0.95	2
	*	0.81	0.83	0.90	0.94	0.96	0.92	3
		*	0.92	0.71	0.81	0.81	0.85	4
			*	0.76	0.92	0.83	0.92	5
				*	0.86	0.82	0.75	6
					*	0.89	0.92	7
						*	0.95	8
							*	9

Source: Computed from average rates in Basic Documentation for the Tariff Study, GATT

standard deviations of the rankings are given in the right-hand columns of the table. The matrix below the table shows the rank correlation coefficients between all of these pairwise rankings. These coefficients are all significant, indicating that the relative size of the rank correlation coefficients relate to each other in the different averages in a statistically significant manner. That is, while the relative ranking of these coefficients is not identical, the coefficients are statistically similar (on a rank basis).

A good visual representation from which relative quantitative conclusions can be drawn is given in chart 4-N. In the chart

Chart 4-N. -- Pairwise comparison of tariff structures for industrial products



Source: Table 4-I.

are plotted the means (and the standard deviation spread) of each of the country pairs' average range (i.e., the mean of ranks in each average in table 4-I). The stars locate the ranks of the rank correlation coefficients from table 4-I.

It is clear that the United States and the United Kingdom have the most similar tariff structures. It is also clear that Japan/United Kingdom, European Community/Japan, and Canada/Japan all have the least similar tariff structures and that the U.S. tariff structure is more similar to Japan than the EC structure is to Japan under any kind of a tariff weighting system.

Although the rank correlation coefficients show a fairly high degree of similarity in protection patterns of the five major tariffs, in the rankings it was found that "highest" rates and "lowest" rates were widely scattered among the sectors, and that there was an overlapping, as some sectors were revealed to include rates from both extremes. Examining only the arithmetic and own-trade-weighted averages, it is found that the three highest rates in each of the four averages ^{1/} of the five countries are scattered among 13 of the sectors. For example, sector I-5, textiles, held one of the three highest rates in the all product arithmetic average for the United States, the European Community, and the United Kingdom. There are only four sectors in which at least two countries had one of their three highest rates for any of the averages considered. These sectors and the countries involved are:

<u>Sectors</u>		<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
<u>No.</u>	<u>Product</u>					
1-5	Textiles -----	X	X		X	X
1-10	Professional, scientific and controlling instruments, photographic apparatus, clocks and watches --		X		X	X
1-15	Footwear and travel goods -----	X		X	X	
1-19	Toys and sporting goods -----	X	X		X	X

^{1/} Two arithmetic averages (all products, dutiable products) and two weighted averages (all products, dutiable products).

On the other end of the scale, the three lowest rates also were scattered among 13 sectors. However, eight sectors had two or more countries with one of their three lowest rates for any of the averages considered in the sector. These sectors and the countries involved are:

<u>Sectors</u>		<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
<u>No.</u>	<u>Product</u>					
I-1	Nonelectrical machinery -----	X			X	
I-4	Chemicals -----	X				X
I-7	Pulp, paper and paperboard and manufactures -----		X	X		
I-8	Coal, petroleum, natural gas -----	X	X		X	X
I-12	Precious stones, precious metals and manufactures -----				X	X
I-13	Rubber and rubber manufactures -----	X	X	X		
I-20	Photographic and cinematographic supplies -----		X			X
I-21	Works of art -----	X	X	X	X	X

When duty ranks of the arithmetic and own-trade-weighted averages for 119 subsectors are examined, a different pattern is revealed. It is found that the five highest rates of each average in the five tariffs are accounted for in 22 of the subsectors, and that 10 of these are textiles. The industrial subsectors in which the countries have one of their five highest rates in each average is identified in table 4-J.

On the other end of the scale, the subsector identification of the five lowest average rates of each country is given in table 4-K. Here, also, 22 subsectors are required to account for each country's

Table 4-J.--Industrial product subsectors with the five highest arithmetic and own-trade-weighted average duties for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Subsectors	Canada				United States				Japan				European Community				United Kingdom			
	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*
Raw hides and furskins-----	:	:	:	:	:	:	X	:	:	:	:	:	:	:	:	:	:	:	:	:
Leather and fur manufactures (except foot- wear and travel goods)-----	X	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	X	:	X
Wood based panels-----	:	:	:	:	:	:	:	:	X	:	X	:	X	:	X	:	:	:	:	
Woolen yarn-----	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:	:	:	:	
Synthetic fiber yarn-----	:	:	:	X	:	X	:	:	:	:	:	:	:	:	:	:	:	:	:	
Woolen woven fabrics-----	X	X	X	X	X	X	X	X	:	:	:	:	:	:	:	:	X	:	X	
Cotton woven fabrics-----	:	:	:	:	:	:	:	:	:	:	:	:	X	X	X	X	X	:	X	
Manmade fiber woven fabrics-----	X	:	X	X	X	X	X	X	:	:	:	:	X	X	X	X	:	:	:	
Jute woven fabrics-----	:	:	:	:	:	:	:	:	X	X	X	X	X	X	X	X	X	X	X	
Woven fabrics of hard fibers or paper-----	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	X	X	X	
Nonwoven and special fabrics (including pile, chenille, coated, elastic, and knitted)-----	X	X	X	X	:	:	:	:	:	:	:	:	:	:	:	:	X	:	:	
Made-up textile articles-----	:	:	X	:	:	:	:	:	:	:	:	:	:	X	:	X	:	:	X	
Clothing-----	X	X	X	X	X	:	:	:	:	:	:	:	:	X	:	X	X	X	X	
Articles of precious stones and precious metals-----	:	:	:	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:	
Unwrought nickel-----	:	:	:	:	:	:	:	:	:	:	X	:	:	:	:	:	:	:	:	
Coloring materials-----	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:	:	:	:	:	
Motor vehicles-----	:	:	:	:	:	:	:	:	:	:	:	:	X	:	X	:	:	:	:	
Watches and clocks-----	:	:	:	X	X	X	X	:	:	:	:	:	:	:	:	:	:	:	:	
Footwear-----	X	X	X	X	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	
Photographic supplies-----	:	:	:	:	:	:	:	:	X	X	:	X	:	:	:	:	:	:	:	
Firearms and ammunition-----	:	:	:	:	:	:	:	:	X	X	X	X	:	:	:	:	:	:	:	
Office and stationary supplies-----	:	:	:	:	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	

- * A-1--Arithmetic average, all products.
- A-3--Weighted average, all products.
- D-1--Arithmetic average, dutiable products.
- D-3--Weighted average dutiable products.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table 4-K.--Industrial product subsectors with the five lowest arithmetic and own-trade-weighted average duties for Canada, United States, Japan, the European Community and the United Kingdom

Industrial Subsectors	Canada				United States				Japan				European Community				United Kingdom			
	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*	A-1*	A-3*	D-1*	D-3*
Raw hides and furskins-----	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Paper pulp and paper waste-----	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:	:	:	X	:	X
Cotton-----	:	:	:	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:	
Jute-----	:	:	:	:	:	:	:	:	X	:	X	X	:	:	:	:	:	:	:	X
Hard fibers-----	:	:	:	:	:	:	:	:	X	:	X	X	:	:	:	:	:	:	:	
Jute yarns-----	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	X
Jute fabrics-----	X	:	X	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Fertilizers-----	X	:	X	X	X	:	X	X	X	X	X	X	:	:	:	:	:	:	:	:
"Other" crude minerals-----	:	:	:	:	:	:	:	:	:	X	:	:	:	:	:	:	:	:	:	:
Manufactured fertilizers-----	:	:	:	X	:	:	:	:	:	X	:	X	:	:	:	:	:	:	:	:
Precious stones-----	X	:	X	X	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Ores and metal wastes-----	:	:	:	:	:	:	:	:	:	X	:	:	:	:	:	:	X	X	X	X
Unwrought copper-----	:	:	:	:	:	:	:	:	:	:	:	:	X	X	X	X	:	X	:	:
Unwrought nickel-----	:	X	:	:	:	:	:	X	:	:	:	:	X	X	X	X	X	X	:	:
Unwrought lead-----	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	X	:	:
Unwrought zinc-----	X	X	X	X	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	X
Unwrought tin-----	:	X	:	:	X	X	X	X	:	:	:	:	X	X	X	X	X	X	X	X
Coal and coke-----	:	X	:	:	:	X	X	:	:	:	:	:	:	:	:	:	:	:	:	:
Gas-----	:	:	:	:	X	X	X	X	:	:	:	:	:	:	:	:	:	:	:	:
Crude petroleum-----	X	X	X	X	:	:	X	:	:	:	:	:	X	X	X	X	X	X	X	X
Agricultural machinery-----	:	:	:	:	:	X	:	:	:	:	:	:	:	:	:	:	:	:	:	:
Works of art-----	:	:	:	:	X	X	:	:	X	X	X	X	X	X	X	X	:	:	:	:

* A-1--Arithmetic average, all products.
A-3--Weighted average, all products.
D-1--Arithmetic average, dutiable products.
D-3--Weighted average, dutiable products.

Source: Compiled from Basic Data for the Tariff Study, GATT.

five lowest averages. As would be expected, all but a few of the subsectors are raw materials or semimanufactures. It is perhaps noteworthy also that three of the subsectors also are listed in table 4-J where the five highest averages are listed.

Variable levies on agricultural products

Any examination of tariffs on agricultural products is more difficult and the results considerably less satisfactory than in the industrial area because of the widespread use of numerous other highly protective devices. The most significant of these are various forms of quantitative restrictions and the special type of tariff device known as the "variable levy." ^{1/} The heavy use of these mechanisms in several important agricultural product sectors significantly distorts trade and, consequently, affects the calculation of tariff averages which are weighted by trade. In dairy products, for example, the European Community carefully controls and restricts imports through the variable levy, the United States through quotas.

The use of the variable levy by the European Community (and to a far lesser extent by the United Kingdom prior to entry into the Community) causes one of the principal problems in developing representative tariff averages for agricultural products. As

^{1/} Variable levies are, in effect, variable tariffs, which fluctuate in accordance with the disparity between a country's domestic support level of agricultural prices and world market prices. When the difference between support prices and world market prices increases, the variable levies increase; when it decreases, the variable levies decrease. Variable levies are discussed in Chapter VII of this report; quantitative restrictions in Chapter VIII.

the name indicates, the variable tariff changes, and for some products it changes frequently. For the present study, a representative figure, (for example, an average charge over a period of a year) has not been available for the numerous tariff line provisions in the European Community's Common External Tariff which are subject to variable levies or other changeable import fees, and consequently, these significant import charges (and in some cases the item itself) have had to be omitted in calculating the averages presented in this report. Except for tobacco, variable levies or other variable import fees are encountered to some extent in all sectors of the EC's agricultural tariff provisions.

It is highly important, therefore, for the reader to bear in mind that tariff averages presented in the following pages for the European Community reflect fixed duties only, and do not include variable levies and similar import charges. The same caveat holds for the averages of the United Kingdom, but such fees were far less significant in that country's tariff when the data for this report were collected.

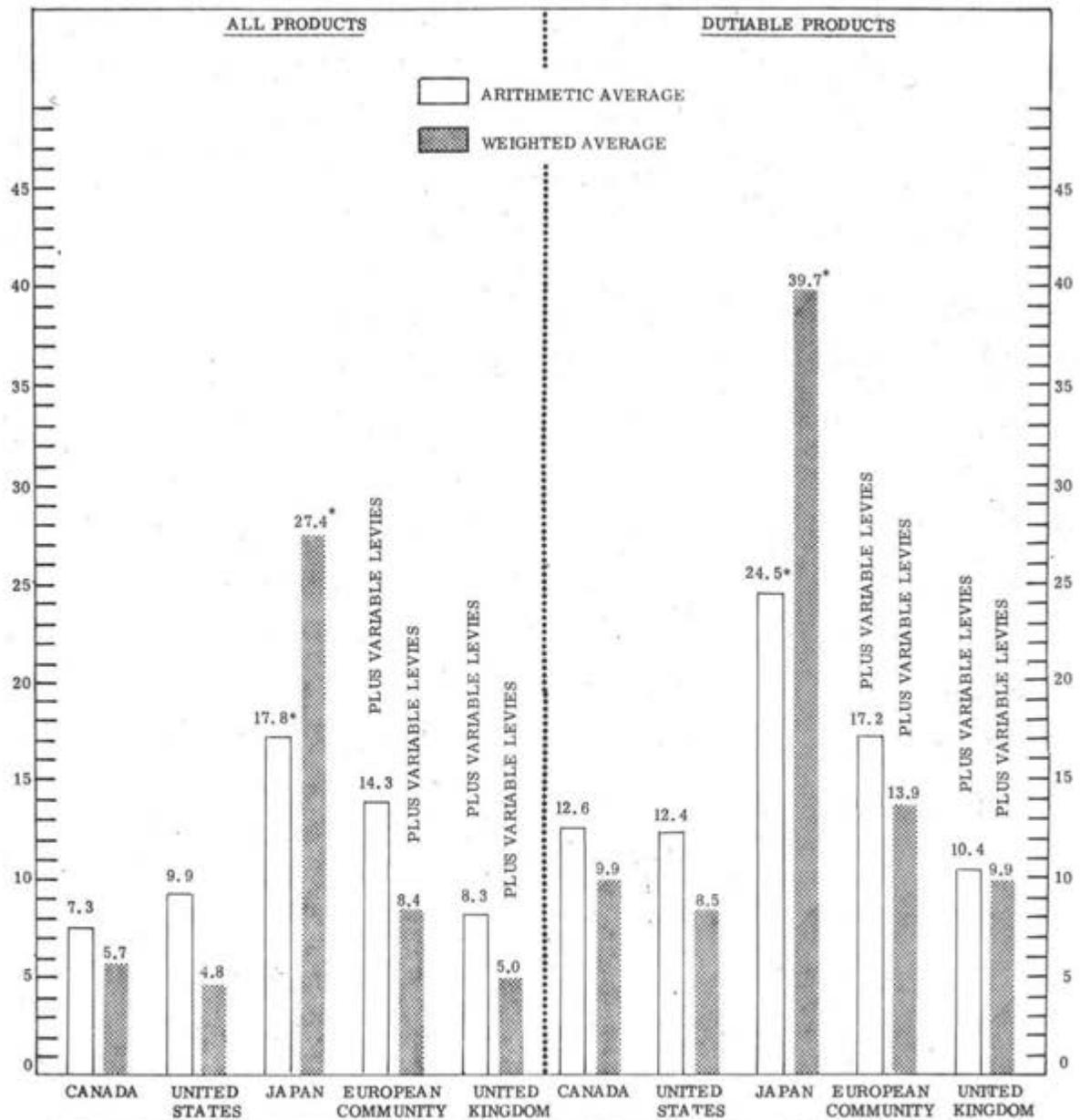
In the Community's agricultural tariff, there are 1,122 line provisions. Eighteen percent of these have variable levy charges only and have had to be omitted entirely from the present calculation; an additional 25 percent are subject to both a fixed tariff and variable fee, and for these only the fixed tariff could be taken into consideration. Out of total Community imports in the agricultural area, 27 percent were subject to variable charges. Prior to preparations

for joining the European Community, the United Kingdom employed variable levies as part of its minimum price support system for cereals, cereal products and by-products. Variable levies applied to only 14 of the United Kingdom agricultural lines, but United Kingdom imports under the 14 provisions accounted for almost 7 percent of that country's agricultural imports in 1970.

Agricultural products: Overall average MFN tariff levels

With these stated limitations, average MFN tariffs on agricultural products are presented in chart 4-0. Japan is seen to have the highest rates on agricultural products. If data on variable levy charges were included, the averages shown for the Community would be substantially higher than those indicated, and the averages for the United Kingdom slightly higher. For all countries except the United States, "commitments" under the GATT not to exceed given levels of duty for specified products cover a substantially smaller portion of tariff provisions in the agricultural sector than is the case for industrial products. Therefore, when compared with the corresponding average tariffs for industrial products (chart 4-A), the agricultural tariff averages shown in chart 4-0 for countries other than the United States are much less indicative of their average level of GATT concessions. Canada has only about 23 percent of its agricultural tariff provisions covered by GATT concessions, the United Kingdom about 50 percent, the European Community 55 percent, and Japan 68 percent. About 92 percent of United States agricultural provisions reflect GATT concessions.

Chart 4-O. --Average MFN rates on agricultural products
(Percent ad valorem)



* Figures for Japan do not reflect unilateral reductions made in 1972 on about one-fourth of the Japanese rates in the agricultural sectors; more than half of the reductions were by 20 percent and most of the remainder were by amounts ranging between 33 percent and 100 percent.

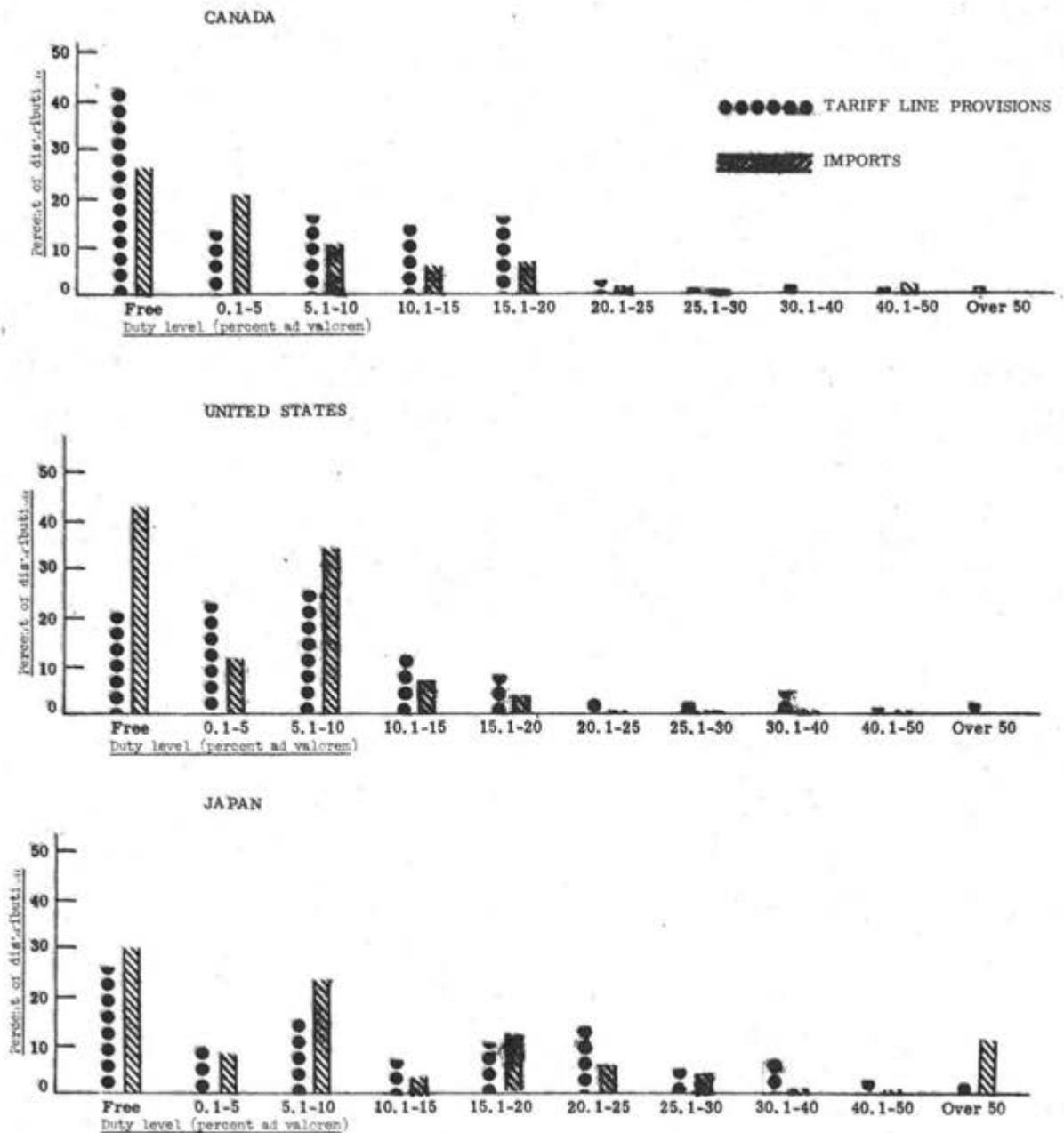
Source: Compiled from national tariffs and trade statistics.

The profiles of the country averages are shown in chart 4-P, though again the conclusions to be drawn are limited given the pervasiveness of variable levies and quotas. From these profiles, 1/ however, it is seen that all five countries enter a significant portion of their agricultural imports duty free. In all cases such imports consist largely of tropical products such as coffee, bananas and cocoa not produced in temperate zone countries. The United States, Japan and the European Community have their largest concentration of dutiable imports in the 5.1-10 percent ad valorem bracket; Canada and the United Kingdom have approximately equal concentration in two brackets covering duties ranging from 0.1 to 10 percent ad valorem. All countries are seen to have rate provisions over 50 percent ad valorem, and 12.5 percent of Japan's imports entered at such rates.

One of the more interesting aspects of the graphic representation of the cumulative distribution of agricultural imports by duty level (chart 4-Q) 1/ is the contrast in each country's tariff/trade pattern with the comparable chart for industrial products (chart 4-C). The U.S. agricultural products curve starts at a much higher level than for industry (45 percent of agricultural products enter at a duty of 1 percent or less, compared with only 24 percent in industry) and continues more or less steadily upward

1/ The data from which charts 4-P and 4-Q are constructed are found in appendix table 4-E.

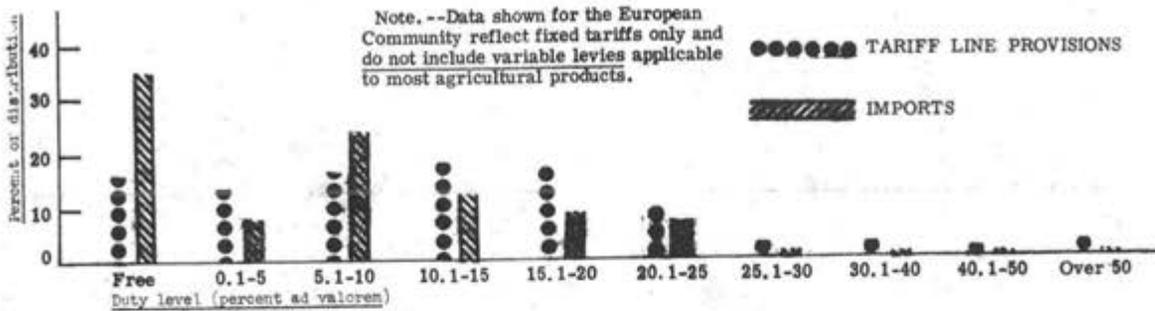
Chart 4-P.--Agriculture products: Distribution, by duty level, of MFN tariff provisions and imports



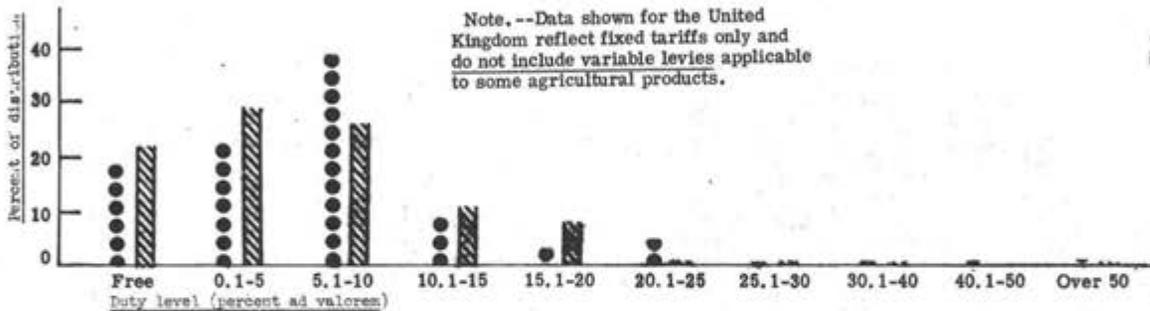
Source: Compiled from national tariffs and trade statistics.

Chart 4-P. --Agriculture products: Distribution, by duty level, of MFN tariff provisions and imports--Continued

EUROPEAN COMMUNITY

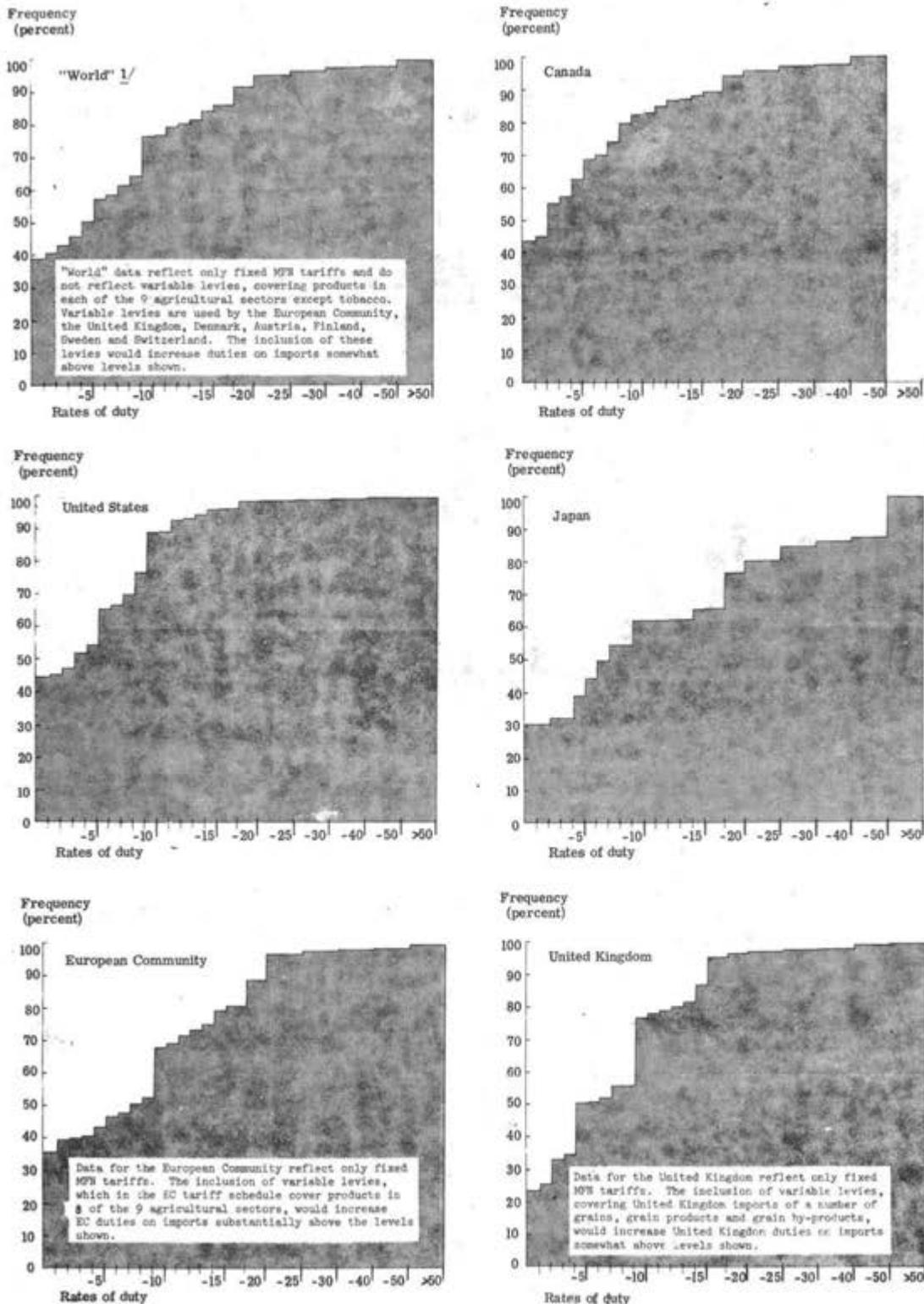


UNITED KINGDOM



Source: Compiled from national tariffs and trade statistics.

Chart 4-4. --All agricultural products: Cumulative distribution, by duty level, of MFN imports.



1 "World" data represent a cumulative distribution by duty level of imports by 12 developed countries plus the European Community.

Source: Compiled from national tariffs and trade statistics.

along a 45 degree line. The European Community's curve, even without inclusion of variable levies, starts at a lower level than for industry and is constantly below the 45 degree line. Canada, in strong contrast with its industry curve, shows a sharply rising curve in agriculture. The actual cumulative percentages of imports by duty levels are as follows:

Duty rate	"World"	Canada	United States	Japan	European Community ^{1/}	United Kingdom ^{2/}
Free	37.5	42.6	42.9	30.5	35.6	21.1
Under 5%	50.6	62.9	54.0	39.3	43.5	50.1
Under 10%	76.7	82.5	88.9	62.1	68.3	77.0
Under 15%	84.8	88.5	96.2	65.5	79.6	87.3
Under 20%	91.7	95.4	98.9	76.5	89.0	96.9
Under 50%	98.2	100.0	100.0	87.5	98.7	99.9

Agricultural product sectors

For calculating sector averages in agricultural products, the Tariff Commission has classified all agricultural and fishery products into nine sectors:

- A-1 Foodstuffs
- A-2 Grains
- A-3 Animals and products thereof
- A-4 Oil seeds, fats and oils, and their products
- A-5 Beverages and spirits
- A-6 Dairy products
- A-7 Fish, shellfish and products
- A-8 Tobacco
- A-9 Miscellaneous agricultural and forestry products

As already noted in Chapter III, some aspects of the sector definitions require further comment. First, the definition of

agricultural products for this report is that commonly used for the past several years in international tariff discussions, namely, products in Chapters 1-24 of the Brussels Tariff Nomenclature. In contrast to some classification systems, use of this definition places raw natural fibers--cotton, wool, hemp, etc.--in the industrial sector as raw materials, rather than in the agricultural area.

In addition, some of the nine sector headings are not entirely self-explanatory, such as "foodstuffs," where it is readily noted that other headings also contain edible items. "Foodstuffs" in this instance refers primarily to fruits and vegetables, spices, sugar, breads and related items and cereal preparations, and coffee, tea and cocoa (except when imported as a liquid beverage). "Beverages" covers fruit and vegetable juices, waters, lemonades and nonalcoholic drinks, wine, whiskey and "other beverages and spirits". "Miscellaneous agricultural and forestry products" refers to live trees, plants and seeds for sowing, raw vegetable materials suitable for use in dyeing and tanning, lacs, gums, resins, and "other" agricultural and forestry products, not elsewhere specified (n.e.s.).

Average MFN tariff levels for agricultural product sectors

Average MFN rates of duty on agricultural products for each of the nine sectors are listed in table 4-L. The data in the table are also presented graphically in profiles of agricultural provisions,

Table 4-L.--Agricultural sectors: Average MFN rates of duty and 1970 imports of Canada, the United States, Japan, the European Community and the United Kingdom

Country and sector	All products				Dutiable products				
	Average MFN duty		Total imports		Average MFN duty		MFN imports		
	A 1/	W 1/	Value	Percent	A 1/	W 1/	Value	Percent	
	Percent ad valorem		Millions dollars		Percent ad valorem		Millions dollars		
Canada									
A-1	Foodstuffs	8.6	6.7	646	53.6	12.1	11.6	289	48.5
A-2	Grains	2.5	4.1	41	3.4	4.5	4.8	34	5.7
A-3	Animals and products thereof	5.1	5.5	145	12.0	9.2	6.8	108	18.1
A-4	Oil seeds, fats and oils, and their products	8.0	2.1	140	11.6	14.1	12.4	20	3.4
A-5	Beverages and spirits	12.1	7.2	95	7.9	14.4	7.6	83	13.9
A-6	Dairy products	14.4	6.9	20	1.7	14.4	6.9	18	3.0
A-7	Fish, shellfish and products	5.3	4.6	51	4.2	10.4	13.0	18	3.0
A-8	Tobacco	27.4	25.6	9	.8	27.4	25.6	9	1.5
A-9	Miscellaneous agricultural and forestry products	3.5	3.7	58	4.8	11.7	10.7	17	2.9
	Total agriculture sectors	7.3	5.7	1,205	100.0	12.6	9.9	596	100.0
United States									
A-1	Foodstuffs	11.2	5.8	3,187	48.0	12.8	9.6	1,152	32.1
A-2	Grains	8.6	7.4	28	.4	9.6	7.4	28	.8
A-3	Animals and products thereof	6.0	5.6	1,177	17.7	7.3	5.7	1,136	31.6
A-4	Oil seeds, fats and oils, and their products	9.6	4.4	214	3.2	12.5	6.9	62	1.7
A-5	Beverages and spirits	21.4	9.2	721	10.9	22.1	9.3	713	19.9
A-6	Dairy products	17.1	11.3	88	1.3	17.1	11.3	87	2.4
A-7	Fish, shellfish and products	5.7	1.6	791	11.9	7.7	7.0	178	5.0
A-8	Tobacco	53.5	20.6	145	2.2	56.5	20.6	138	3.8
A-9	Miscellaneous agricultural and forestry products	3.1	2.0	290	4.4	6.1	5.9	96	2.7
	Total agriculture sectors	9.9	4.8	6,641	100.0	12.4	8.5	3,590	100.0
Japan									
A-1	Foodstuffs	21.8	54.5	849	25.7	24.0	61.4	723	32.8
A-2	Grains	8.1	8.0	1,022	30.9	11.7	16.6	491	22.3
A-3	Animals and products thereof	7.7	10.4	166	5.0	15.9	12.3	131	5.9
A-4	Oil seeds, fats and oils, and their products	7.6	4.9	666	20.2	10.9	6.5	466	21.2
A-5	Beverages and spirits	41.5	76.4	20	.6	42.6	76.4	20	.9
A-6	Dairy products	32.1	35.2	35	1.1	37.5	38.2	33	1.5
A-7	Fish, shellfish and products	10.4	6.3	262	7.9	10.9	6.5	231	10.5
A-8	Tobacco	232.5	354.2	74	2.2	232.5	354.2	72	3.3
A-9	Miscellaneous agricultural and forestry products	4.1	1.9	210	6.4	12.1	10.9	35	1.6
	Total agriculture sectors	17.8	27.4	3,304	100.0	24.5	39.7	2,202	100.0
European Community									
Note.--Rates shown for the European Community reflect fixed tariffs only and do not include variable levies applicable to products in all sectors except A-8 (Tobacco). If data were available to reflect the variable levy charges, the rates shown would be very substantially higher than indicated here.									
A-1	Foodstuffs	13.8	12.3	3,066	32.9	15.2	12.4	2,149	36.3
A-2	Grains	2/	2/	1,246	13.4	2/	2/	1,240	20.9
A-3	Animals and products thereof	10.6	11.5	1,080	11.6	14.7	13.9	1,011	17.1
A-4	Oil seeds, fats and oils, and their products	6.2	1.2	1,987	21.3	8.2	8.3	329	5.6
A-5	Beverages and spirits	35.6	33.4	378	4.0	36.6	33.4	182	3.1
A-6	Dairy products	16.0	3/	111	1.2	16.0	3/	110	1.8
A-7	Fish, shellfish and products	13.4	12.3	404	4.3	14.7	15.7	278	4.7
A-8	Tobacco	49.0	25.9	332	3.5	49.0	25.9	254	4.3
A-9	Miscellaneous agricultural and forestry products	4.0	2.1	726	7.8	6.8	4.5	367	6.2
	Total agriculture sectors	14.3	8.4	9,330	100.0	17.2	13.9	5,920	100.0
United Kingdom									
Note.--Rates shown for the United Kingdom reflect fixed tariffs only and do not include variable levies applicable to products in sectors A-1 (Foodstuffs), A-2 (Grains), and A-9 (Miscellaneous). If data were available to reflect the variable levy charges, the rates shown for Sectors A-1, A-2, and A-9 would be somewhat higher than indicated here.									
A-1	Foodstuffs	7.5	5.9	1,839	33.3	8.8	7.4	581	31.9
A-2	Grains	4.5	1.4	642	11.6	6.7	3.7	350	19.2
A-3	Animals and products thereof	6.8	8.3	1,191	21.6	9.9	9.0	288	15.8
A-4	Oil seeds, fats and oils, and their products	7.9	5.8	501	9.1	9.9	11.5	93	5.1
A-5	Beverages and spirits	14.1	12.6	216	3.9	15.3	13.8	147	8.1
A-6	Dairy products	8.2	5.5	435	7.9	9.0	13.0	36	2.0
A-7	Fish, shellfish and products	11.1	5.9	179	3.2	13.4	6.1	93	5.1
A-8	Tobacco	30.2	17.2	265	4.8	30.2	17.2	162	8.9
A-9	Miscellaneous agricultural and forestry products	7.6	6.6	254	4.6	11.6	10.1	72	3.9
	Total agriculture sectors	8.3	5.0	5,522	100.0	10.4	9.9	1,822	100.0

1/ A=Simple arithmetic average; W=weighted average (weights are country's own imports).

2/ Subject to variable levies only; there are no fixed duties applicable to grains.

3/ All MFN imports were subject to variable levies only.

Source: Compiled from national tariff and trade statistics.

by product sector, in tariffs of the five countries in the charts on the following pages, the coverage of which is listed below:

Arithmetic averages:

- Chart 4-R -- Tariff profiles for all agricultural products
 Chart 4-S -- Tariff profiles for dutiable agricultural products

Weighted averages:

- Chart 4-T -- Tariff profiles for all agricultural products
 Chart 4-U -- Tariff profiles for dutiable agricultural products

From the profiles several things are immediately evident. The range of rates among the sectors is much greater than in the industrial area; also there is a considerably greater contrast between the "all products" and "dutiable products" profiles than in the industrial area. With the exception of Japan, the largest category of trade is sector A-1, foodstuffs (i.e. chiefly fruits, vegetables and cereal preparations), which range from 32.9 percent of total MFN agricultural imports for the European Community to 53.6 percent in the case of Canada. For Japan, grains is the largest category, constituting 30.9 percent of its total agricultural imports. In fact, the first four sectors -- A-1, foodstuffs; A-2, grains; A-3, animals and products thereof; and A-4, oil seed, fats and oils, and their products -- account for some three-quarters of agricultural trade for the five countries shown. The importance of these four categories as a proportion of total agricultural imports of each country in 1970 was as follows:

	<u>Percent</u>
Canada	80.7
United States	69.3
Japan	81.7
European Community	79.2
United Kingdom	75.6

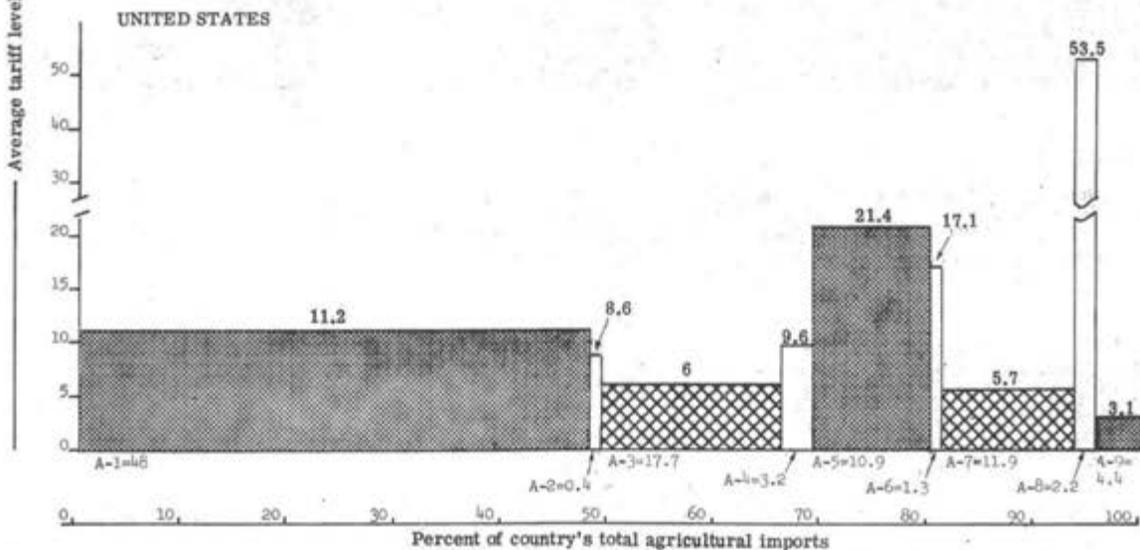
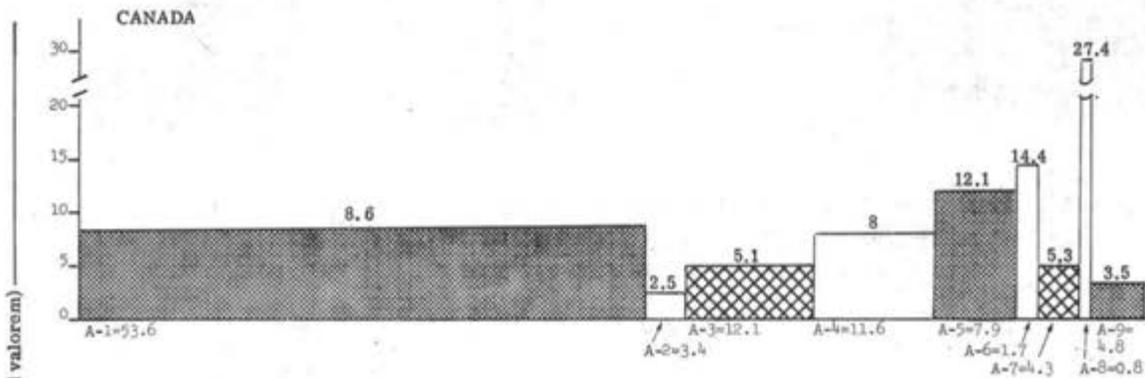
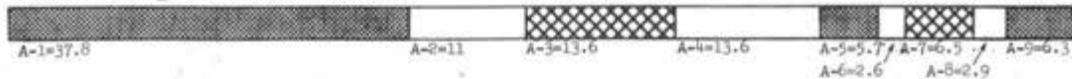
CHART 4-R.--TARIFF PROFILES FOR ALL AGRICULTURAL PRODUCTS

Arithmetic average tariffs and tariff distribution of imports by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Agricultural Sectors

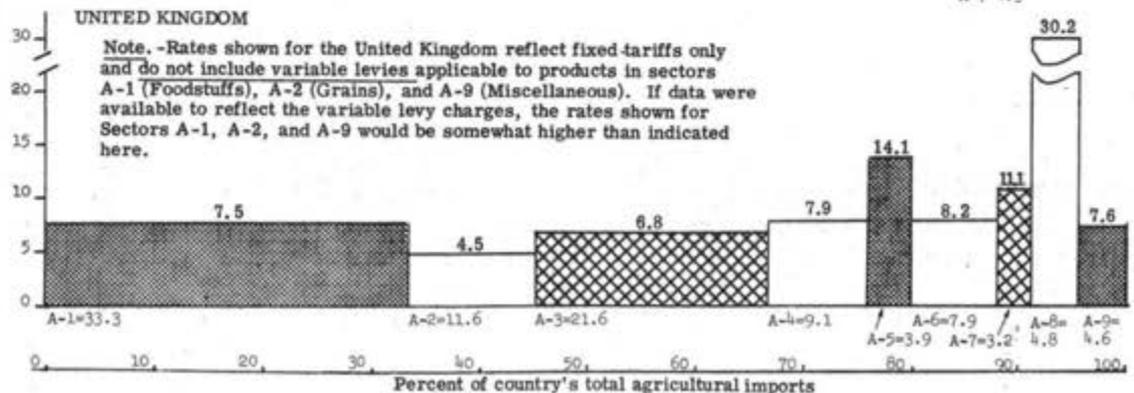
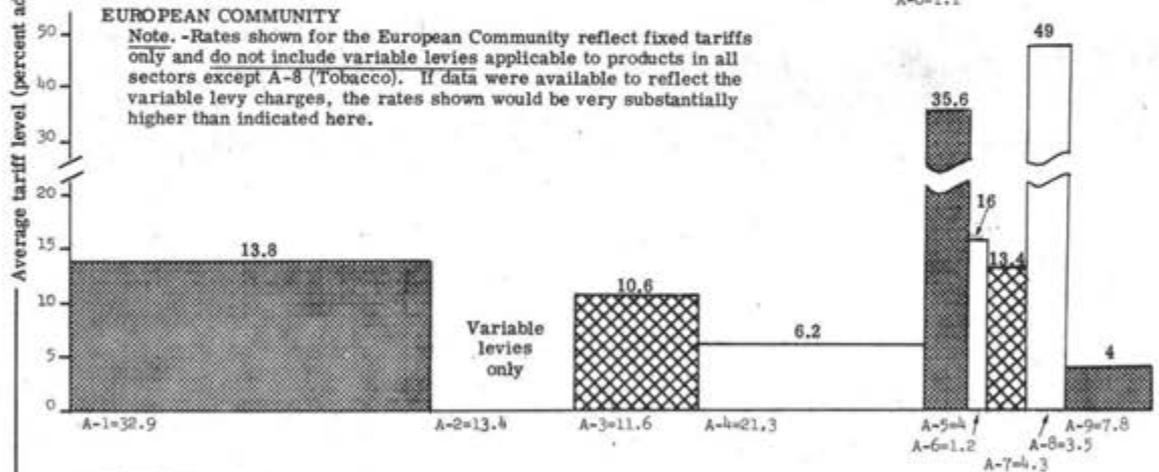
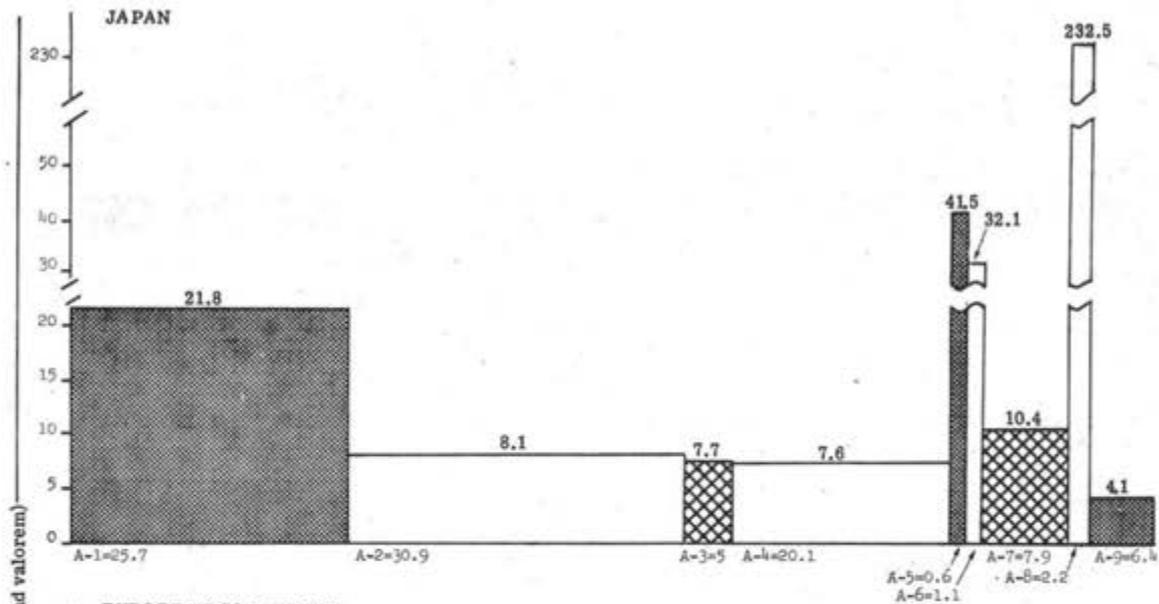
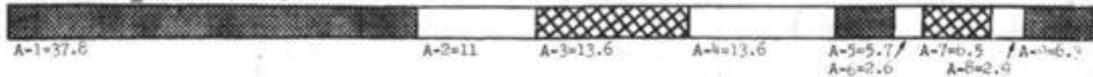
- | | |
|--|--|
| A-1 Foodstuffs | A-6 Dairy products |
| A-2 Grains | A-7 Fish, shellfish and products |
| A-3 Animals and products thereof | A-8 Tobacco |
| A-4 Oil seeds, fats and oils, and their products | A-9 Miscellaneous agricultural and forestry products |
| A-5 Beverages and spirits | |

World trade ^{1/} distribution by sector:



^{1/} "World trade" consists of imports of 18 major trading countries.

CHART 4-R.--TARIFF PROFILES FOR ALL AGRICULTURAL PRODUCTS--Continued

World trade ^{1/} distribution by sector:^{1/} "World trade" consists of imports of 18 major trading countries.

Source: Compiled from national tariffs and trade statistics.

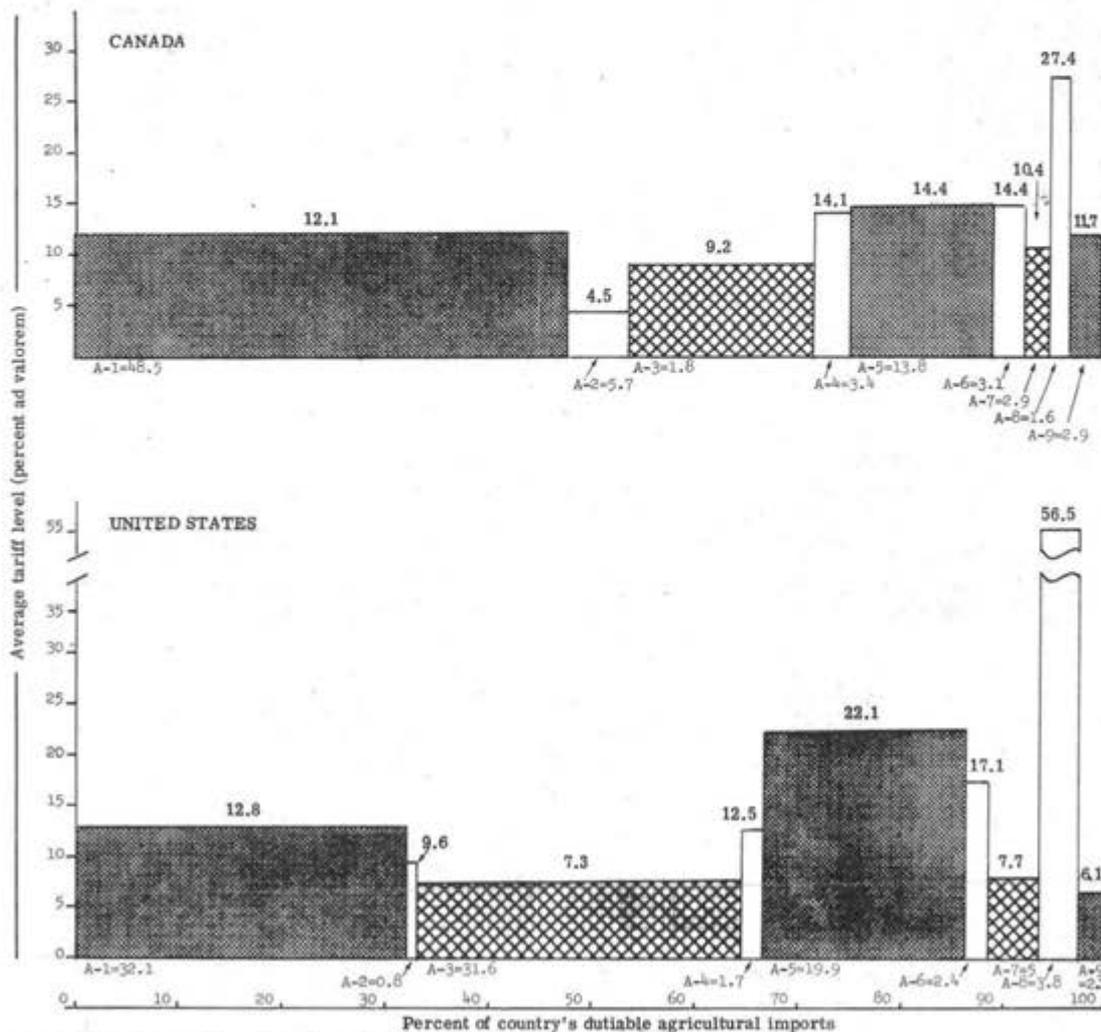
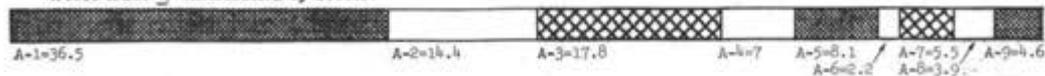
CHART 4-8.--TARIFF PROFILES FOR DUTIABLE AGRICULTURAL PRODUCTS

Arithmetic average tariffs and tariff distribution of dutiable imports by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Agricultural Sectors

- | | |
|--|--|
| A-1 Foodstuffs | A-6 Dairy products |
| A-2 Grains | A-7 Fish, shellfish and products |
| A-3 Animals and products thereof | A-8 Tobacco |
| A-4 Oil seeds, fats and oils, and their products | A-9 Miscellaneous agricultural and forestry products |
| A-5 Beverages and spirits | |

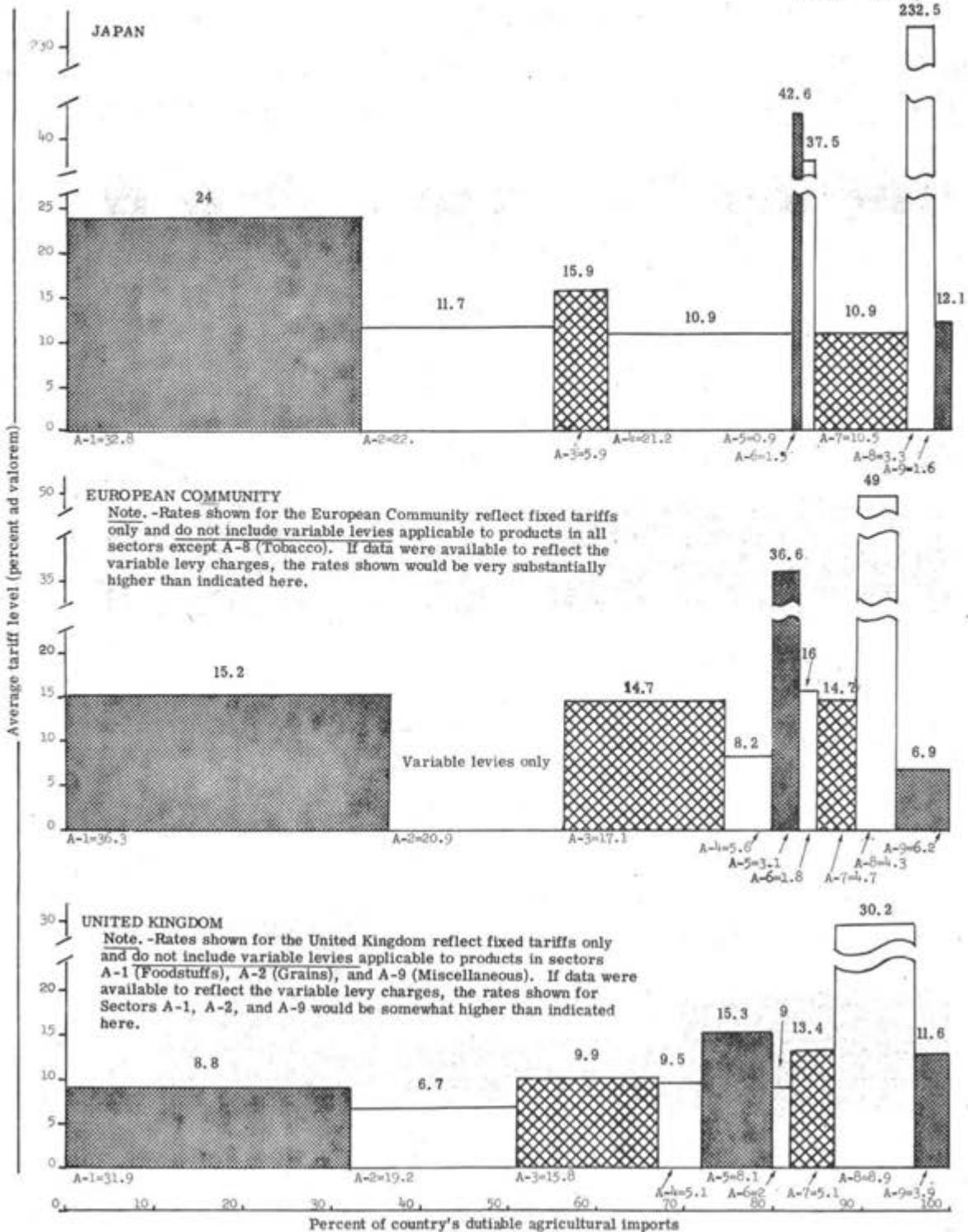
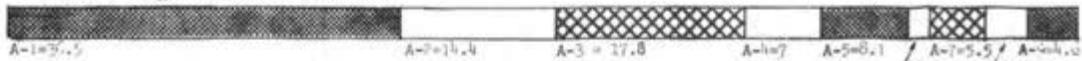
World trade ^{1/} distribution by sector:



^{1/} "World trade" consists of imports of 18 major trading countries.

CHART 4-8.--TARIFF PROFILES FOR DUTIABLE AGRICULTURAL PRODUCTS--Continued

World trade ^{1/} distribution by sector:



^{1/} "World trade" consists of imports of 18 major trading countries.

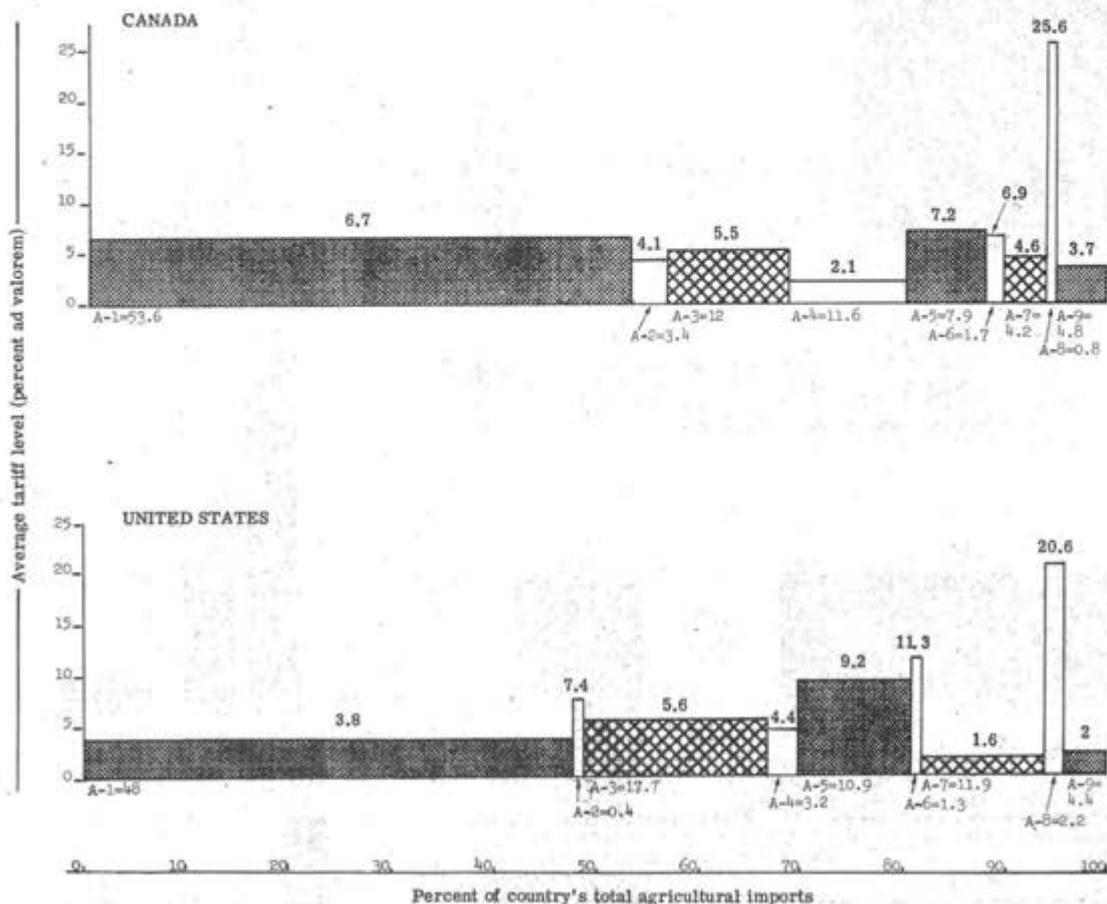
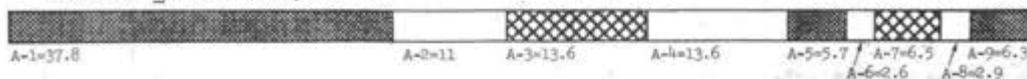
CHART 4-T.--TARIFF PROFILES FOR ALL AGRICULTURAL PRODUCTS

Weighted $1/$ average tariffs and tariff distribution of imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Agricultural Sectors

- | | |
|--|--|
| A-1 Foodstuffs | A-6 Dairy products |
| A-2 Grains | A-7 Fish, shellfish and products |
| A-3 Animals and products thereof | A-8 Tobacco |
| A-4 Oil seeds, fats and oils, and their products | A-9 Miscellaneous agricultural and forestry products |
| A-5 Beverages and spirits | |

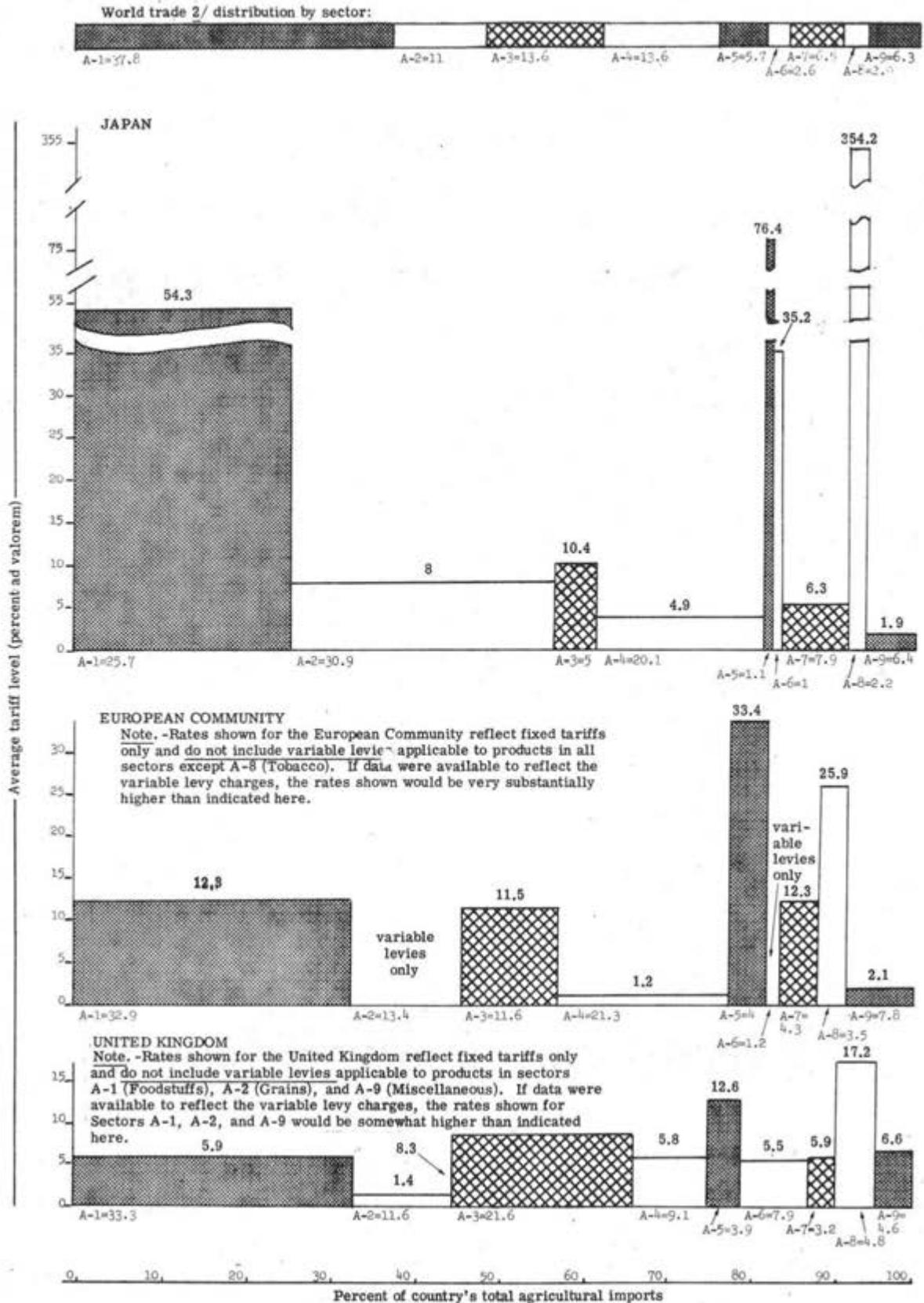
World trade $2/$ distribution by sector:



$1/$ Weights used are country's own imports.

$2/$ "World trade" consists of imports of 18 major trading countries.

CHART 4-T.--TARIFF PROFILES FOR ALL AGRICULTURAL PRODUCTS--Continued



2/ "World trade" consists of imports of 18 major trading countries.

Source: Compiled from national tariffs and trade statistics.

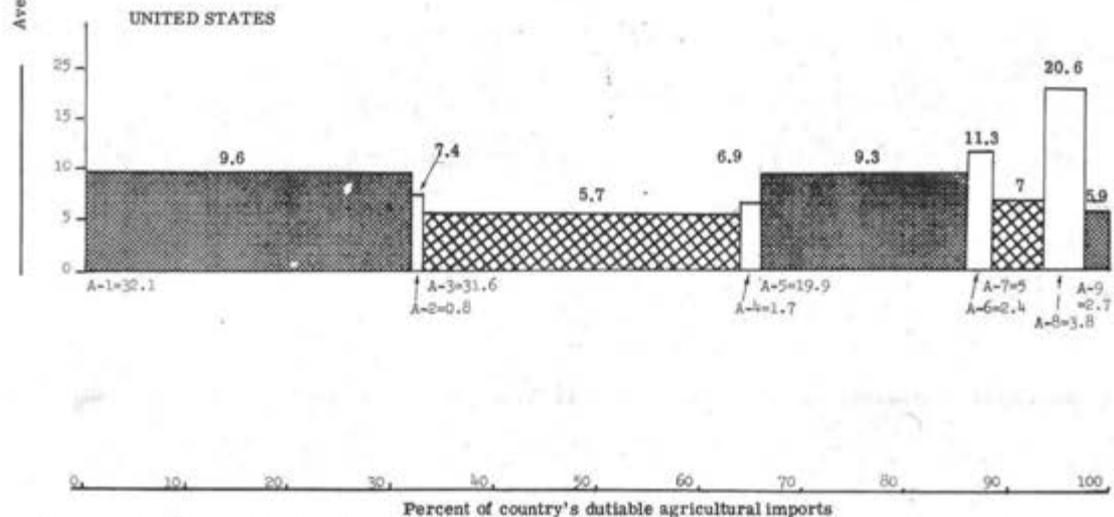
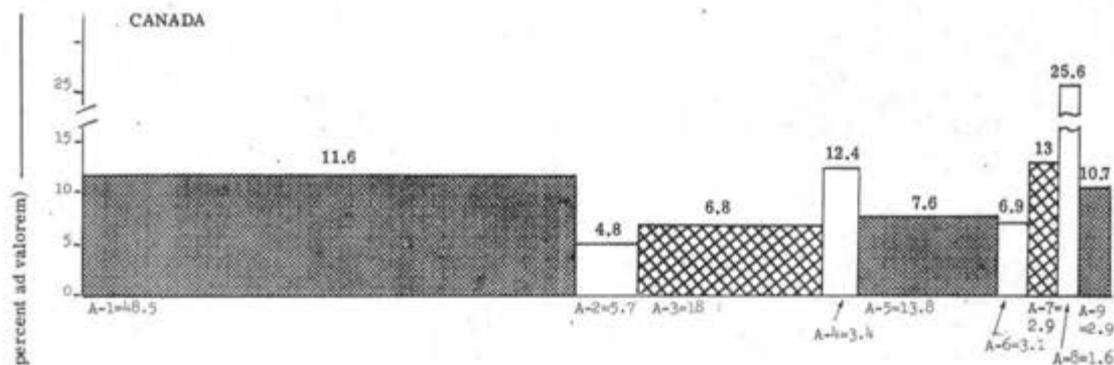
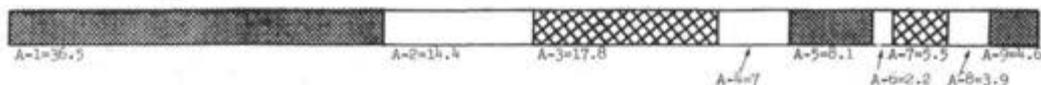
CHART 4-U. --TARIFF PROFILES FOR DUTIABLE AGRICULTURAL PRODUCTS

Weighted ^{1/} average tariffs and tariff distribution of imports, by product sector, for Canada, United States, Japan, the European Community and the United Kingdom

Agricultural Sectors

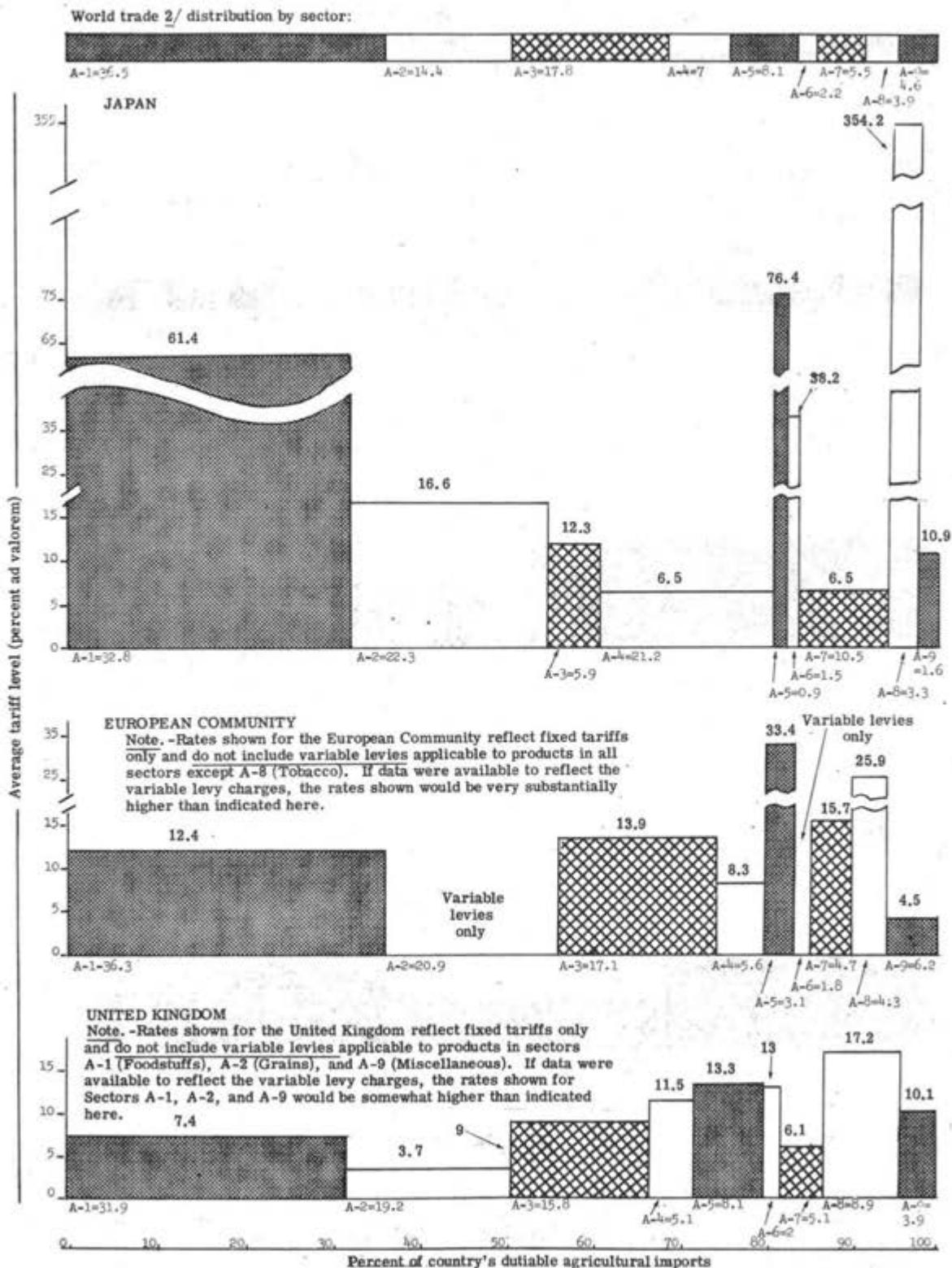
- | | |
|--|--|
| A-1 Foodstuffs | A-6 Dairy products |
| A-2 Grains | A-7 Fish, shellfish and products |
| A-3 Animals and products thereof | A-8 Tobacco |
| A-4 Oil seeds, fats and oils, and their products | A-9 Miscellaneous agricultural and forestry products |
| A-5 Beverages and spirits | |

World trade ^{2/} distribution by sector:



^{1/} Weights used are country's own imports.
^{2/} "World trade" consists of imports of 18 major trading countries.

CHART 4-U. --TARIFF PROFILES FOR DUTIABLE AGRICULTURAL PRODUCTS--Continued



2/ "World trade" consists of imports of 18 major trading countries.

Source: Compiled from national tariffs and trade statistics.

A further insight into the averages of each sector can be had by consulting the sector tariff and trade profiles found in appendix chart 4-B.

If, for each set of average tariff levels shown in table 4-L for the agricultural sectors of Canada, United States, Japan and the United Kingdom, country ranks of 1 through 4 are assigned, 1/ Japan is seen to have the highest ranking average in 26 of the 36 sets. Canada has the largest number of lowest ranking averages (13 sets). The number of times each country received each of the ranks is as follows:

<u>Rank</u>	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>United Kingdom</u>
1 (Lowest average)-----	13	8	3	12
2 -----	12	12	2	12
3 -----	8	14	5	7
4 (Highest average)-----	3	2	26	5

When duty ranks of the arithmetic and own-trade-weighted averages for the 36 agricultural subsectors are examined, it is found that the three highest rates of each of the tariffs are scattered among one-fourth of the subsectors, but over half of the 60 "highest" rates are in the two subsectors for tobacco, and almost one quarter are in the two beverage subsectors (wine and "other beverages and spirits"). The agricultural subsectors in which each country has one of the three highest rates in each average are identified in table 4-M.

1/ The European Community is omitted from this comparison because of the incompleteness of the EC data, which do not reflect variable levy charges.

Table 4-M.--Agricultural product subsectors with the three highest arithmetic and own-trade-weighted average duties for Canada, United States, Japan, the European Community, and the United Kingdom

Agricultural subsectors	Canada				United States				Japan			European Community ^{1/}				United Kingdom				
	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3
Fluid milk-----	X			X																
Vegetables, fresh or dried---						X														
Sugar and confectionery-----		X		X						X		X								
Fruit and vegetable juices----					X		X	X												
Wine-----									X		X		X	X	X	X	X	X	X	X
Beverages and fruits (except wine, fruit and vegetable juices)-----													X	X	X	X				
Unmanufactured tobacco-----	X	X	X	X	X	X	X	X	X	X	X	X					X	X		X
Manufactured tobacco-----	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Live trees, plants, and seeds-----																				X

1/ Data for the European Community does not take into consideration variable levies.

*A-1 = Arithmetic average, all products.

*D-1 = Arithmetic average, dutiable products.

*A-3 = Weighted averaged, all products.

*D-3 = Weighted average, dutiable products.

Source: compiled from national tariffs.

It should be noted that data for the European Community could not take into account the EC's variable levies, but reflect only fixed tariffs.

The agricultural subsectors where the three lowest rates of each average for each country are found are listed in table 4-N. There it is seen that the low rates are considerably more dispersed than the high rates, as 12 of the 36 subsectors are required to account for them, and there is not the degree of concentration found in the higher rates. The largest number of low rates (11 of the 60) are found in the subsectors for coffee, tea and maté.

The effect of differences in customs valuation on average duty levels

In an earlier section of this chapter it is pointed out that the system of valuing imported articles for assessing ad valorem tariff rates must be considered when comparing duties on individual products. Of the five major tariffs for which average duty levels have been compared, the European Community, Japan and the United Kingdom assess ad valorem rates on a "c.i.f. basis," whereas the United States and Canada use an "f.o.b. type" value. The significance of the difference in valuation systems for the average tariff levels is examined in the following paragraphs.

The actual amount of duty collected from an ad valorem rate applied to an f.o.b. value is less than that collected by the same nominal rate applied to a c.i.f. value, and consequently the

Table B-N.--Agricultural product subsector: with the three lowest arithmetic and own-trade-weighted average duties for Canada, United States, Japan, the European Community, and the United Kingdom

Agricultural subsectors	Canada				United States				Japan			European Community ^{1/}				United Kingdom				
	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3	A-1	A-3	D-1	D-3
Live animals-----	X		X	X					X	X	X	X					X	X		
Meat, fresh, chilled or frozen-----			X	X																
Fish and shellfish, fresh, chilled or frozen-----		X				X					X									
Fruit and edible nuts, fresh or dried-----																				X
Coffee, tea, maté-----	X	X	X	X	X	X	X	X									X	X	X	X
Cocoa and cocoa prepara- tions-----					X	X	X	X									X	X	X	
Vegetable oils and seeds, oilcake-----													X							
"Other" fats, oils, waxes and products-----											X	X	X	X	X	X				
Beverages and spirits (except wine and fruit and vegetable juices)-----																				X
Live trees, plants and seeds-----	X	X					X	X	X	X	X	X								
Raw vegetable dyeing and tanning material, lacs, gums-----					X								X	X	X	X	X		X	
"Other" agricultural products, n.e.s-----									X	X			X	X	X	X				

^{1/} Data for the European Community does not take into consideration variable levies.

*A-1 = Arithmetic average, all products.

*D-1 = Arithmetic average, dutiable products.

*A-3 = Weighted average, all products.

*D-3 = Weighted average, dutiable products.

Source: Compiled from national tariffs.

collected f.o.b. duty should be expressed as a lower "rate" when comparison is made with the duty collected on a c.i.f. basis.

Using factors published by the U.S. Bureau of the Census to convert values reported in U.S. import statistics to a c.i.f. basis, ^{1/} the ratio of U.S. duties collected in each of the 23 industrial sectors to the estimated c.i.f. value of imports in each sector was calculated for comparison with the "f.o.b." duty averages for the 23 sectors set forth for the United States in the preceding pages. This recalculation of the arithmetic and own-trade-weighted averages at the "all products" (dutiable and free) level of each sector, produced lower average duties for the sectors by the following amounts:

Duty Reduction (percentage points)	Number of sectors	
	Arithmetic Average	Own-trade- weighted
0.0 -----	1	3
0.1 -----	1	1
0.2 -----	4	4
0.3 -----	3	5
0.4 -----	1	-
0.5 -----	1	-
0.6 -----	2	3
0.7 -----	-	1
0.8 -----	6	2
0.9 -----	1	1
1.0 -----	1	1
1.1 -----	1	1
1.2 -----	-	-
1.3 -----	1	-
1.4 -----	-	1

Thus, it is seen that although the valuation base for assessing ad valorem rates is of substantial importance at the individual

^{1/} Highlights of U.S. Export and Import Trade, FT 990, U.S. Department of Commerce, March 1969, pp. III-VI.

product level, when large aggregates of products are considered it becomes of relatively minor significance so far as the average level of duty is concerned. The difference in the average rate for a sector resulting from using a c.i.f. rather than an f.o.b. valuation base for U.S. imports did not exceed one-half percentage point in the arithmetic average for 11 of the 23 industrial sectors, and in the own-trade-weighted averages for 13 of the sectors. Moreover, none of the differences exceeded 1.5 percentage points.

Average Tariff Level of Other Developed Countries

Average tariffs of eight market economy countries

For comparison with the five major tariffs which have been examined in the foregoing pages, selected averages for industrial tariffs of eight other developed countries are presented in table 4-0 at the all products level and for the three stages of manufacture. The

Table 4-0.--Average rates of duty on industrial products for selected developed countries ^{1/}

Country and type of average	All industrial products		Industrial raw materials		Semimanufactures		Finished industrial products	
	All items	Dutiable items	All items	Dutiable items	All items	Dutiable items	All items	Dutiable items
Australia:								
Arithmetic----	18.5	26.5	10.1	22.5	15.3	22.7	20.1	27.9
Weighted-----	13.1	23.0	0.6	16.6	11.7	17.3	16.3	25.6
Austria:								
Arithmetic----	10.8	13.5	2.9	6.9	9.0	12.4	12.8	14.3
Weighted-----	11.0	16.3	1.8	11.0	5.9	12.9	16.0	17.3
Denmark:								
Arithmetic----	4.5	8.3	0.1	4.4	3.1	7.4	5.7	8.6
Weighted-----	4.2	8.5	0.0	1.7	3.1	7.9	5.8	8.7
Finland:								
Arithmetic----	8.6	13.3	0.1	5.8	5.5	11.8	10.9	13.8
Weighted-----	4.6	9.5	0.0	3.8	3.2	10.7	6.3	9.2
New Zealand:								
Arithmetic----	25.2	32.3	2.3	16.2	17.3	24.1	31.9	36.7
Weighted-----	14.6	23.4	0.2	11.1	8.8	14.6	20.2	27.1
Norway:								
Arithmetic----	8.3	11.4	0.6	6.4	6.1	10.6	10.1	11.7
Weighted-----	4.5	11.0	0.1	3.5	4.9	13.4	5.1	9.8
Sweden:								
Arithmetic----	5.8	7.7	0.2	4.8	4.9	7.5	6.8	7.8
Weighted-----	4.6	7.3	0.0	6.3	4.2	7.3	5.7	7.3
Switzerland:								
Arithmetic----	4.3	4.4	1.5	1.9	4.4	4.4	4.5	4.6
Weighted-----	3.0	3.4	0.5	0.7	2.8	2.8	3.5	4.0

^{1/} The averages shown are the simple arithmetic average and the own-trade-weight average.

Source: Basic Documentation for the Tariff Study, GATT.

averages shown in table 4-0 correspond to those given for the five major tariffs in charts 4-A, 4-D, 4-E and 4-F. It is seen from table 4-0 that virtually all averages of Australia and most for New Zealand are above (and frequently substantially above) the highest corresponding average of the major countries. Almost all averages for Switzerland are below the lowest corresponding average in the

five major tariffs, as are most of the averages of Denmark and Sweden. For Austria, Finland and Norway, the majority of averages fall within the range of the five major tariffs.

Agricultural product sector averages for the eight countries are given in table 4-P.

About 70 percent of the averages shown in the table are within the range of the corresponding averages for the five major countries, 17 percent are higher than the highest corresponding average among the five countries, and 12 percent are lower than the lowest corresponding average. Unlike the averages for industrial products, the majority of averages of each of the eight countries shown in the table fall in the same range as the major tariffs.

Average tariffs of the Soviet Union

The Soviet Union maintains a "two-column" tariff, and in addition, gives preferential treatment for products of developing countries. Rates listed in the "minimum" rate column are applicable to goods originating in or imported from developed countries which grant MFN treatment to Soviet products; the "maximum" rate column applies to goods from developed countries which apply discriminatory rates against Soviet products. All goods imported from less developed countries are admitted duty free. The Soviet tariff law states: "Where goods are dutiable at the maximum customs tariff rates, the additional duties (represented by the difference between the rates for such goods and the minimum rates) shall not be borne by the Soviet customers (actual purchasers), nor shall they be paid

Table 4-P.--Average rates of duty for agricultural product sectors for selected developed countries 1/

Sector and type of average	Australia		Austria		Denmark		Finland		New Zealand		Norway		Sweden		Switzerland	
	All	Dutiable	All	Dutiable	All	Dutiable	All	Dutiable	All	Dutiable	All	Dutiable	All	Dutiable	All	Dutiable
	items	items	items	items	items	items	items	items	items	items	items	items	items	items	items	items
A-1 Foodstuffs:																
Arithmetic average	19.0	22.4	12.3	15.0	8.7	13.5	30.8	40.4	21.7	30.4	14.9	19.4	7.8	13.7	11.8	12.0
Weighted average	10.3	17.6	12.8	13.2	18.2	25.7	43.7	47.5	2.6	6.1	3.1	7.5	4.3	7.0	12.4	13.1
A-2 Grains:																
Arithmetic average	12.1	15.2	9.6	28.9	2.5	5.0	17.4	41.7	0.3	1.1	3.0	9.9	0.0	0.0	2.4	2.4
Weighted average	20.4	20.4	14.7	29.4	4.4	5.0	22.4	50.1	0.0	0.3	0.2	8.8	0.0	0.0	2.4	2.4
A-3 Animals and products thereof:																
Arithmetic average	11.7	22.0	11.7	15.2	6.3	17.0	22.8	29.0	28.3	42.5	15.8	20.5	0.0	0.0	5.0	5.0
Weighted average	9.0	22.8	24.2	24.4	2.8	22.8	48.8	74.4	7.8	41.4	17.0	17.5	0.0	0.0	3.7	3.7
A-4 Oil seeds, fats and oils, and their products:																
Arithmetic average	12.6	19.1	6.4	13.8	2.9	9.6	6.4	24.4	12.6	23.5	2.0	5.2	0.3	2.7	3.2	3.3
Weighted average	14.9	23.6	0.4	9.3	0.2	7.9	0.9	35.3	0.6	9.4	0.3	4.6	0.7	4.7	2.0	2.1
A-5 Beverages and spirits:																
Arithmetic average	31.6	33.8	33.1	33.7	14.5	16.7	25.8	47.3	78.3	83.7	17.6	48.4	7.7	9.0	19.1	22.5
Weighted average	26.6	26.6	57.3	57.3	13.2	14.5	36.7	67.5	86.6	88.2	1.8	20.5	7.1	7.2	17.7	18.2
A-6 Dairy products:																
Arithmetic average	11.8	15.7	0.0	0.0	7.5	15.0	0.0	0.0	34.3	34.3	25.7	27.5	0.0	0.0	10.6	10.6
Weighted average	15.0	15.3	0.0	0.0	11.7	11.7	0.0	0.0	53.7	53.7	79.5	79.5	0.0	0.0	12.0	12.0
A-7 Fish, shellfish and products:																
Arithmetic average	9.7	13.5	11.1	16.4	1.3	2.8	10.4	15.5	11.9	15.6	0.7	5.2	1.4	5.4	3.6	3.6
Weighted average	3.7	4.1	6.6	13.3	0.7	2.7	9.6	9.8	4.3	4.3	1.9	4.7	1.4	2.9	3.9	3.9
A-8 Tobacco:																
Arithmetic average	69.3	69.3	112.6	112.6	28.3	42.4	71.8	95.8	47.6	61.2	28.9	46.2	14.9	26.0	27.5	45.8
Weighted average	83.1	83.1	71.7	71.7	4.7	47.3	6.9	7.0	50.7	50.9	6.2	43.1	2.7	28.1	3.4	31.0
A-9 Miscellaneous agricultural and forestry products:																
Arithmetic average	6.8	18.3	5.4	9.7	2.8	12.9	4.7	15.6	11.7	35.5	3.3	8.7	1.4	10.5	3.5	3.8
Weighted average	1.2	19.9	3.5	9.6	1.1	11.3	8.2	16.6	0.9	2.4	3.9	5.9	4.9	9.0	2.6	2.7

1/ The averages shown are the simple arithmetic average and the own-trade-weighted average.

Source: Compiled from national tariffs.

by a reduction of any amount to be paid by the above-mentioned Soviet organizations [responsible for importing goods] in favor of the budget of the Union."

The simplicity of the Soviet nomenclature presents an extreme contrast with the detailed and complex nomenclature of the market economy industrialized countries. The Soviet tariff contains 271 rate provisions distributed among nine schedules. The schedules are listed in table 4-Q, together with the arithmetic average rate for each schedule, the range of rates and the number of tariff lines.

Table 4-Q —U.S.S.R. tariff schedules: Arithmetic average rates, range of rates and number of rate lines

Schedule	Minimum rate column		Maximum rate column	
	All items	Dutiable items	All items	Dutiable items
I. Machinery and plant				
Arithmetic average rate-----	0.8	3.3	8.2	8.2
Range of rates-----	0.0-10.0	1.0-10.0	5.0-20.0	5.0-20.0
Number of rate lines-----	51	13	51	51
II. Fuel, raw mineral materials, metals				
Arithmetic average rate-----	1.1	4.0	10.0	10.3
Range of rates-----	0.0-10.0	1.0-10.0	0.0-20.0	5.0-20.0
Number of rate lines-----	36	10	36	35
III. Chemical products, fertilizers and rubber				
Arithmetic average rate-----	1.1	3.2	10.2	10.2
Range of rates-----	0.0-5.0	1.0-5.0	5.0-20.0	5.0-20.0
Number of rate lines-----	31	11	31	31
IV. Building materials and components				
Arithmetic average rate-----	2.9	4.8	10.9	10.9
Range of rates-----	0.0-10.0	3.0-10.0	5.0-20.0	5.0-20.0
Number of rate lines-----	10	6	10	10
V. Raw vegetable and animal materials (other than raw materials for the manufacture of foodstuffs)				
Arithmetic average rate-----	2.0	6.2	11.9	11.9
Range of rates-----	0.0-10.0	3.0-10.0	5.0-20.0	5.0-20.0
Number of rate lines-----	40	13	40	40
VI. Live animals, other than those for slaughter				
Arithmetic average rate-----	0.0	0.0	6.7	10.0
Range of rates-----	0.0	0.0	0.0-10.0	10.0
Number of rate lines-----	3	0	3	2
VII. Raw materials for the manufacture of foodstuffs				
Arithmetic average rate-----	3.8	6.4	16.0	16.0
Range of rates-----	0.0-10.0	5.0-10.0	10.0-20.0	10.0-20.0
Number of rate lines-----	12	7	12	12
VIII. Foodstuffs				
Arithmetic average rate-----	5.7	8.6	19.6	19.6
Range of rates-----	0.0-25.0	1.0-25.0	10.0-50.0	10.0-50.0
Number of rate lines-----	30	20	30	30
IX. Industrial products of current use				
Arithmetic average rate-----	9.9	11.4	24.9	25.8
Range of rates-----	0.0-50.0	1.0-50.0	0.0-70.0	10.0-70.0
Number of rate lines-----	54	46	54	52
All Schedules				
Arithmetic average rate-----	3.8	7.8	14.5	14.7
Range of rates-----	0.0-50.0	1.0-50.0	0.0-70.0	5.0-70.0
Number of rate lines-----	271	130	271	268

Source: International Customs Tariffs Bureau, International Customs Journal, Number 23 (U.S.S.R.), Brussels, August 1972.

Discriminatory Tariff Treatment

Preferential tariff agreements

The preceding discussion of tariffs has been almost entirely in terms of so-called "most-favored-nation" rates of duty. Any tariff rate establishes a discrimination against the imported product in favor of the domestic one, and the tariff's effect on the volume of imports depends largely upon the measure of discrimination. A significant additional consideration in its effect for individual supplying countries, however, is whether the tariff is uniformly applied to all foreign suppliers. Even a modest duty may foreclose participation in a market if other competing foreign suppliers are permitted free entry.

During the past 15 years there has been a proliferation of preferential trade arrangements throughout the world. Numerous customs unions and free trade areas have been formed in which tariffs are removed or reduced on products of members but remain unchanged on imports from nonmembers. The European Community and the European Free Trade Association are by far the most important of these. ^{1/} The United Kingdom, Denmark and Ireland have recently joined the European Community, and the remaining EFTA countries have negotiated

^{1/} Others include the Latin American Free Trade Association, the Caribbean Free Trade Association, the Central American Common Market, the Central African Customs-Economic Union, the Customs Union of West African States, the East African Common Market, the Arab Common Market, the Tripartite Accord (India, Yugoslavia, Arab Republic of Egypt), and a recently negotiated agreement which became effective on February 11, 1973, and established tariff preferences among eight developing countries located throughout the world. An additional eight countries which participated in the negotiations are to be included but have not yet ratified the protocol.

significant preferential trading arrangements with the Community. During the past few years, the Community has established preferential trading arrangements with most of the important Mediterranean countries and several African countries (most of which are former colonies of EC members). Under an agreement with Canada in 1965, the United States accorded Canadian automotive products preferential duty-free treatment. Many developed countries have instituted a generalized preference system for products of developing nations in the past few years.

The GATT statistical study of preferential trade

Concerned with the discrimination which these arrangements involve, the United States in 1971 proposed that the GATT contracting parties make a statistical study of the changes in the proportions of goods imported at most-favored-nation (MFN) rates and at other rates. The study revealed that although the value of goods imported annually by nations of the world has more than tripled since 1955, (a significant growth in spite of the effect of inflation) the percentage of goods imported at most-favored nation rates has declined steadily. It also showed that the increase in trade under preferential tariff arrangements was on the whole faster than that of total world trade. The study covered imports of 33 contracting parties to the General Agreement and of Hong Kong for 4 selected years in a 15-year period and accounted for about 85 percent of the total imports of the contracting parties in 1970.

Preferential imports, for the purposes of the study, were defined as all imports entering at duty rates lower than MFN rates

and included intra-regional trade of the European Community and the European Free Trade Association, imports under the Commonwealth preference scheme, U.S. imports from Canada under the U.S.-Canadian Automotive Products Agreement, and imports under all other preferential agreements in existence during the years examined. The following tables show the distribution of most-favored-nation and preferential imports, both in percent of imports (table 4-R) and value of imports (table 4-S), as reported in the survey.

Table 4-R.--Percent of imports of GATT contracting parties entered at most-favored-nation and at other rates of duty, selected years 1955-70

Year	Total imports 1/	Percent of contracting parties total imports (column 1) at			Percent of contracting parties total imports (column 1) represented by preferential imports of:				Percent of total preferential imports (column 3) represented by imports of			
		MFN rates	Preferential rates	Other rates	EU	EFTA	United States/Canada	Other preferences	EC	EFTA	United States/Canada	Other preferences
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1955-----	100	89.6	10.1	0.3	1.7	-	-	8.4	16.8	-	-	83.2
1961-----	100	82.4	17.2	.4	9.1	2.7	-	5.4	52.9	15.7	-	31.4
1964-----	100	79.8	19.8	.4	11.4	3.2	-	5.2	57.6	16.2	-	26.3
1970-----	100	75.4	24.3	.3	15.9	3.5	1.5	3.4	65.4	14.4	6.2	14.0

1/ Total imports of contracting parties=100 percent.

Source: International Trade 1971, General Agreement on Tariffs and Trade, Geneva, 1972.

Table 4-S.--Value of imports of GATT contracting parties entered at most-favored-nation and at other rates of duty, selected years 1955-70

(In billions of dollars)				
Item	1955	1961	1964	1970
Total imports-----	64.4	93.6	123.9	231.9
Imports entered at most-favored-nation rates--	57.7	77.1	98.4	174.8
Imports entered at preferential rates, total--	6.5	16.1	24.5	56.3
European Community-----	1.1	8.5	14.1	36.9
European Free Trade Area-----	-	2.5	4.0	8.1
United States/Canada-----	-	-	-	3.5
Other-----	5.4	5.1	6.4	7.9
Imports entered at other rates-----	.2	.4	.5	.7

Source: International Trade 1971, General Agreement on Tariffs and Trade, 1971.

As shown in table 4-R, the portion of imports of the contracting parties dutiable at preferential rates increased about 140 percent during the 15 year period covered by the survey. Most of the increase was attributable to the growth in preferential imports of the European Community, which comprised 15.9 percent of the contracting parties' total imports in 1970 and whose share of preferential imports rose from 16.8 percent of the total of such imports in 1955 to 65.4 percent in 1970. Although preferential imports by EFTA countries showed an absolute increase, their share of total preferential imports declined from 15.7 percent in 1961 to 14.4 percent in 1970. U.S. imports under the U.S.-Canadian Automotive Products Agreement constituted 6.2 percent of the total in 1970, the only year included in the survey in which this agreement was in effect. The percentage of imports under other preferential arrangements declined in relation to both total imports of the contracting parties (from 8.4 to 3.4 percent) and total preferential imports (from 83.2 to 14.0 percent) during the period surveyed.

Influence on trade of preferential arrangements

The GATT study provides some insight into the effect of preferential arrangements on trade. As intra-EC imports grew rapidly, the portion of EC imports supplied by the United States in the years surveyed declined from approximately 11.1 percent in 1955 to about 9.5 percent in 1970. In the same period, however, the share of total U.S. exports going to the Community increased from 16.8 to 19.5 percent, an increase that was made possible by the substantial growth of Community imports in the 15 years covered.

In contrast, the U.S. share of total world exports declined from 16.6 to 15.5 percent. The average annual rate of growth of U.S. exports to the European Community exceeded the average rate of growth of total U.S. exports. Exports to the Community grew at 8.1 percent per annum; exports to the world at 7.1 percent per annum. World exports (computed from U.N. commodity trade statistics) grew at an average rate of 8.2 percent a year in the same period. U.S. imports from the EC during the period also rose sharply from \$1.1 billion in 1955 to \$6.6 billion in 1970, but in absolute terms were consistently below U.S. exports.

Between 1955 and 1970 the share of European Free Trade Association imports (excluding Iceland and Portugal) supplied by the United States rose from 8.5 to 9.3 percent. However, the ratio of U.S. exports to the EFTA in relation to U.S. world exports declined from 11.2 to 10.4 percent. During these years the United Kingdom accounted for more than half of EFTA imports from the United States. In 1970 the value of EFTA imports from the United States amounted to 53 percent of the value of EC imports from this country.

As a result of the admission of the United Kingdom into the European Community, the Commonwealth Preference System, which includes 32 countries, is changing. Australia, Canada, New Zealand, South Africa and seven developing nations in the Commonwealth will lose their tariff preferences in the United Kingdom; twenty developing nations will retain their preferences until 1975. Additional changes and adjustments in the preferential arrangements which existed under the Commonwealth system can be expected.

The proliferation of preferential trading blocs

The widespread development of preferential trading blocs raises the question of whether the nations not affiliated with these groups are serving their national interests by maintaining a most-favored-nation policy. The activation in 1970 of associate agreements between the EC and Israel, Spain and Turkey; the admission of Ireland, Denmark and the United Kingdom to the European Community; the entrance into force on January 1, 1973, of agreements between the European Community and Austria, Portugal, Sweden and Switzerland; and the previously mentioned activation of the agreement between developing countries will reduce MFN trade significantly below its 1970 level. Preferential arrangements between the European Community and the remaining countries of the EFTA (Iceland, Finland and Norway) are now being negotiated or contemplated. If these agreements are completed, a trading bloc encompassing most of Western Europe, the Mediterranean area, and a large part of Africa will be created. It must be anticipated that the formation of such a bloc will have a significant effect on the trade of outside nations.

The agreements between the Community and EFTA countries call for the eventual elimination of tariffs on many commodities, principally industrial products. They also establish complicated "rules of origin" which specify the criteria products must meet to qualify for preferential tariff treatment when traded between parties to the agreement. These rules of origin can be particularly damaging to countries outside the trading bloc that generally supply components for industrial products to the participating nations. For

example, European subsidiaries of U.S. companies (or any other purchaser of U.S. components) will often have to obtain their components from local sources instead of using components produced by the parent company in the United States if their product is to receive preferential treatment.

Historical background of preferential agreements

The existence of preferential trading arrangements, of course, is not new. From the beginning of international commerce the economic needs of trading nations have fostered policies that favored one nation over another. Preferential tariff treatment of imports from favored sources has probably existed since customs duties were first established in international trade. Preferences have often been stipulated in treaties of friendship, commerce, and navigation. Historically, trade preferences have generally been limited to contiguous countries, countries under a common sovereignty, or formerly under a common sovereignty, and countries that are jointly members of a customs union or free trade area. The development of tariff preferences was given impetus by European colonial expansion and many of the systems in existence today stem from the laws and practices developed during this period.

The desire of any nation to avoid discriminatory treatment of its products in trade with other countries led to the development in commercial treaties of the most-favored-nation concept under which any advantage, favor, privilege or immunity granted by one party to the treaty to any product originating in or destined

for any other country shall be accorded to the other party or parties to the treaty. Most-favored-nation clauses in commercial treaties have two forms: conditional and unconditional. In the conditional form, MFN treatment is accorded only with reciprocal compensation; in the unconditional form, MFN treatment is extended automatically.

In treaties among European nations, the unconditional clause has been used throughout most of the period since the term first appeared in commercial treaties at the end of the 17th century. The United States used the conditional form until 1923, when it reversed its policy and adopted the unconditional form. A mixed practice has been followed in the rest of the world.

United States MFN policy

For the past 50 years, unconditional MFN treatment has been one of the important principles in U.S. commercial policy. At the time the United States changed to the unconditional MFN standard, it had two preferential arrangements in effect which dated from the beginning of this century: free trade with the Philippines and reciprocal preferences with Cuba. For several years the preferential treatment of Philippine products has been phasing out and will terminate in 1974. The Cuban preferences are currently inoperative. With respect to tariff treatment, the United States has made only two significant digressions from the unconditional MFN standard, the application of discriminatory rates to the products of the Communist bloc countries, and the inauguration in 1965 of preferential duty-free treatment for Canadian automotive products.

The Reciprocal Trade Agreements Act of 1934 stipulated that tariff reductions negotiated under the authority of that act be applied unconditionally to imports from all sources. From the inception of the trade agreements program, the United States strove to eliminate discriminatory tariff treatment against U.S. exports by negotiating the reduction or elimination of tariff preferences for products of other nations. Until the late 1950's, there was some degree of success in achieving this goal.

When the General Agreement on Tariffs and Trade was formulated in 1947 under U.S. leadership, the most-favored-nation policy of nondiscrimination was made Article I of the agreement as a fundamental principle for achieving trade liberalization. Each contracting country agreed, insofar as customs duties and other trade barriers were concerned, to grant to the products of all contracting parties the same favorable treatment given to the products of a "most-favored-nation". Article I of the General Agreement is the direct descendant of unconditional MFN clauses incorporated in every bilateral trade agreement concluded by the United States after 1934. However, as in its predecessor MFN clauses, exceptions to Article I were included in the agreement which have created problems. The most significant and troublesome exception has proven to be the one dealing with the formation of customs unions and free trade areas.

Tariff Rate Disparities Among Nations

Reasons for rate differences among nations

From the foregoing data on average tariff levels, it is seen that among the tariffs of the five countries compared, only very seldom do two nations have the same average rate for a product sector. Furthermore, differences among the average levels of the five countries can be substantial. As one moves further down the scale of disaggregation to subsectors and eventually to single products, the frequency of identical rates seems to diminish and the differences among rates of the various countries becomes more pronounced.

A common complaint received by governments from domestic producers seeking to export their products is that the producer encounters higher tariff rates in foreign countries than are charged by his own government on imports into his own domestic market. Obviously, the producer considers this situation grossly unfair. Rates cited in such complaints usually (but not always) differ widely. The producer asks why such an "unfair" situation has arisen and why it is permitted to continue.

There are numerous valid reasons why tariffs levied on a product differ among nations. The basis for the differences is established by the very reasons for which tariffs are levied at all: to protect domestic industry and to collect revenue. To the degree that rational decision-making governs the setting of duty rates for protective purposes, there is a general tendency to have low duty rates on products on which the domestic industry enjoys

competitive strength and high duty rates on those products where the domestic industry is weak. In other words, in theory, the height of the duty is geared to the degree of need (or assumed need) for protection by the domestic industry, and national economies differ in their areas of strengths and weaknesses. If revenue is the purpose of the duty, then the height of the duty is conditional upon the amount of revenue to be produced, and this also varies among nations. In fact, the economic and other conditions underlying these two fundamental reasons for levying import tariffs differ so greatly among nations that it would seem almost accidental happenstance when any two nations decide to levy the same tariff on a product; and different, rather than identical, rates among nations should be the expected norm.

Historical evolution of tariff schedules

Aside from these theoretical justifications for rate differences, a further explanation is to be found in the historical development of the tariff schedules currently applied by the major nations. It may be said, in general, that the average height of a country's tariff reflects the conscious intent of the country's commercial policy. This might even hold for some product sectors within the schedule as a whole, but when it comes to the vast majority of rates applicable to individual products, the current level of the duty simply reflects the result of an historical evolutionary process made up of rate changes which bore little, if any, relationship

to the theoretical foundation on which tariff levels presumably should be established. The United States tariff schedule provides an example typical in many respects.

Forty-three years ago the Congress legislated a new tariff schedule for the United States in the Tariff Act of 1930. This act contained many provisions identical both in nomenclature and rates to provisions existing in the Tariff Act of 1922 (and some traceable even to prior tariff acts), but more frequently the rates of duty were increased substantially (see chart 3-H in Chapter III). In the best of light, it might be assumed for the present purposes that the rates then established reflected each industry's need for protection. 1/

In the Reciprocal Trade Agreements Act of 1934, Congress delegated to the President authority to negotiate reductions in the rates established in the Act of 1930 in return for reciprocal reductions in tariffs of foreign countries. A large number of bilateral agreements were subsequently concluded, each reducing selected individual rates throughout the tariff schedules. After World War II, multilateral negotiations under the General Agreement

1/ A number of Congressmen and Senators contended out of the experience of writing the Tariff Act of 1930 that it was impossible to continue enacting tariff legislation in such a manner, and Senator Capper, from his experience, observed in 1934:

"We do not write a national tariff law. We jam together, through various unholy alliances and combinations, a pot-pourri of hodge-podge, sectional and local tariff rates..."
(Congressional Record, 73rd Cong. 2nd Sess., vol. 78, pt. 10, p. 10379.)

on Tariffs and Trade replaced the bilateral approach, but the technique was still selective reduction and the selection of the rates to be reduced depended chiefly upon which countries happened to be negotiating. However, in the most recent of these multilateral negotiations, across-the-board "linear" cuts was the declared standard for the negotiation.

In 1963, the United States modernized and substantially modified its tariff nomenclature. Although the legislative mandate under which this was carried out was to avoid any but "incidental" rate changes, they were numerous. Simultaneously, throughout the whole period from 1930 to the present, changes in prices wrought corresponding changes in the significance of the large number of specific rates contained in the U.S. tariff schedule. The overwhelming direction of change has been downward, and many specific rates which were high in terms of 1930 price levels have been reduced to insignificance simply by the rise in the general level of prices since then.

The United States duty rates today are largely the product of reductions from the legislated rates of the Tariff Act of 1930 carried out under the bilateral trade negotiations in the thirties and in consequence of six rounds of negotiations under the GATT. Under the circumstances, "historical accident" might well be the most appropriate explanation for the current actual level of most rates on individual products in the U.S. tariff schedule. The same can undoubtedly be said of the tariff schedules of most major nations.

Given this rather haphazard development of rate levels on individual products it is small wonder (aside from any possible theoretical justifications) that differences are found in rates applied by the various nations to any particular product.

The disparity question

Canada, at least until recently, has perhaps been the most commonly named country in U.S. producers' complaints of disproportionately high rate treatment encountered abroad. Consequently, over a long period of time, the removal or lessening of differences between U.S. and Canadian rates on particular products has been an important consideration in the several tariff negotiations held with Canada since the 1930's. However, such rate differences were never a consideration, at least of any significance, in other trade negotiations until quite recently.

At the Kennedy Round, one of the "issues" which drew much public attention and added to the difficulties of those negotiations concerned wide differences between national tariff rates for particular products. In the Kennedy Round such widely different rates came to be called "disparities". The issue arose in those negotiations out of the discussion of achieving reciprocity when "linear" tariff reductions are made. The European Community contended that the proposal for an across-the-board 50 percent tariff cut strongly sought by the United States would be unduly favorable to the United States and disadvantageous to other nations because the United States

tariff schedules contained many "high" rates on individual products, compared with the rates of other countries. These rates, they contended, were sufficiently high that, even after a linear 50 percent cut, they would still retain a large part of their "protective" factor, whereas the protective factor would be largely removed by a similar cut in the lower rates of other countries.

Under the working rule adopted specifically for the Kennedy Round after prolonged argument, a "disparity" was recognized to exist when the "high" rate was at least 100 percent greater than the "low" rate and there was at least 10 percentage points difference between the two rates. ^{1/} In GATT discussions today, the term "disparity" has the restricted meaning of the sense in which it was used in the Kennedy Round, i.e., to refer only to situations in which tariff rates differ widely, it is not used to characterize small rate differences.

Identifying disparities

As in virtually all complaints of international differences in rate treatment, the disparities argument in the Kennedy Round was concerned only with tariff rates on individual products, not average rates for groups or categories of products. To examine tariff

^{1/} A further stipulation required that a disparity must have "trade significance" before it could be considered in the balance of the negotiations. It is not surprising that it was impossible to define trade significance in a manner satisfactory to all parties, and after four years of argument, the issue was largely detoured in the final stages of the Kennedy Round.

disparities in this context, a very detailed comparison of tariffs is required. In order to address the issue in the Kennedy Round, it was necessary to develop a complete, detailed concordance between the U.S. tariff schedules and the EC's Common External Tariff. Concordances do not exist for relating the detailed U.S. provisions to the tariff schedules of Japan, Canada, and the United Kingdom, and the EC/TSUS concordance prepared in 1966 for the Kennedy Round is out of date. It was therefore not possible to make a thorough detailed international comparison of tariff rate provisions in order to identify disparities. However, the range of rates in each 4-digit BTN heading of Canada, Japan, the European Community and the United Kingdom have been examined to identify where disparities may possibly be found to exist. In addition, similar comparisons of rate ranges, plus average duty levels, have been made for the leading subsectors in U.S. industrial and agricultural trade with the four other major countries.

As noted earlier, much of the complaint made to Congress and other branches of the U.S. government on the subject of tariff disparities has related to rate differences between the United States and Canada and, more recently, Japan. ^{1/} Canada and Japan are the two largest trading partners of the United States. As

^{1/} It is noteworthy that the Kennedy Round disparities squabble did not involve Canada or Japan, but was virtually exclusively complaints by the European Community against disparate rates of the United States. The United Kingdom was a somewhat reluctant participant in the argument.

noted in the preceding tariff profiles drawn in terms of 23 sectors for industry and nine for agriculture, both Canada and Japan, like the United States, have a number of substantial rates. A casual glance at the sector tariff and trade profiles for the countries in appendix charts 4-A and 4-B will provide some understanding as to why complaints would be concentrated against these two countries.

The European Community established its Common External Tariff relatively recently by arithmetically averaging the rates of its original six members. The Benelux Countries had a tradition of low tariffs, Germany, of middle-level tariff protection and, France and Italy, of high tariff protection. Harmonizing the national tariffs of these six countries produced a tariff of moderate height rather consistently throughout most product sectors. ^{1/} It will be recalled from chart 4-A on industrial products that EC rates are the lowest, whether comparison is between all imports or only dutiable imports and by either average.

When comparison is made between the United States and Canada and the United States and Japan, it will be seen on all products that the United States turns out to have higher rates than either Canada or Japan by either average. However, when comparison is made on only dutiable products, Canadian rates are higher than the United States by either average, and U.S. rates are higher than the Japanese by the arithmetic average, but Japanese rates are higher by the own-trade-weighted average.

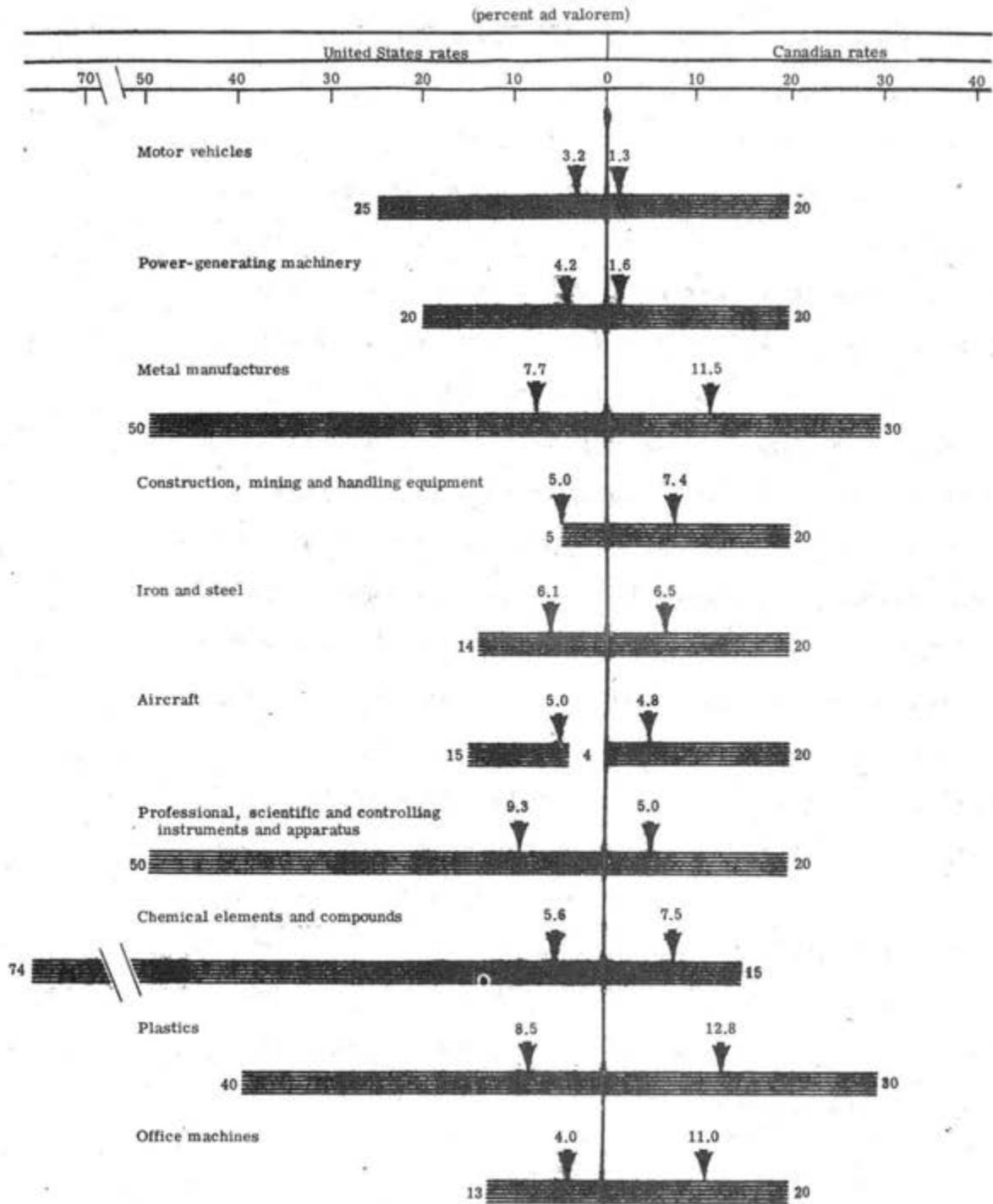
^{1/} A notable exception is those agricultural products where a variable levy is utilized.

In order to be able to look more carefully at the often raised issue of disparities, eight charts (4-V through 4-CC) have been prepared to show the range of rates and the average duty for the 10 industrial subsectors representing the highest level of exports and imports with major trading partners of the United States--Canada, Japan, the European Community and the United Kingdom. The bars indicate the duty rate range of the tariff lines included within the subsector; the arrows locate within the range the own-trade-weighted average duty on the basis of MFN trade on all products, (dutiable and non-dutiable) in the subsector. It will be noted that high rates occur with greater frequency in the Tariff Schedules of the United States than in the schedules of the other countries being compared.

The charts are designed to illustrate the degree of possibility for the occurrence of disparate rate situations in major products; the charts do not identify actual disparities. To illustrate from chart 4-V, on U.S. exports to Canada, in the subsector on construction, mining and handling equipment, where the top U.S. rate is seen to be 5 percent ad valorem and Canadian rates extend to 20 percent, it is highly likely that disparate situations may be found on individual products in the subsector. Similarly, in metal manufactures, where the top Canadian rate is 30 percent ad valorem, U.S. rates extend to 50 percent. It is noteworthy that in all eight charts, the own-trade-weighted average of the countries being compared frequently are similar.

Chart 4-V. -- Comparison of duty rates on leading U.S. industrial exports to Canada, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

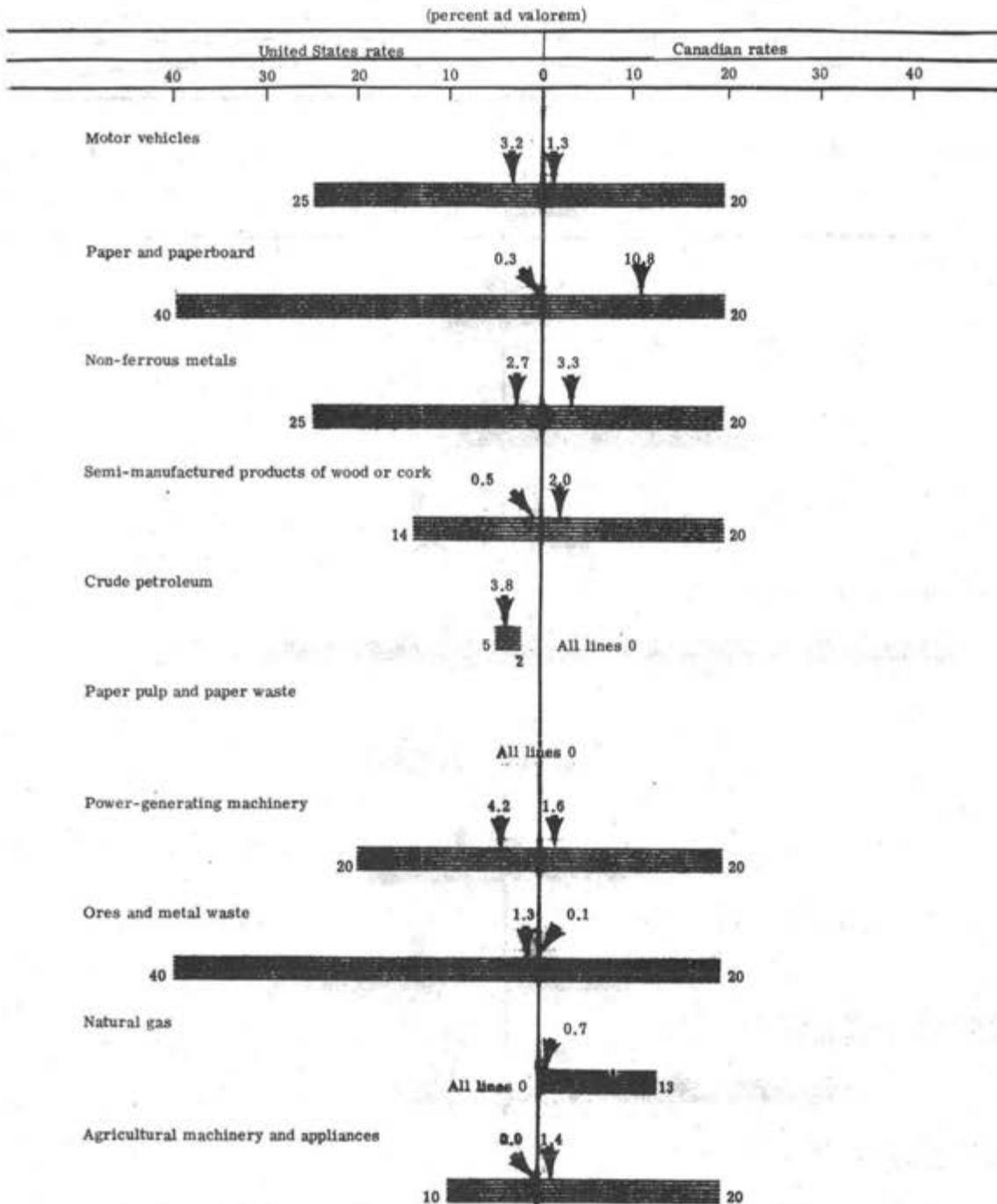


^{1/} Weights used in calculating the average duty are the country's own NON imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-W.- Comparison of duty rates on leading U.S. industrial imports from Canada, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-X. -- Comparison of duty rates on leading U.S. industrial exports to Japan, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

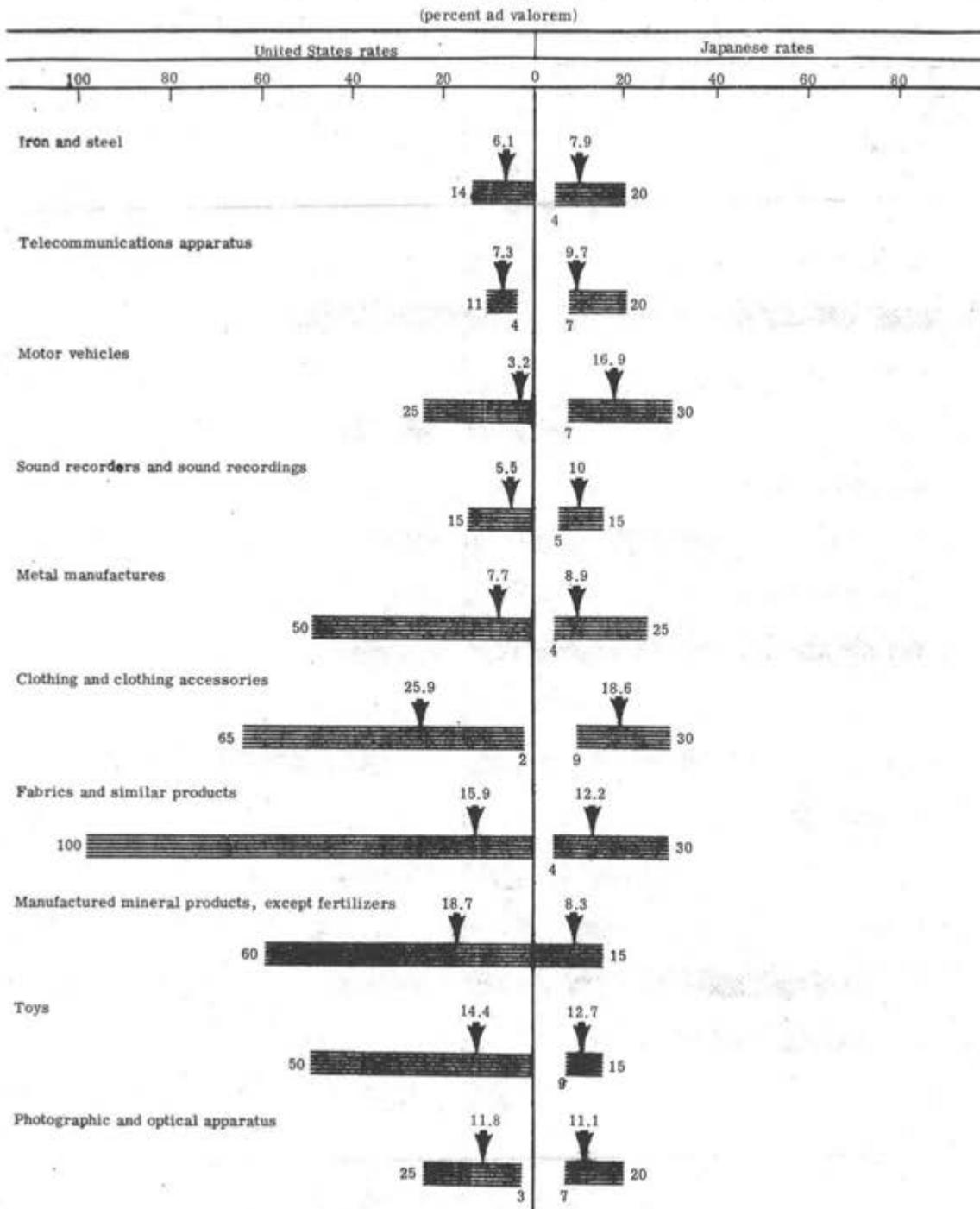


^{1/} Weights used in calculating the average duty are the country's own FOB imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-Y. -- Comparison of duty rates on leading U.S. industrial imports from Japan, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

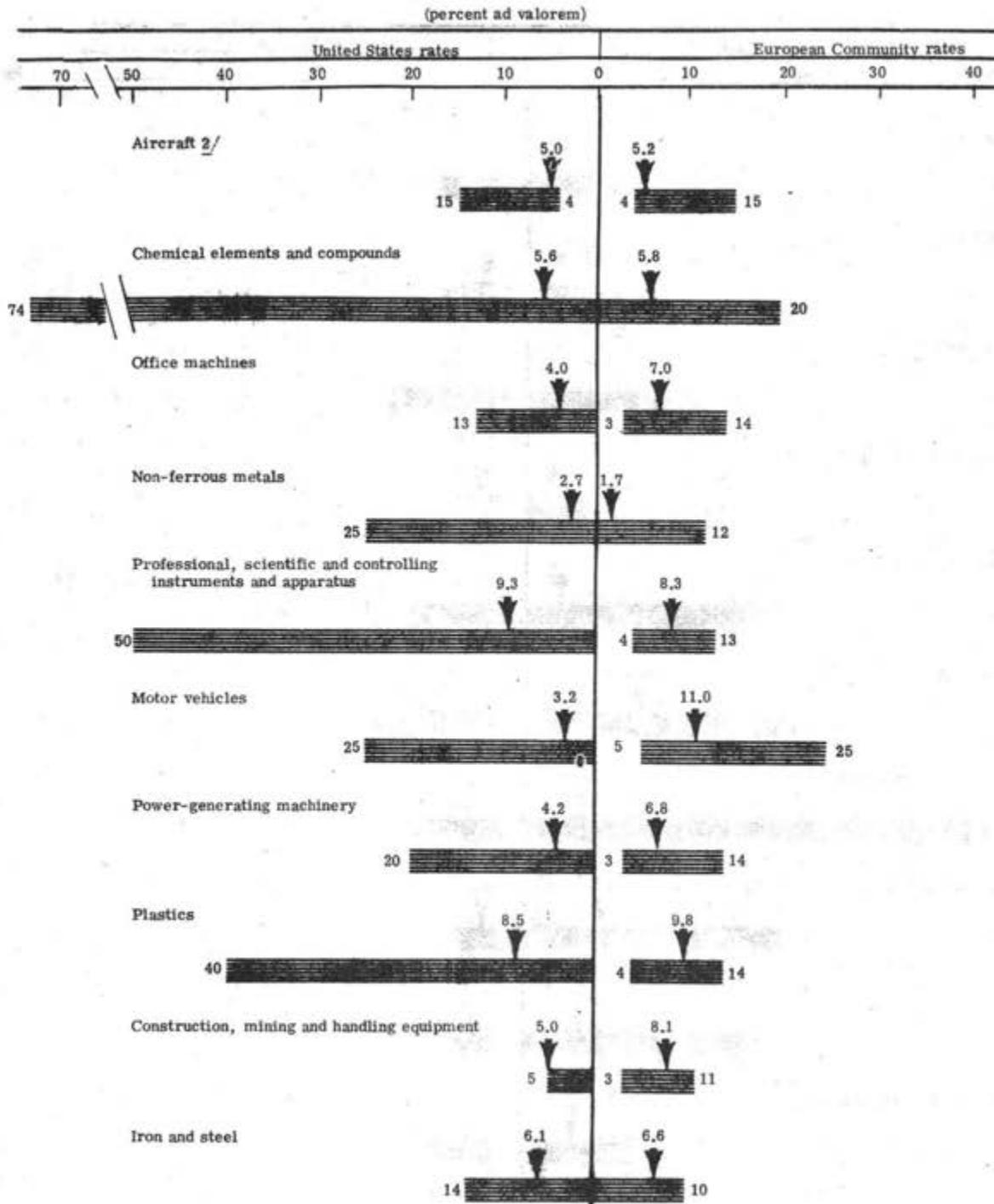


^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-Z. -- Comparison of duty rates on leading U.S. industrial exports to the European Community, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



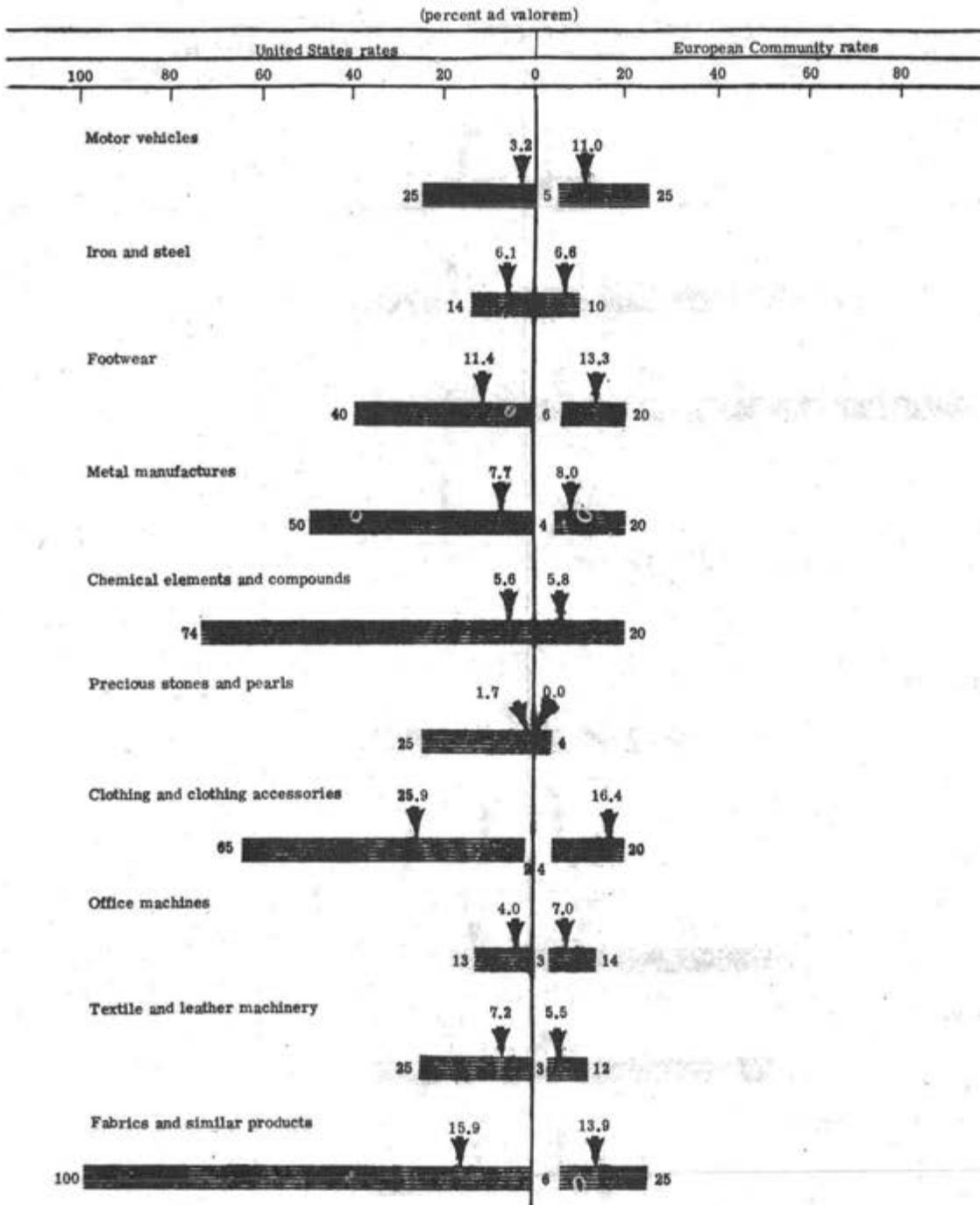
^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III on this report.

^{2/} Rates shown for the European Community do not reflect the fact that some key European Community rates on aircraft were suspended in 1969.

Source: Compiled from *Basic Documentation for the Tariff Study*, GATT.

Chart 4-AA. -- Comparison of duty rates on leading U.S. industrial imports from the European Community, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

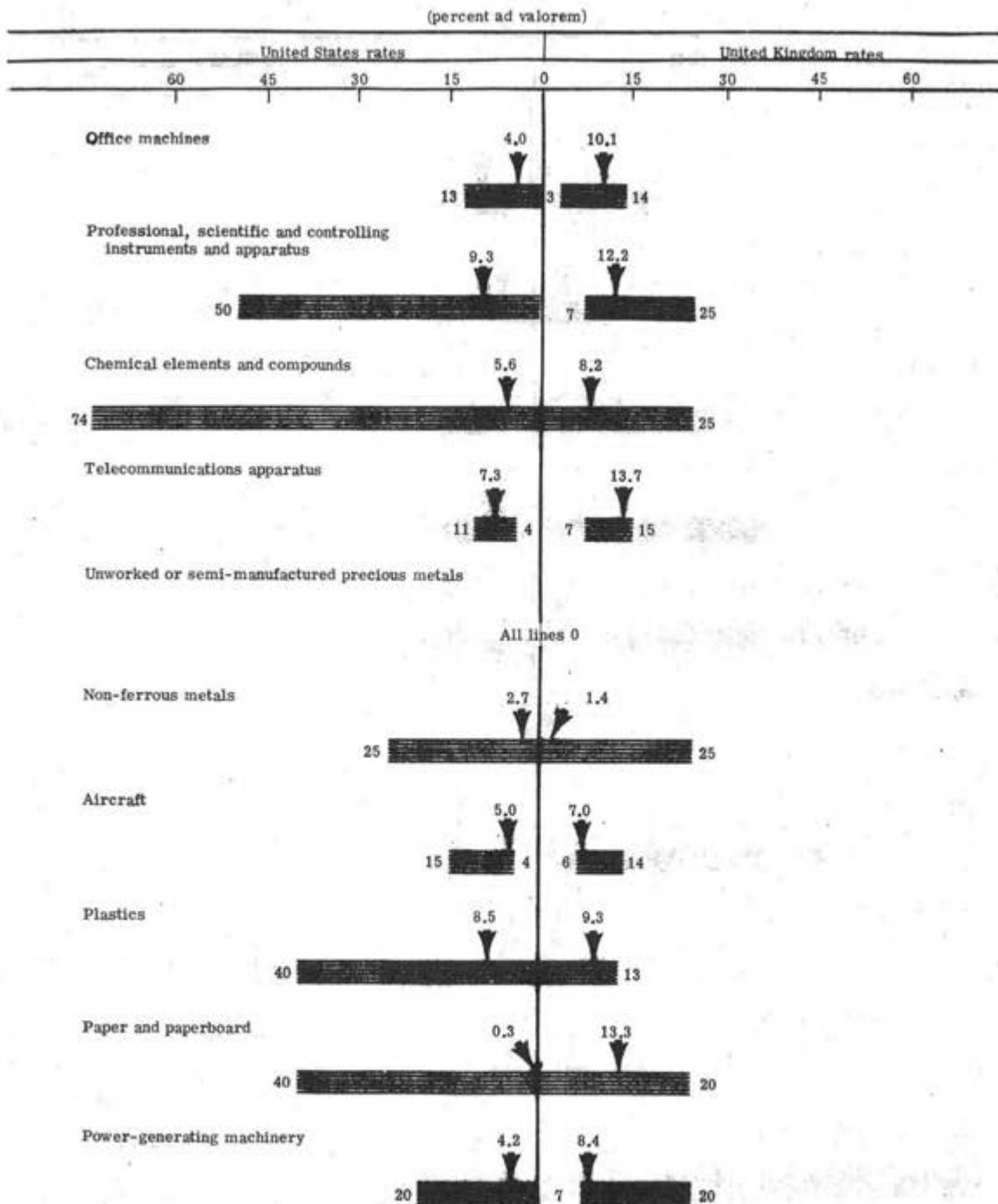


^{1/} Weights used in calculating the average duty are the country's own MGN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Chart 4-BB. -- Comparison of duty rates on leading U.S. industrial exports to the United Kingdom, 1969

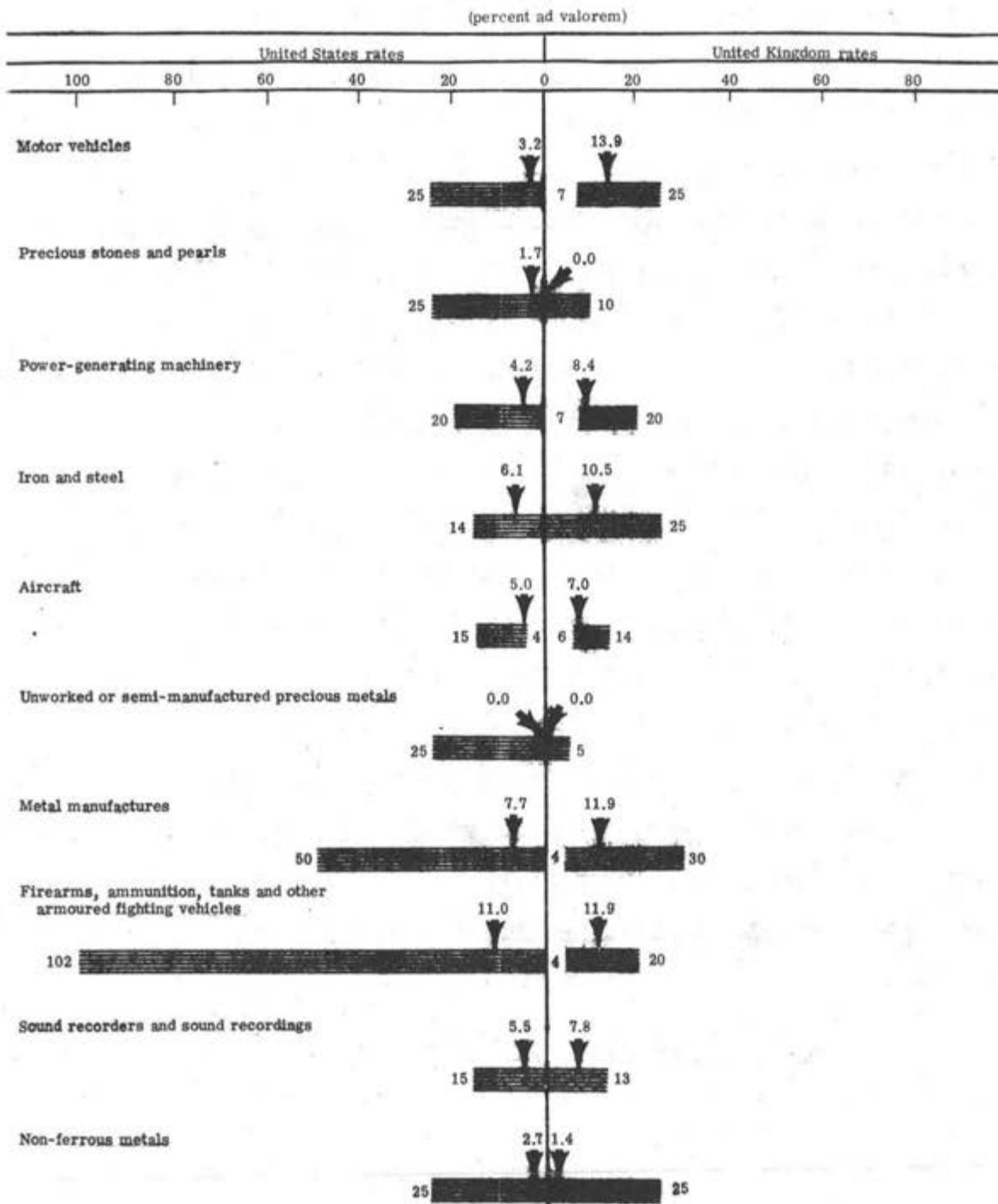
(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



^{1/} Weights used in calculating the average duty are the country's own MPM imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Chart 4-CC. -- Comparison of duty rates on leading U.S. industrial imports from the United Kingdom, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Industrial tariff comparisons: United States and four major trading partners

In most comparisons of duty rates, it is readily apparent which partner has the higher range. In some situations, especially in the U.S./Japan and the U.S./United Kingdom charts, interpretive principles are necessary. In most comparisons, such as where the bottom of both country ranges is the same, the comparison of the high end of the range is the sole governing element. On the other hand, where the high ends are equal but one country's rates begin at a higher point than the other, the latter is considered to have the higher rates. Thus, 9-15 is taken as higher than 4-15.

In chart 4-V and 4-W presenting the information on U.S.-Canadian trade, it will be seen that on leading U.S. exports to Canada, the U.S. range of duty rates is in five instances greater than Canada's; Canada's is in four instances greater than that of the United States, and in one instance, the range is equal. On leading U.S. imports from Canada, the range of U.S. duty rates exceeds Canada's in five cases, Canada exceeds the United States in three, and in two sectors they are equal. When note is taken of the comparative own-trade-weighted averages, on exports the relationship is:

The United States is higher in 4 instances;
Canada is higher in 6 instances.

On leading imports:

the United States is higher in 4 instances;
Canada is higher in 5 instances;
the two countries are equal in 1 instance.

Thus on leading items of trade, the number of "higher and lower" positions are not far apart.

In comparison of duty rate ranges on the 10 leading U.S. exports to Japan, it will be seen in chart 4-X that:

the U.S. range is higher in 4 instances;
the Japanese range is higher in 4 instances;
the two countries are equal in 2 instances.

On leading U.S. imports from Japan, (chart 4-Y), the comparison indicates that:

the U.S. range is higher in 6 instances;
the Japanese range is higher in 4 instances.

On the other hand, when own-trade-weighted averages are compared on leading U.S. exports:

the U.S. average is higher in 3 instances;
the Japanese average is higher in 7 instances.

With respect to leading U.S. imports from Japan, the comparison indicates that:

the U.S. average is higher in 5 instances;
the Japanese average is higher in 5 instances.

When comparison is made with the European Community on duty rate ranges, the relationship on leading U.S. exports is as follows (chart 4-Z):

the U.S. range is higher in 6 instances;
 the EC range is higher in 3 instances;
 the two countries ranges are equal in 1 instance.

The relationship on ranges of leading U.S. imports from the EC
 (chart 4-AA) is:

the U.S. range is higher in 8 instances;
 the EC range is higher in 2 instances.

When, however, the comparison is made on the basis of own-trade-weighted averages, on leading U.S. exports to the EC the relationship is:

the U.S. average is higher in 2 instances;
 the EC average is higher in 8 instances.

On imports, the relationship is:

the U.S. average is higher in 4 instances;
 the EC average is higher in 6 instances.

Thus, although the European Community holds the lowest averages at the "all products" level, the Community frequently has the higher average for own-trade-weighted averages for the leading trade items.

For trade with the United Kingdom (charts 4-BB and 4-CC) the duty ranges on the leading trade subsectors compare as follows:

Leading U.S. exports:

the U.S. range is higher in 5 instances;
 the U.K. range is higher in 3 instances;
 the two countries ranges are equal in 2 instances.

Leading U.S. imports:

the U.S. range is higher in 6 instances;
 the U.K. range is higher in 3 instances;
 the two countries ranges are equal in 1 instance.

On comparative own-trade-weighted averages between the United States and the United Kingdom:

Leading U.S. exports:

the U.S. average is higher in 1 instance;
 the U.K. average is higher in 8 instances;
 the two countries averages are equal in 1 instance.

Leading U.S. imports:

the U.S. average is higher in 2 instances;
 the U.K. average is higher in 7 instances;
 the two countries averages are equal in 1 instance.

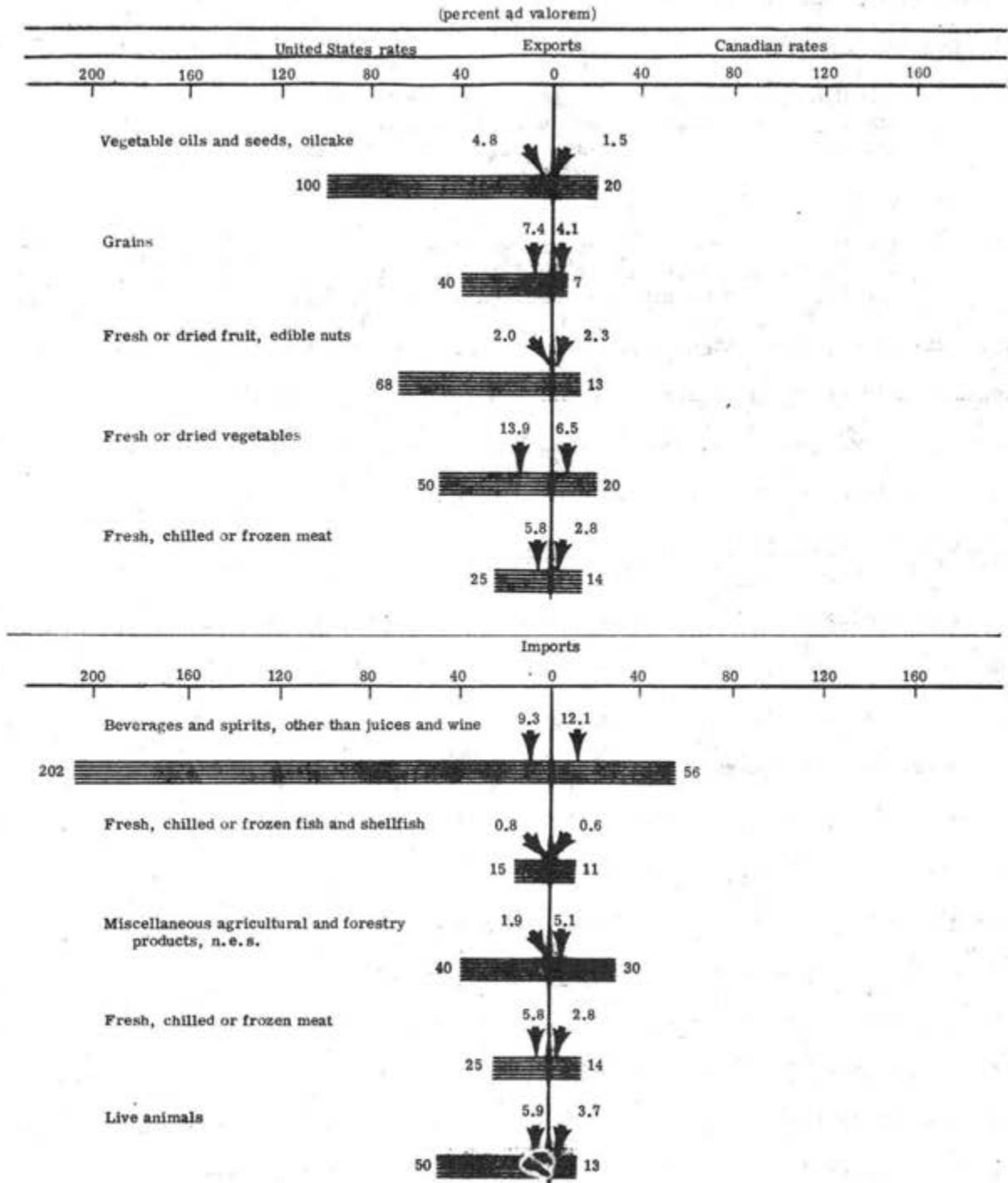
Thus, while there is no significant difference in the score when comparison is of range of duty rates, there is a notable difference on own-trade-weighted averages. United Kingdom rates produce higher averages than the U.S. rates.

Agricultural tariff comparisons: United States and four major trading partners

Four similar charts have been prepared for comparing duty rates on agricultural trade (charts 4-DD through 4-GG). Because value amounts in agricultural trade taper off quickly, only five subsectors have been used in the agricultural comparisons. When, in chart 4-DD comparing U.S.-Canadian rates, the duty rate range is examined for the top five leading exports, it will be observed that the U.S. tariff range is greater in all instances. When the top five leading imports from Canada are noted, it will be seen that again, the U.S. tariff range is greater in each instance. When own-trade-weighted averages are compared on exports, the U.S. average is higher than the Canadian in four subsectors; in one, Canada is higher than the United States. On imports, the U.S. average is higher than the Canadian in three subsectors; the Canadian average is higher in two.

Chart 4-DD. -- Comparison of duty rates on leading U.S. agricultural trade with Canada, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

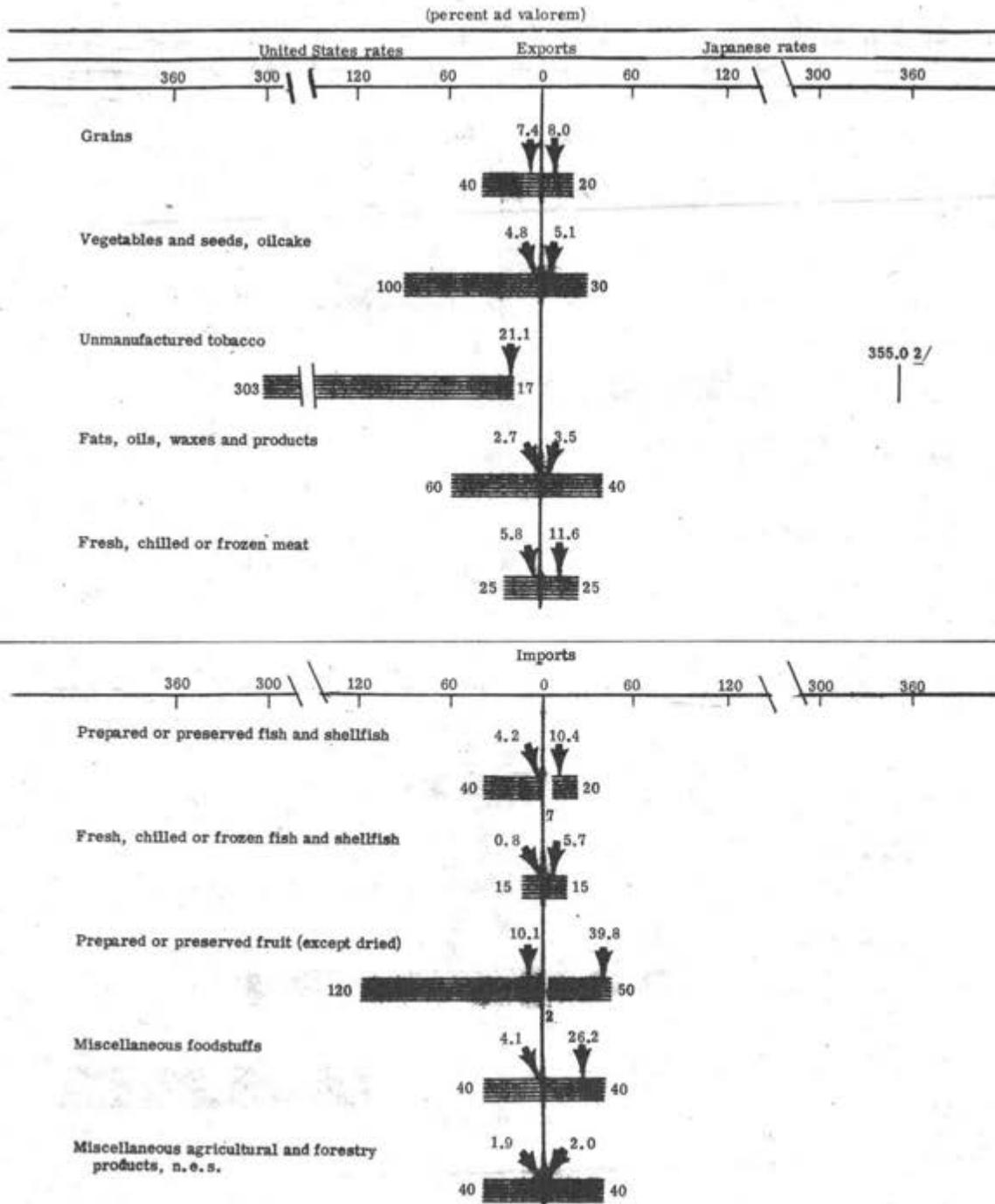


^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

Source: Compiled from national tariffs and trade statistics.

Chart 4-EE. -- Comparison of duty rates on leading U.S. agricultural trade with Japan, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



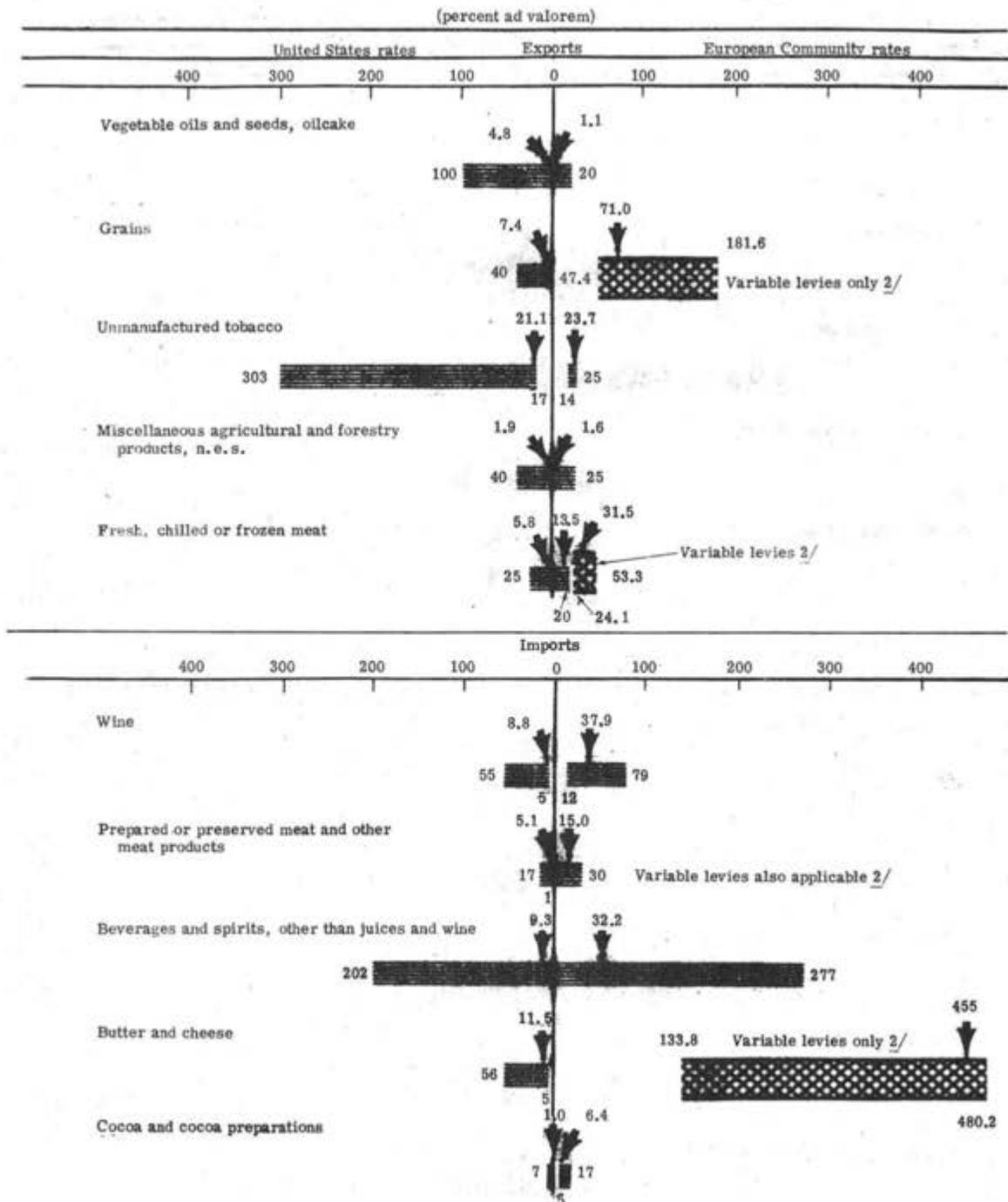
^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

^{2/} Single rate provision, hence no range.

Source: Compiled from national tariffs and trade statistics.

Chart 4-FF. -- Comparison of duty rates on leading U.S. agricultural trade with the European Community, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})



^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

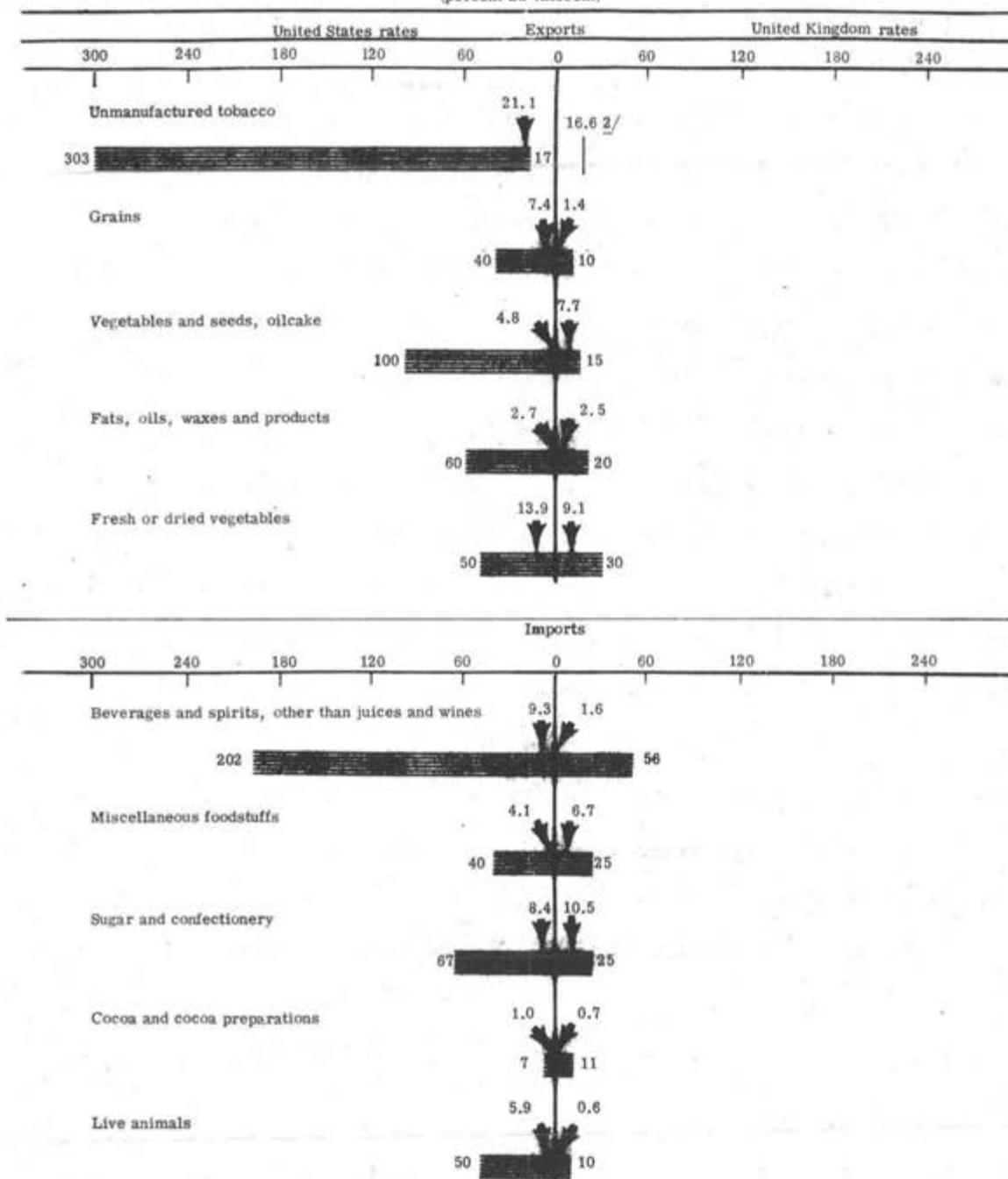
^{2/} Data on variable levies are from the U.S. Department of Agriculture. The averages are calculated by using the EC's MFN imports. Data coverage for grains is 94 percent; for fresh, chilled or frozen meat, 87 percent; for butter and cheese, 32 percent (butter, 91 percent; cheese, 3.3 percent). Coverage for prepared or preserved meat and other meat products is so deficient that no average is provided.

Source: Compiled from national tariffs and trade statistics.

Chart 4-GG. -- Comparison of duty rates on leading U.S. agricultural trade with the United Kingdom, 1969

(Bar indicates range of duties; arrow indicates weighted average duty ^{1/})

(percent ad valorem)



^{1/} Weights used in calculating the average duty are the country's own MFN imports. When the bar begins a distance out from the zero base line, the country has no duty-free provisions. For additional information on tariffs, trade and the specific coverage of the product groups, see part III of this report.

^{2/} Single rate provision, hence no range.

Source: Compiled from national tariffs and trade statistics.

In chart 4-EE, where similar information is presented for Japan, it will be seen with respect to tariff ranges for exports that U.S. rates are higher for three of the subsectors, that Japan is higher in one subsector, and in one, the two countries are equal. On leading U.S. imports, the U.S. range is higher in two subsectors and the two nations are equal in three. On own-trade-weighted averages, on the other hand, Japan has higher averages on all five U.S. export subsectors and all five U.S. import subsectors.

Chart 4-FF presents comparisons with the European Community. On this chart variable levy data has been added to the extent possible. If note is taken of tariff and variable levies together, on the leading U.S. exports to the European Community, it will be seen that the U.S. range is higher for three subsectors; the EC range for two. On imports, the Community has the higher range in all five subsectors. When own-trade-weighted averages are compared, it will be seen that on leading U.S. exports to the Community that the United States has higher averages in two subsectors, the Community in three. On leading U.S. imports from the Community, it will be seen that the own-trade-weighted average is higher in all cases for the Community.

Chart 4-GG presents the five leading U.S. exports and imports from the United Kingdom. On all exports, the U.S. duty range is higher. On imports, the U.S. range is higher in four subsectors,

the U.K. range is higher in one. When comparison is between own-trade-weighted averages, the U.S. average is higher in four subsectors; the U.K. average is higher in one subsector. On leading U.S. imports, the U.S. average is higher in three subsectors; the U.K. average is higher in two.

Possible disparities at the 4-digit BTN level

In the preceding discussion disparities have been viewed at the subsector level of aggregation where tariff range and weighted averages have been compared. Similar comparisons of duty rate ranges at the 4-digit BTN heading level discloses, in greater detail, the most likely areas where disparities may be found. The comparison which follows is presented in two parts, one covering the 919 industrial headings (BTN Chapters 25-99), and the other covering the 178 agricultural headings (BTN Chapters 01-24).

Tables 4-T and 4-U summarizing detailed data shown in appendix tables 4-F through 4-M provide a summary count of the BTN headings where possible disparities in duty rates may be found among the tariff schedules of Canada, the United States, Japan and the European Community. The range of each country's duty rates within each heading is compared, and where (on the basis of the Kennedy Round definition ^{1/}) a disparity may possibly exist, it has been listed under the country with the high end of one rate range.

^{1/} The rate relationship is that the higher rate is 100 percent greater than the lower rate and there is an absolute difference of at least 10 percentage points between the rates.

Table 4-T.--BTN headings where possible rate disparities may exist among industrial product tariffs of Canada, United States, Japan and the European Community

A. Possible disparities in the tariff of Canada				
Range of possible rate differences (in percentage points)	Number of 4-digit BTN headings where a possible disparity may exist between tariffs of Canada and--			
	United States	Japan	European Community	
10-19-----	508	387	450	
20-29-----	48	23	24	
30-39-----	3	3	4	
40-49-----	-	-	-	
50 and over-----	1	1	1	
Total number-----	560	414	479	
Percent of all industrial product headings (919)-----	60.9	45.0	52.1	

B. Possible disparities in the tariff of the United States				
Range of possible rate differences (in percentage points)	Number of 4-digit BTN headings where a possible disparity may exist between tariffs of the United States and--			
	Canada	Japan	European Community	
10-19-----	145	178	219	
20-29-----	70	75	82	
30-39-----	24	29	28	
40-49-----	11	12	11	
50 and over-----	11	16	15	
Total number-----	261	310	355	
Percent of all industrial product headings (919)-----	28.4	33.7	38.6	

C. Possible disparities in the tariff of Japan				
Range of possible rate differences (in percentage points)	Number of 4-digit BTN headings where a possible disparity may exist between tariffs of Japan and--			
	Canada	United States	European Community	
10-19-----	117	200	151	
20-29-----	29	30	20	
30-39-----	2	4	4	
40-49-----	-	-	1	
50 and over-----	2	1	-	
Total number-----	150	235	176	
Percent of all industrial product headings (919)-----	16.3	25.6	19.2	

D. Possible disparities in the tariff of the European Community				
Range of possible rate differences (in percentage points)	Number of 4-digit BTN headings where a possible disparity may exist between tariffs of EC and--			
	Canada	United States	Japan	
10-19-----	29	75	16	
20-29-----	2	1	1	
30-39-----	-	-	-	
40-49-----	-	-	-	
50 and over-----	-	-	-	
Total number-----	31	76	17	
Percent of all industrial product headings (919)-----	3.4	8.3	1.8	

Source: Developed from tariff data presented in Basic Documentation for the Tariff Study, GATT.

Table 4-B.--HSN headings where possible rate disparities may exist among agricultural product tariffs of Canada, United States, Japan and the European Community

A. Possible disparities in the tariff of Canada

Range of possible rate differences (in percentage points)	Number of 4-digit HSN headings where a possible disparity may exist between tariffs of Canada and--		
	United States	Japan	European Community
10-19-----	68	32	32
20-29-----	8	3	3
30-39-----	2	1	2
40-49-----	2	-	1
50 and over-----	2	1	1
Total number-----	82	37	39
Percent of all agricultural product headings (178)-----	46.1	20.8	21.9

B. Possible disparities in the tariff of the United States

Range of possible rate differences (in percentage points)	Number of 4-digit HSN headings where a possible disparity may exist between tariffs of the United States and--		
	Canada	Japan	European Community
10-19-----	18	16	22
20-29-----	14	11	6
30-39-----	11	4	6
40-49-----	4	6	8
50 and over-----	17	10	11
Total number-----	64	47	53
Percent of all agricultural product headings (178)-----	36.0	26.4	29.8

C. Possible disparities in the tariff of Japan

Range of possible rate differences (in percentage points)	Number of 4-digit HSN headings where a possible disparity may exist between tariffs of Japan and--		
	Canada	United States	European Community
10-19-----	35	28	12
20-29-----	25	32	17
30-39-----	14	18	6
40-49-----	5	5	-
50 and over-----	7	7	5
Total number-----	86	90	40
Percent of all agricultural product headings (178)-----	48.3	50.6	22.5

D. Possible disparities in the tariff of the European Community

Range of possible rate differences (in percentage points)	Number of 4-digit HSN headings where a possible disparity may exist between tariffs of the EC and--		
	Canada	United States	Japan
10-19-----	33	46	26
20-29-----	19	19	8
30-39-----	1	4	1
40-49-----	1	1	1
50 and over-----	5	5	3
Total number-----	59	75	39
Percent of all agricultural product headings (178)-----	33.1	42.1	21.9

Source: Developed from national tariffs.

An example will prove helpful. If the United States range of duty rates for a particular 4-digit BTN heading were between 5 and 10 percent and the Canadian range between 5 and 15 percent, a possible disparity would be found to exist -- Canada, 15 percent; the United States, 5 percent. In this circumstance the high of the Canadian range in comparison with the low of the United States meets the minimal 2:1 criterion and there is a 10-percentage-point spread between these rates. All measurements in the appendix material and in these summarizing tables have been made at the maximum level of possible disparity.

Tables 4-T and 4-U and the appendix tables 4-F through 4-M are entitled "possible" disparities because the data relate to potential circumstances only. If, in the foregoing example, (U.S. rates, 5-10 percent; Canadian rates, 5-15 percent) the rate provisions of the two countries were compared in detail item-by-item, it might be found that the rate differences required in the definition used for a disparity do not actually exist, or that all likely trade is occurring under tariff lines which for the U.S. range between 5-8 percent and for Canada, 5-10 percent. ^{1/} While in this situation the high of Canada, 10 percent, is double the low of the United States, 5 percent, there is not a 10-percentage-point spread between the rates. Thus, there would be no disparity. Tables 4-T

^{1/} In constructing concordances between tariffs, and hence, rate comparisons, relationships which have little, if any commercial significance invariably appear. All tariff nomenclatures provide for every possible product, whether or not the item may be commercially produced or traded.

and 4-U and the appendix material from which they are drawn have been developed from tariff line information only. The possible difference between tariff lines and trade is underscored in the information earlier introduced, namely, that 90 percent of United States imports enter under 500 of the 6,760 lines to be found in the U.S. tariff schedules.

From table 4-T it will be seen that Canada has an exceptionally high proportion of possible disparities on industrial products with respect to the United States and a high proportion with respect to Japan and to the European Community. The United States has a slightly lower proportion of possible disparities with respect to Canada than with respect to Japan and the European Community. Japan has a somewhat greater proportion of possible tariff disparities with respect to the United States than with respect to Canada and the European Community. While possible disparities in the case of the European Community are minor by comparison with the other countries, it will be noted that the Community has a somewhat greater proportion with the United States than with Canada and Japan. If the percentage proportion of BTN headings where possible disparities may exist between tariffs of the four countries from table 4-T is juxtaposed, one finds the following possible disparity relationships:

Canada with respect to:	<u>Percent of industrial BTN headings</u>
United States	60.9
Japan	45.0
European Community	52.1
United States with respect to:	
Canada	28.4
Japan	33.7
European Community	38.6
Japan with respect to:	
Canada	16.3
United States	25.6
European Community	19.2
European Community with respect to:	
Canada	3.4
United States	8.3
Japan	1.8

As observed earlier, table 4-U is considerably less informative than table 4-T because, in the case of agriculture, tariffs are but one of several highly restrictive barriers to trade and the tariff story frequently is a less significant part of a larger whole. The variable levies of the European Community could not be taken into consideration in comparing the rate ranges on agricultural products. In table 4-T, it will be observed that possible disparities so far as fixed tariffs are concerned do not show the marked differences in national pattern that were true of industrial products. If the percentage proportion of BTN headings where possible disparities may exist for the four countries

is juxtaposed, the greater similarity will be seen:

Canada with respect to:	<u>Percent of agricultural BTN headings</u>
United States	46.1
Japan	20.8
European Community	21.9
United States with respect to:	
Canada	36.0
Japan	26.4
European Community	29.8
Japan with respect to:	
Canada	48.3
United States	50.6
European Community	22.5
European Community with respect to:	
Canada	33.1
United States	42.1
Japan	21.9

Trade Complaints Against Import Duties

In the course of the present investigation, the Tariff Commission solicited information from the public concerning trade barriers. The request to the public emphasized the Commission's need for specific information relating to nontariff measures which obstruct or distort trade and stated that the Commission already had a large amount of data on tariff barriers of the principal trading nations. It was indicated, however, that submissions on either tariff or nontariff trade barriers would be useful for purposes of the investigation.

Two categories of complaints dealing with tariffs were submitted to the Commission: One was concerned only with the height of the duty; the second, in addition to the duty, was concerned with discriminatory tariff treatment by a country among foreign suppliers.

Testimony of the significance attached to tariffs as trade barriers by traders is the fact that the complaints against nondiscriminatory import duties constituted the second largest category of complaints submitted to the Commission, and discriminatory import duties made up the tenth largest group of complaints. When combined, complaints against nondiscriminatory and discriminatory tariffs together greatly exceeded the number of complaints submitted against any other type of trade barrier.

Tariff complaints, by country

Table 4-V gives the number of complaints submitted against tariffs by country. Every country which drew 10 or more complaints in either the nondiscriminatory or discriminatory category is named in the table.

Table 4-V.--Number of complaints made against import duties, by country

Country	Total		Nondiscriminatory		Discriminatory	
	Number	Percent	Number	Percent	Number	Percent
Developed countries, total-----	242	46.2	156	45.2	86	48.0
European Free Trade Area (of eight)						
and Finland, total-----	66	12.6	32	9.3	34	19.0
United Kingdom-----	21	4.0	16	4.6	5	2.8
Other 1/-----	45	8.6	16	4.6	29	16.2
European Community (of six) 2/-----	49	9.4	31	9.0	18	10.1
Canada-----	27	5.2	22	6.4	5	2.8
Australia-----	24	4.6	18	5.2	6	3.4
United States-----	22	4.2	13	3.8	9	5.0
Japan-----	19	3.6	17	4.9	2	1.1
Other developed countries 3/-----	35	6.7	23	6.7	12	6.7
Less developed countries, total-----	278	53.1	188	54.5	90	50.3
Latin America, total-----	150	28.6	104	30.1	46	25.7
Argentina-----	20	3.8	19	5.5	1	.6
Mexico-----	16	3.1	14	4.1	2	1.1
Brazil-----	14	2.7	13	3.8	1	.6
Other-----	100	19.1	58	16.8	42	23.5
Asia-----	43	8.2	33	9.6	10	5.6
Europe and the Middle East, total-----	43	8.2	26	8.1	15	8.4
Spain-----	12	2.3	8	2.3	4	2.2
Other-----	31	5.9	20	5.8	11	6.1
Africa-----	42	8.0	23	6.7	19	10.6
Eastern trading area-----	4	.8	1	.3	3	1.7
Total all countries-----	524	100.0	345	100.0	179	100.0

1/ Includes Iceland, Austria, Denmark, Finland, Norway, Sweden, Switzerland, Portugal, and complaints against EFTA without specifying a country. (With respect to development status, Portugal is a "borderline" country, but is usually considered a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.)

2/ Includes Netherlands, Belgium and Luxembourg, France, West Germany, and Italy.

3/ Includes Ireland, New Zealand, South Africa, complaints against developed countries without specifying a country.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to totals shown.

Some 46 percent of the complaints concerning tariff treatment were against developed countries, 53 percent against the developing nations. The largest number of complaints against a single tariff were the 31 objections lodged against the level of the European

Community's Common External Tariff (with no mention of discrimination); 18 additional complaints against the Community dealt with the discriminatory aspects of the duty-free treatment for intra-EC trade or EC preferential treatment for other third countries. It is interesting that the total number of complaints lodged against the EFTA member countries (many of which have "low" tariff averages) significantly exceeded complaints against the Community, and that slightly over half of the complaints against EFTA countries are in the discriminatory category, whereas only about one-third of complaints against the European Community were concerned with the discriminatory aspect.

Tariff complaints, by product

The distribution of the complaints by product sector can be seen in table 4-W. Eighty-four percent of U.S. trade is in industrial products, 16 percent in agricultural items. It is seen from the table that almost 88 percent of the complaints against tariff treatment were concerned with industrial products, and about 12 percent with the agriculture sector. Transport equipment and chemicals were the industrial sectors drawing the largest number of complaints; in the agricultural area, tariff treatment of beverages and foodstuffs drew the most complaints. ^{1/} The proportion of complaints against discriminatory tariff treatment was substantially greater in industrial products than in the agricultural area.

^{1/} Complaints against variable levies are discussed in Chapter VII.

Table 4-W.--Number of complaints made against import duties, by product sectors

Sector	Total		Nondiscriminatory import duties		Discriminatory import duties	
	Number	Percent	Number	Percent	Number	Percent
<u>Industrial</u>						
Total all industrial sectors-----	300	87.7	157	83.5	143	92.9
I-1 Nonelectrical machinery-----	34	9.9	27	14.4	7	4.5
I-2 Transport equipment-----	90	26.3	25	13.3	65	42.2
I-3 Ores, metals and metal manufactures----	31	9.1	22	11.7	9	5.8
I-4 Chemicals-----	54	15.8	25	13.3	29	18.8
I-5 Textiles-----	6	1.8	5	2.7	1	.6
I-6 Electrical machines and apparatus-----	19	5.6	13	6.9	6	3.9
I-7 Pulp, paper and paperboard, and manufactures-----	12	3.5	9	4.8	3	1.9
I-8 Coal, petroleum, natural gas-----	-	-	-	-	-	-
I-9 Mineral products and fertilizers, ceramic products and glass-----	10	2.9	5	2.7	5	3.2
I-10 Professional, scientific and con- trolling instruments, photographic apparatus, clocks and watches-----	3	.9	3	1.6	-	-
I-11 Wood and cork and manufactures-----	2	.6	1	.5	1	.6
I-12 Precious stones, precious metals and manufactures-----	1	.3	1	.5	-	-
I-13 Rubber and rubber manufactures-----	2	.6	-	-	2	1.3
I-14 Raw hides and skins, leather and furskins and manufactures-----	11	3.2	7	3.4	4	2.6
I-15 Footwear and travel goods-----	5	1.5	2	1.1	3	1.9
I-16 Musical instruments, sound recording or reproduction apparatus-----	9	2.6	5	2.7	4	2.6
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	-	-	-	-	-	-
I-18 Furniture-----	-	-	-	-	-	-
I-19 Toys and sporting goods-----	-	-	-	-	-	-
I-20 Photographic and cinematographic supplies-----	5	1.5	4	2.1	1	.6
I-21 Works of art and collectors' pieces----	-	-	-	-	-	-
I-22 Office and stationery supplies-----	2	.6	1	.5	1	.6
I-23 Manufactured articles not elsewhere specified-----	2	.6	2	1.1	-	-
I-24 Products not specified-----	2	.6	-	-	2	1.3
<u>Agricultural</u>						
Total all agricultural sectors-----	42	12.3	31	16.5	11	7.1
A-1 Foodstuffs-----	12	3.5	10	5.3	2	1.3
A-2 Grains-----	5	1.5	-	-	5	3.2
A-3 Animals and products thereof-----	2	.6	2	1.1	-	-
A-4 Oil seeds, fats and oils, and their products-----	3	.9	3	1.6	-	-
A-5 Beverages and spirits-----	19	5.6	16	8.5	3	1.9
A-6 Dairy products-----	-	-	-	-	-	-
A-7 Fish, shellfish and products-----	-	-	-	-	-	-
A-8 Tobacco-----	-	-	-	-	-	-
A-9 Miscellaneous agricultural and forestry products-----	1	.3	-	-	1	.6
Total 1/-----	342	100.0	188	100.0	154	100.0

1/ Total counts are not the same as those in table 4-V because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submission to the Tariff Commission.

Note.--Due to rounding, percents may not add to the totals shown.



CHAPTER IV

APPENDIX TABLES AND CHARTS



Appendix Table 4-A.--All industrial products: Distribution, by duty level, of MFN tariff provisions and imports

Duty level	(In percent)											
	World		Canada		United States		Japan		European Community		United Kingdom	
	Tariff provisions	Imports	Tariff provisions	Imports	Tariff provisions	Imports						
Free-----	21.6	38.4	39.0	53.4	8.4	23.0	9.6	46.1	8.3	44.2	13.1	39.6
0.1-5.0 percent-----	18.0	18.6	3.1	2.0	22.9	35.9	8.5	6.9	23.0	14.0	22.1	5.1
5.1-10.0 percent-----	26.6	23.7	12.6	16.8	29.8	24.1	48.8	18.4	55.6	28.3	32.9	31.9
10.1-15.0 percent-----	11.8	11.4	15.8	11.0	14.5	6.3	22.2	22.8	10.8	10.4	16.1	17.5
15.1-20.0 percent-----	8.8	4.6	24.6	12.6	11.1	4.4	6.9	3.3	2.0	2.9	13.4	5.5
20.1-25.0 percent-----	3.5	1.1	4.0	2.6	6.0	1.4	2.7	1.4	.3	.2	2.1	.3
25.1-30.0 percent-----	1.9	.7	.5	.8	3.1	1.5	.9	.4	-	-	.2	-
30.1-40.0 percent-----	2.8	.7	.3	.8	2.5	1.6	.3	.7	-	-	.1	-
40.1-50.0 percent-----	2.7	.6	-	-	1.1	1.8	.1	-	-	-	-	-
Over 50 percent-----	2.3	.1	-	-	.7	.1	-	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Note.--Due to rounding, figures may not add to 100 percent.

Appendix Table 4-B.--Industrial raw materials: Distribution, by duty level, of MFN tariff provisions and imports

Duty level	(In percent)											
	World		Canada		United States		Japan		European Community		United Kingdom	
	Tariff provisions	Imports	Tariff provisions	Imports	Tariff provisions	Imports						
Free-----	66.2	78.4	68.8	93.5	42.0	51.7	68.6	71.8	60.3	89.3	47.4	95.9
0.1-5.0 percent-----	17.1	12.5	7.8	3.6	23.3	42.0	12.9	3.2	31.3	9.7	37.7	3.2
5.1-10.0 percent-----	8.4	1.3	9.8	2.2	15.8	4.1	11.9	.6	7.3	1.0	11.0	.2
10.1-15.0 percent-----	3.9	7.4	7.0	.3	10.7	.6	4.3	24.1	-	-	2.6	.7
15.1-20.0 percent-----	2.0	.1	6.3	.2	3.4	.1	1.0	.3	1.1	-	.6	-
20.1-25.0 percent-----	.7	-	.4	.1	1.9	-	-	-	-	-	.6	-
25.1-30.0 percent-----	.3	-	-	-	.2	-	-	-	-	-	-	-
30.1-40.0 percent-----	.5	.2	-	-	1.3	1.3	-	-	-	-	-	-
40.1-50.0 percent-----	.6	-	-	-	.6	.2	-	-	-	-	-	-
Over 50 percent-----	.3	-	-	-	.6	-	-	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Basic Data for the Tariff Study, GATT.

Note.--Due to rounding, figures may not add to 100 percent.

Appendix Table 4-C.--Semifinished manufactures: Distribution, by duty level, of MFN tariff provisions and imports

Duty level	(In percent)											
	World		Canada		United States		Japan		European Community		United Kingdom	
	Tariff provisions	Imports	Tariff provisions	Imports	Tariff provisions	Imports						
Free-----	24.6	36.8	43.8	29.9	8.1	36.6	8.1	21.9	5.7	41.9	12.6	32.7
0.1-5.0 percent-----	21.0	20.4	2.5	11.1	30.1	26.7	14.5	28.4	26.8	12.1	33.9	10.6
5.1-10.0 percent-----	26.8	26.2	15.0	17.0	27.7	21.8	48.3	39.2	57.7	31.5	26.9	30.3
10.1-15.0 percent-----	11.9	10.1	21.4	19.4	13.8	4.6	20.2	6.4	9.0	13.7	13.4	16.7
15.1-20.0 percent-----	6.8	4.0	11.1	13.5	12.0	5.5	6.5	3.6	.7	.7	7.4	9.7
20.1-25.0 percent-----	3.3	.5	2.2	2.0	4.5	.4	1.7	.3	.1	-	.8	.1
25.1-30.0 percent-----	1.5	1.2	.5	2.5	2.2	3.0	.4	.2	-	-	-	-
30.1-40.0 percent-----	1.6	.4	.6	4.6	1.0	.4	.2	-	-	-	-	-
40.1-50.0 percent-----	1.6	.3	-	-	.3	.9	-	-	-	-	-	-
Over 50 percent-----	1.0	.1	-	-	.4	.1	-	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Basic Data for the Tariff Study, GATT.

Note.--Due to rounding, figures may not add to 100 percent.

Appendix Table 4-D.--Finished manufactures: Distribution, by duty level, of MFN tariff provisions and imports

Duty level	(In percent)											
	World		Canada		United States		Japan		European Community		United Kingdom	
	Tariff provisions	Imports	Tariff provisions	Imports	Tariff provisions	Imports						
Free-----	15.6	17.0	34.4	53.4	4.5	6.4	2.3	3.6	2.9	3.3	8.4	16.2
0.1-5.0 percent-----	16.3	21.2	1.6	.2	16.4	38.8	4.2	1.1	17.9	19.4	9.7	3.5
5.1-10.0 percent-----	28.2	34.9	11.7	18.3	33.4	31.9	54.2	45.5	60.9	51.7	41.2	47.6
10.1-15.0 percent-----	12.6	14.2	13.9	10.7	15.6	9.1	25.8	30.5	14.3	17.8	16.1	25.8
15.1-20.0 percent-----	10.6	7.3	32.4	13.7	11.3	5.1	8.0	10.0	3.4	7.3	20.5	6.3
20.1-25.0 percent-----	3.9	2.1	5.2	2.9	7.8	2.3	3.5	5.2	.6	.5	3.5	.5
25.1-30.0 percent-----	2.2	.8	.5	.6	4.3	1.2	1.3	1.4	.1	-	.4	-
30.1-40.0 percent-----	3.7	1.2	.3	.2	3.9	2.3	.4	2.8	-	-	.2	-
40.1-50.0 percent-----	3.6	1.1	-	-	1.9	2.7	.2	-	-	-	-	-
Over 50 percent-----	3.3	.2	-	-	1.0	.2	-	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from Basic Data for the Tariff Study, GATT.

Note.--Due to rounding, figures may not add to 100 percent.

Appendix table 4-E.--All agricultural products: Distribution, by duty level, of MFN tariff provisions and imports

(In percent)

Duty level	Canada		United States		Japan		European Community 1/		United Kingdom 1/	
	Tariff	Imports	Tariff	Imports	Tariff	Imports	Tariff	Imports	Tariff	Imports
	Provi- sions	Provi- sions	Provi- sions	Provi- sions						
Free-----	41.8	42.6	20.7	42.9	27.1	30.5	16.8	35.6	19.8	21.1
0.1-5.0 percent-----	11.3	20.3	22.9	11.1	9.8	8.8	11.9	7.9	22.1	29.0
5.1-10.0 percent-----	15.0	19.6	25.9	34.9	14.2	22.8	16.5	24.8	39.2	26.9
10.1-15.0 percent-----	12.2	6.0	11.2	7.3	7.1	3.4	18.5	11.3	9.9	10.3
15.1-20.0 percent-----	16.0	6.9	9.2	2.7	10.5	11.0	17.8	9.4	2.9	9.6
20.1-25.0 percent-----	1.9	1.8	2.7	.2	12.2	3.7	8.9	8.2	2.5	.6
25.1-30.0 percent-----	.1	.2	1.1	.3	5.2	4.7	3.2	1.1	1.7	.6
30.1-40.0 percent-----	.9	.1	4.1	.2	8.1	1.5	2.5	.3	.5	.2
40.1-50.0 percent-----	.5	2.5	.4	.4	3.1	1.1	1.4	.1	.7	1.6
Over 50 percent-----	.3	-	1.8	-	2.7	12.5	2.5	1.3	.7	.1
Total-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community and the United Kingdom relate to fixed tariffs only and do not include variable levies.

Source: Compiled from national tariffs and trade statistics.

Note.--Due to rounding, figures may not add to 100 percent.

APPENDIX TABLE 4-F

Industrial sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the European Community, United States, and Japan 1/

BTN number	Abbreviated BTN description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports 1,000 ad val.	Tariff range	MFN imports 1,000 ad val.	Tariff range	MFN imports 1,000 ad val.	Tariff range	MFN imports 1,000 ad val.
		Percent	dollars	Percent	dollars	Percent	dollars	Percent	dollars
25.04	Natural graphite	5-18	256	0-0	1,838	3-8	2,313		
25.05	Natural sands	18-18	4,524	0-0	385	6-6	460	0-0	172
25.07	Clay	18-18	10,588	0-0	51,936	0-0	2,777	0-0	12,178
25.11	Natural barium sulphate	10-15	280	1-1	755			5-10	133
25.17	Pebbles and crushed or broken stone, gravel	18-18	1,398	0-0	8,409	3-5	1,657	0-0	7,073
25.18	Dolomite	5-18	147	2-3	1,351	1-11	1,813	0-0	76
25.19	Natural magnesium carbonate	8-15	3,676	0-0	17,033	3-7	5,781	0-0	323
25.20	Gypsum; anhydrite	2-10	769	0-0	508				
25.22	Quicklime, slaked lime, and hydraulic lime	18-18	740	4-4	300	0-0	973	0-0	2
25.27	Natural steatite	5-15	1,484	1-4	3,603	1-6	760	0-0	1,528
25.30	Crude natural borates and concentrates thereof	20-20	662	0-0	23,512	3-5	692	4-4	652
25.32	Stroctianite, broken pottery	15-18	1,624	0-0	8,250	3-8	3,417		
26.01	Metallic ores and concentrates	5-18	135,000	0-0	886,081	2-11	814,616	8-8	1,165,499
26.03	Ash and residues containing metals	10-10	2,097					0-0	5,239
26.04	Other slag and ash, including kelp	18-18	605	2-2	243	5-5	394	0-0	5
27.03	Peat	18-18	457	2-2	356	0-0	13,674	0-0	17
27.07	Oils and other products of the distillation of coal tar	6-20	6,610	1-5	23,348	5-27	12,950	3-10	3,619
27.08	Pitch and pitch coke	18-18	4,590	0-0	3,534	0-0	121	3-3	15
27.10	Certain petroleum oils	6-18	160,437	5-7	327,425	0-16	736,017	8-62	559,116
27.11	Petroleum gases	9-13	15,762	2-2	2,844	0-0	145,789		
27.12	Petroleum jelly	15-20	414	2-2	469	4-4	44	5-9	776
27.13	Paraffin wax and certain other waxes	8-18	1,618	2-6	13,614	0-0	3,422	5-8	2,579
27.14	Petroleum bitumen, coke, and other residues	10-18	12,908	2-2	26,263	3-8	14,830	3-10	26,545
27.15	Bitumen and asphalt	10-10	137	0-0	2,017	0-0	463	0-0	343
27.16	Bituminous mixtures based on natural asphalt	15-15	30	1-3	1,743	4-8	171	3-5	440
28.01	Halogens	15-15	1,425	5-8	3,368	4-5	6,782	5-15	
28.02	Sulphur, sublimed or precipitated	15-15	66	4-4	8	0-0		5-5	2
28.04	Hydrogen, rare gases and other nonmetals	10-15	2,958	2-6	8,469	2-11	5,127	5-15	1,743
28.06	Hydrochloric acid and chlorosulphuric acid	15-15	177					5-5	6
28.08	Sulphuric acid, oleum	15-15	836	2-2	553	0-0	1,254	5-5	0
28.09	Nitric acid; sulphonic acids	15-15	3			5-5	1	5-5	3
28.10	Phosphorus pentoxide and phosphoric acids	15-15	42			5-5	33		
28.13	Other inorganic acids and nonmetal oxides								
28.14	Halides and halogen compounds of nonmetals	14-15	117			5-5	23		
28.15	Sulphides of nonmetals	5-15	210	3-5	602	5-5	115	5-8	34
28.17	Sodium hydroxide and peroxides of sodium or potassium	8-15	4,670	5-11	736	1-5	1,103		
28.18	Oxides of strontium, barium or magnesium	13-15	1,744	4-6	1,848	4-6	70		
28.21	Chromium oxides and hydroxides	15-15	106			5-5	312		
28.23	Iron oxides and hydroxides	15-15	607	4-4	1,116	5-10	2,651		
28.24	Cobalt oxides and hydroxides	10-14	64	4-4	329	0-6	1,786	0-0	1,663
28.27	Lead oxides	13-15	679			1-16	5,732	5-14	24
28.28	Other inorganic metallic oxides and hydroxides	5-14	927	3-7	11,954	1-36	18,896		
28.29	Fluorides	15-15	1,160	5-8	935	4-16	5,216		
28.30	Chlorides and oxychlorides	10-15	1,633	2-7	2,811	3-17	1,331		
28.31	Chlorides and hypochlorites	5-15	1,809	5-8	187	2-6	523		
28.32	Chlorates and perchlorates	10-15	53	4-6	931	4-8	787		
28.33	Bromides, bromates and perbromates	15-15	205			4-74	44		
28.34	Iodides and iodates	15-15	16			1-14	38		
28.35	Sulphides; polysulphides	13-15	303	4-8	294	4-17	384	5-10	49
28.37	Sulphites and thiosulphates	13-14	546			2-7	301		
28.38	Sulphates and persulphates	10-13	2,054	2-8	4,515	1-31	6,807		
28.40	Phosphites, hypophosphites and phosphates	14-15	3,860	5-10	3,599	2-10	701		
28.41	Arsenites and arsenates	10-15	2	4-7	19	4-14	22		
28.42	Carbonates and percarbonates	13-15	8,510	3-9	3,815	2-18	2,447		
28.45	Silicates	13-15	717			3-8	176		
28.46	Other salts and peroxsalts of inorganic acids	7-15	147	3-11	253	4-14	166		
28.52	Compounds of thorium, uranium, and yttrium	15-15	72	3-3	2,391	4-18	12,663		
28.54	Hydrogen peroxide	15-15	95			5-5	460		
28.55	Phosphides	3-15	4	5-7	2,579	2-8	42	5-8	45
28.56	Carbides	5-18	4,280	4-13	6,478	2-17	16,367	5-8	1,339
28.57	Hydrides, nitrides, silicides, and borides	13-13	503			3-17	418		
28.58	Other inorganic compounds	13-13	38	2-6	221				
29.01	Hydrocarbons	8-13	9,297	3-13	107,436			3-10	33,507
29.02	Halogenated derivatives of hydrocarbons	8-13	7,355			2-20	12,249		
29.03	Sulphonated derivatives of hydrocarbons	5-15	1,784	5-8	1,819	4-42	373		
29.04	Acylic alcohols and their halogenated derivatives	8-15	6,663	4-13	24,563	3-46	6,975		
29.06	Phenols and phenol-alcohols	7-15	1,675	2-9	9,884			3-13	3,814
29.07	Halogenated derivatives of phenols or phenol-alcohols	5-15	2,886	5-9	2,820				
29.08	Ethers and alcohol peroxides	8-13	1,468			1-23	6,360		
29.09	Epoxydes	8-15	646			5-24	903		
29.11	Aldehydes; acyclic polymers of aldehydes	8-15	813			4-29	4,282		
29.12	Aldehyde-function compounds	15-15	3			5-20	0		
29.13	Ketone-function and quinone-function compounds	5-12	1,658			1-20	9,680		
29.14	Monoc acids, anhydrides, acid halides, derivatives	8-15	9,505	5-12	20,894	4-23	19,951	5-20	4,616
29.15	Polyc acids, anhydrides, acid halides, derivatives	4-15	13,420			4-23	3,985		
29.16	Alcohol, aldehyde, ketone, phenol acids, derivatives	8-13	4,700			2-26	5,375		
29.17	Sulphuric esters and their salts, derivatives	15-15	5			5-20	194		
29.18	Nitrous and nitric esters, derivatives	8-15	38			5-20	0		
29.19	Phosphoric esters and their salts, derivatives	13-15	1,230			5-23	47		
29.22	Amino-function compounds	11-15	5,950	4-8	16,307	5-30	7,762		
29.23	Single or complex oxygen-function amino-compounds	15-15	3,609			5-30	12,957		
29.24	Quaternary ammonium salts and hydroxides	5-15	224			5-20	8		

See footnote at end of table.

APPENDIX TABLE 4-F--Continued.

Industrial sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community ^{1/}

HS number	Abbreviated BTN description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars						
29.25	Amide-function compounds	13-15	1,578			5-30	13,551		
29.26	Imide-function and imine-function compounds	9-15	714			5-20	1,335	5-13	1,564
29.27	Nitrile-function compounds	15-15	1,127			5-20	8,897		
29.29	Organic derivatives of hydrazine or hydroxylamine	15-15	335			5-20	404		
29.31	Organo-sulfur compounds	14-15	3,886			4-20	8,736		
29.32	Organo-arsenic compounds	15-15	15			5-20	0		
29.33	Organo-mercury compounds	15-15	10			5-20	0		
29.34	Other organo-inorganic compounds	7-18	1,466			5-20	1,627		
29.35	Heterocyclic compounds; nucleic acids	5-15	14,571	5-13	94,739	5-30	30,172	3-20	31,213
29.37	Sulfones and sulfates	15-15	2			5-20	0		
29.38	Provitamins and vitamins, derivatives	15-18	7,119	4-9	22,049	2-19	9,911	8-15	6,988
29.39	Hormones, derivatives	14-15	3,028			2-19	30,525		
29.40	Enzymes	5-15	2,637			5-5	2,690		
29.41	Glycosides and their salts and esters	15-15	161			5-19	4		
29.42	Vegetable alkaloids and their salts and esters	13-15	1,405	5-9	22,872	2-29	9,416	5-20	2,020
29.44	Antibiotics	15-18	6,783	5-11	47,359	2-19	11,550	8-10	14,531
30.01	Organotherapeutic glands and extracts	15-18	5,662	2-6	6,530	0-0	13,061	5-5	1,202
30.02	Antisera	15-15	4,549			5-5	2,470	0-0	856
30.03	Medicaments	13-80	15,565	6-17	84,066	0-26	11,952	8-25	62,087
30.04	Wadding, gauze, and bandages	10-23	3,119	7-7	1,807	4-22	475	10-10	1,153
30.05	Other pharmaceutical goods	8-18	4,846	8-8	2,127	3-10	310		
31.03	Mineral or chemical fertilisers, phosphatic	14-14	2,997	2-3	7,989	0-0	6,181		
32.02	Tannins (tannic acids)	15-15	57			3-19	497	5-8	25
32.03	Synthetic tanning substances	15-15	413	5-5	631	5-17	81	3-16	1,196
32.04	Coloring matter of vegetable origin or of animal origin	15-15	287	2-5	736	3-30	549	3-3	402
32.05	Synthetic organic dyestuffs; optical bleaching agents	5-15	24,802			4-30	26,434		
32.07	Other coloring matter	5-15	7,399	5-9	12,456	1-16	3,132	5-13	767
32.08	Prepared pigments, glass frit	15-15	940	3-8	2,905	4-34	154	5-8	1,256
32.09	Varnishes and lacquers; distempers; paints	10-18	11,724	7-8	19,611	4-30	1,656	4-13	10,471
32.11	Prepared driers	15-15	64			5-5	0		
32.12	Glaziers' putty	15-18	1,559	5-5	3,990	3-13	38	8-8	556
32.13	Writing ink	15-15	3,105			2-12	3,530		
33.06	Perfumery, cosmetics and toilet preparations	13-25	8,212	7-8	12,919	4-20	12,433	8-25	2,406
34.01	Soap	3-10	936	8-8	1,700	4-8	1,722		
34.02	Organic surface-active agents	15-18	12,713	8-8	17,455	5-12	3,111		
34.04	Artificial waxes	10-15	1,328	5-5	3,661	5-20	0		
34.05	Pollishes and creams	18-18	2,264	6-7	3,023	3-16	578	5-10	1,025
34.06	Candles, tapers, and night lights	20-20	786	8-8	2,158	10-10	3,440	8-8	6
34.07	Modeling pastes	18-18	579	7-7	231	5-18	0		
35.01	Casein and derivatives	32-32	41	2-14	10,916	3-8	24,945	10-10	15,981
35.02	Albumins and derivatives	10-20	123	10-12	3,921	5-37	519	8-20	210
35.03	Gelatin and derivatives; some glues	15-20	2,147	5-8	2,986	5-10	10,813	5-20	974
35.06	Prepared glues, n.s.p.f.	10-20	2,445	6-10	1,532	3-16	0	3-10	318
36.02	Prepared explosives	13-20	179	8-8	1,412	1-20	10,793	10-10	1
36.03	Mining, blasting and safety fuses	20-20	5	6-6	204			10-10	3
36.05	Pyrotechnic articles	20-20	300	7-7	1,540	1-26	3,920	8-8	298
36.06	Matches	10-15	401			1-8	1,511		
36.08	Other combustible preparations and products	9-15	140			5-18	0		
37.01	Photographic plates and films, unexposed, of material other than paper	13-13	11,058			3-8	15,690		
37.02	Film in rolls	10-18	12,414	8-8	24,424	3-5	21,719		
37.03	Sensitized paper, not developed	10-18	7,638			4-5	11,310	8-40	3,000
37.09	Plates, film exposed and developed, negative or positive								
37.07	Other motion picture film, exposed and developed	9-15	4,133	3-5	2,445	4-4	488		
37.08	Chemical products and flashlight material, for photography	10-17	10,151	2-6	11,973	4-4	6,019	2-18	3,289
38.03	Activated carbon, bauxite, clay, etc.	15-15	5,618			2-18	178		
38.04	Ammoniacal gas liquors	10-15	1,806					5-10	1,472
38.06	Concentrated sulfite lye	15-15	0	2-5	282	4-5	0	3-3	0
38.07	Spirits of turpentine produced by distillation	15-15	73	5-5	2,391	3-5	778	3-3	567
38.11	Disinfectants, insecticides, etc., for retail sale	15-15	936	3-4	5,461	5-5	113	3-5	698
38.13	Pickling preparations for metal surfaces	8-15	30,857	4-6	26,161	2-16	643		
38.14	Antiknock preparations, oxidation inhibitors, etc.	15-18	1,614	4-7	2,454	5-16	0		
38.15	Prepared rubber accelerators	7-15	6,165	5-11	23,421	5-16	301		
38.17	Preparations and charges for fire extinguishers	15-15	222			5-16	1,154		
38.18	Composite solvents and thinners	15-15	155			5-5	75		
38.19	Chemical products and preparations, n.s.p.f.	6-15	618			4-16	75		
39.01	Condensation, polycondensation products	1-18	78,452	2-9	81,845	1-26	11,900	5-13	33,061
39.02	Polymerisation products	8-28	46,026	7-14	71,798	3-23	8,623	5-15	20,809
39.03	Regenerated cellulose, derivatives of cellulose	8-23	86,987	7-12	86,091	3-21	39,724	8-18	17,076
39.04	Hardened proteins	10-18	14,865	6-12	29,618	3-19	6,668	5-14	2,675
39.06	Other high polymers, artificial resins	10-18	233	5-5	1,252	5-10	2,271	8-8	25
39.07	Articles of regenerated cellulose, hardened pro- teins, etc.	10-15	591	5-10	5,442	4-30	413		
40.02	Synthetic rubber latex and rubber	8-25	54,071	7-12	37,436	4-35	57,081	10-15	3,920
40.05	Plates, sheets, and strip, of unvulcanized rubber	3-18	31,190	4-5	87,001	3-16	20,799	8-8	29,158
40.06	Unvulcanized rubber in other forms or states	18-18	797	3-6	2,008	3-6	386	8-8	232
40.07	Vulcanized rubber thread and cord	15-18	4,027	6-7	2,174	3-13	145	3-3	509
40.08	Plates, sheets, and rods, of unhardened vulcanized rubber	10-18	1,081	8-10	1,128	7-15	58	8-8	1
40.09	Piping and tubing, of unhardened vulcanized rubber	15-23	9,386	6-9	5,249	6-38	209	8-10	191
40.10	Transmission belting, of vulcanized rubber	10-20	4,592	7-7	9,239	4-10	4,672	10-10	1,000
40.11	Rubber tires	10-20	6,329	10-10	7,355	6-21	2,361	8-8	520
		10-18	51,255	8-9	42,506	4-15	88,301	8-15	1,064

See footnote at end of table.

APPENDIX TABLE 4-F--Continued

Industrial sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community 1/

BTN number	Abbreviated BTN Description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
40.12	Hygienic and pharmaceutical articles of unhardened vulcanized rubber	18-18	938			4-9	584	8-8	56
40.13	Wearing apparel of unhardened vulcanized rubber	23-25	1,268	8-10	3,235	5-35	3,072	8-8	78
40.14	Other articles of unhardened vulcanized rubber	13-20	31,375	6-8	21,146	2-13	10,394	8-10	1,637
40.15	Hardened rubber in bulk, plates, and rods; scrap	15-15	318	4-4	228				
40.16	Articles of hardened rubber	18-18	76	8-8	165	4-12	946	8-8	0
41.02	Bovine cattle leather and equine leather	8-20	3,074	8-8	19,134	4-9	35,171		
41.03	Sheep and lamb skin leather	8-10	9,684	3-5	22,953	5-6	6,587	8-20	4,754
41.04	Goat and kid skin leather	10-18	406	4-5	25,901	4-6	13,359	8-20	808
41.05	Other kinds of leather	8-18	1,153	4-5	13,830	5-6	7,833	8-13	1,832
41.06	Chamois-dressed leather	10-18	1	5-5	1,597	5-8	3,783		
41.09	Furings and other waste of leather	18-18	39	0-0	1,134	0-0	0	5-5	0
41.10	Composition leather	20-20	292	5-5	152	3-4	1,731	8-8	933
42.01	Saddlery and harness, of any material	18-20	1,274	9-9	467	4-6	4,971		
42.02	Travel goods, cases of leather	18-20	14,599	8-15	10,747	4-21	72,569	10-20	3,165
42.03	Wearing apparel of leather	10-25	7,437	8-13	6,349	4-87	40,263	10-20	615
42.04	Articles of leather for machinery	18-20	26	5-8	897	4-10	678	8-23	387
42.05	Other articles of leather	18-20	256	7-7	1,327	3-14	3,648		
42.06	Furkins, tanned or dressed	8-23	7,854	5-5	22,951	3-19	7,519		
43.03	Articles of furskins	23-23	921	7-10	5,741	9-19	3,028		
44.02	Wood charcoal	4-18	1,197	7-7	1,120	0-0	722	0-0	1,030
44.03	Wood in the rough	18-18	26,825	3-3	146,511	0-0	29,190	5-5	837,065
44.10	Wooden sticks	5-15	699	3-3	69	0-0	507		
44.13	Wood, planed, tongued, grooved, etc.	5-15	16,676	5-5	2,417	1-8	310,065	3-10	578
44.16	Cellular wood panels	15-15	1,358	5-5	22				
44.19	Wood headings and moldings	10-15	2,060			2-13	12,366		
44.21	Complete wooden packing cases, boxes, etc.	15-20	1,404	10-12	434	8-17	2,017	8-8	5
44.22	Casks, barrels, vats, and buckets	15-15	4,450			4-13	441	5-8	74
44.23	Builders' carpentry and joinery	8-18	5,113	6-7	9,100	5-20	5,919	8-8	180
44.24	Household utensils of wood	15-46	1,534	8-8	2,928	7-26	15,349	10-10	8
44.25	Wooden tools, tool bodies, and tool handles	10-15	1,169			4-22	4,568	5-8	6
44.27	Standard lamps, furniture, of wood	15-15	1,610			5-17	16,324		
44.28	Other articles of wood	15-20	2,757	4-7	4,320	3-20	42,112	10-15	129
46.02	Flaxing materials bound together in parallel strands	10-20	200	5-10	3,195	3-29	2,025	8-15	1,044
46.03	Basketwork and wickerwork	13-18	446			4-25	13,170		
48.01	Paper and paperboard in rolls or sheets	3-18	42,225	3-12	423,381	1-34	910,663	6-20	10,210
48.02	Handmade paper and paperboard	20-20	0	8-8	330	3-3	497	8-8	10
48.03	Parochment or grease proof paper	15-18	333			3-8	2,404	8-8	40
48.04	Composite paper or paperboard	13-20	1,085			3-10	28	8-8	34
48.05	Paper and paperboard, corrugated, creped, etc.	15-18	770			3-25	1,099	8-8	82
48.07	Paper and paperboard, impregnated, coated, and colored	5-20	17,440	10-12	50,316	1-25	5,089	5-15	4,059
48.11	Wallpaper and linoleum	15-15	2,036			5-30	3,630	5-8	228
48.12	Floor coverings prepared on base of paper or paperboard	18-20	1,128			5-11	500	8-8	9
48.13	Carbon and other copying papers	8-18	1,343			8-10	254	8-8	63
48.14	Writing blocks and envelopes	15-18	1,226			4-10	856	8-8	45
48.15	Other paper and paperboard, cut to size or shape	15-18	3,203	7-12	16,619	1-10	3,397	5-8	2,052
48.16	Boxes, bags, and other packing containers, of paper	15-18	11,974			3-9	1,631		
48.17	File boxes and letter trays, of paper or paperboard	18-20	254			3-9	54	7-7	0
48.18	Registers, exercise books, and notebooks of paper	10-18	1,199			4-10	4,065	8-10	222
48.19	Paper and paperboard labels	18-20	2,525			3-10	449	8-8	91
48.20	Bobbins, spools, cops, and similar supports of paper pulp	18-18	1,031			4-9	683	8-8	3
48.21	Other articles of paper pulp, paper, and paperboard	10-20	12,964	7-14	11,333	4-14	11,293	8-10	1,234
49.01	Printed books and booklets	10-10	106,769	0-0	56,385	0-0	0	0-0	19,055
49.02	Newspapers and journals	10-10	58,848	0-0	11,261	0-0	7,360	0-0	2,226
49.03	Children's picture books	10-20	1,465			0-0	676	0-0	135
49.05	Maps and charts	18-25	1,606	7-7	1,737	9-9	1,661	0-0	472
49.06	Plans and drawings	9-20	6,191	0-0	2,308	2-4	1,395	0-0	508
49.07	Unused postage	20-20	5,046	3-8	132	1-8	2,633	0-0	328
49.08	Transfers	18-20	871	8-8	2,829	1-10	552	8-8	61
49.09	Picture postcards	20-20	1,376			4-10	2,235	8-8	185
49.11	Other printed matter	9-25	21,667	9-9	14,800	1-8	11,301	8-8	1,435
50.07	Silk yarn	15-15	66	5-10	181				
50.09	Woven fabrics of silk	10-32	2,090	8-14	11,825	11-19	26,943	10-13	13,210
51.01	Yarn of manmade fibers, not put up for retail sale	18-22	30,358	3-11	85,128	11-64	28,048	8-25	2,394
51.04	Woven fabrics of manmade fibers	5-32	31,126	13-15	22,125	13-38	60,217	8-25	3,734
53.06	Yarn of carded sheep's or lambs' wool	8-16	236	5-8	956			5-5	72
53.07	Yarn of combed sheep's or lambs' wool	8-16	1,010	5-10	8,476			5-5	942
53.08	Yarn of fine animal hair	8-16	396	4-4	4,293	5-30	2,806	5-5	153
53.09	Yarn of horsehair	23-23	152	5-5	20	5-5	0	5-5	5
53.10	Yarn of sheep's or lambs' wool, of horsehair	16-16	580			5-30	4,071		
53.11	Woven fabrics of sheep's or lambs' wool or of fine animal hair	10-36	19,120	13-18	45,268	16-100	88,807	10-16	21,632
54.05	Woven fabrics of flax or of ramie	20-20	358			3-68	25,670		
55.05	Cotton yarn, not for retail sale	10-18	10,812	4-8	12,701	4-20	18,716	6-11	7,607
55.06	Cotton yarn, put up for retail sale	18-18	1,756					6-6	185
55.07	Cotton gauze	18-20	4,169	9-9	740	7-36	0	7-14	14
55.08	Terry towelling	18-20	547					7-14	14
55.09	Other woven fabrics of cotton	3-23	38,303			7-36	129,462	7-18	6,397
56.05	Yarn of manmade fibers, not for retail sale	18-18	5,852					8-25	125
56.07	Woven fabrics of manmade fibers	8-32	39,226	15-16	21,076	13-38	252	8-25	2,543

See footnote at end of table.

APPENDIX TABLE 4-F--Continued

Industrial sector HTS headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community 1/

HTS number	Abbreviated HTS description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
57.06	Yarn of jute	18-20	111	8-8	635	7-13	477	10-10	50
57.07	Yarn of other vegetable textile fibers	15-20	67	5-5	6,505	10-10	843	4-4	275
57.09	Woven fabrics of true hemp	20-20	17			3-23	0	8-8	1
57.11	Woven fabrics of other vegetable textile fibers	20-20	951	10-10	436	3-14	607	5-5	28
57.12	Woven fabrics of paper yarn	8-20	626	9-9	102	9-9	821	8-8	0
58.01	Carpets, knotted	21-21	861			6-17	12,753		
58.02	Other carpets and rugs	10-33	12,795	11-23	21,690	6-30	30,933	15-21	2,778
58.04	Woven pile fabrics and chenille fabrics	20-45	13,390			6-38	13,051	7-18	1,381
58.05	Narrow woven fabrics	10-32	6,913	7-14	3,830	6-25	5,821	10-14	419
58.06	Woven labels	20-20	100	10-10	344	9-19	1,640	10-10	10
58.07	Chenille yarn and gimped yarn	10-23	1,113	7-8	3,033	2-30	829		
58.08	Tulle and other net fabrics, plain	10-20	509	10-11	588			10-13	107
58.09	Tulle and other net fabrics, figured	10-20	3,302			10-45	6,221		
58.10	Embroidery	10-25	2,875	9-13	18,869				
59.01	Wadding and articles of wadding	15-25	396	4-8	4,830	7-25	393	5-5	283
59.02	Felt and articles of felt	18-25	643	10-12	1,372	4-31	1,258	11-14	574
59.03	Knitted fiber fabrics and articles	15-25	2,273	12-12	3,841			10-14	488
59.04	Twine, cordage, ropes, and cables, plaited	10-20	6,532			3-28	39,580	8-10	246
59.05	Netts and netting of twine, cordage, or rope	23-23	3,317	10-14	384	4-53	1,102	5-10	165
59.07	Textile fabrics coated with gum	18-23	1,071	11-11	750	6-26	360	7-11	8
59.08	Textile fabrics impregnated with preparations of cellulose derivatives	23-28	13,121	14-14	9,232	6-32	886	8-8	339
59.09	Textile fabrics impregnated with oil	20-20	0	7-8	105	5-14	1	8-8	4
59.10	Linoleum	20-20	312	8-8	757	6-11	1,880	10-10	101
59.11	Rubberized textile fabrics	13-32	2,861	7-14	6,951	6-38	1,129	8-8	134
59.12	Textile fabrics otherwise impregnated or coated	10-32	14,585	7-7	1,548	7-19	34	8-10	92
59.13	Elastic fabrics and trimmings	20-36	2,539	11-11	1,147	15-21	3,162	8-11	62
59.15	Textile hosiery	20-25	364	11-11	584			8-11	60
59.16	Transmission belting, of textile material	20-20	415	8-8	1,074	6-21	1,609	8-11	66
59.17	Textile fabrics and textile articles for machinery	5-25	1,440	4-10	9,812	6-38	4,390	8-11	1,233
60.01	Knitted or crocheted fabric, not elastic or rubberized	20-28	14,915	13-14	15,879	6-40	13,388	8-25	4,107
60.02	Gloves, mittens, and mitts, knitted or crocheted	25-25	4,615			10-64	8,235	10-14	188
60.03	Stockings, knitted or crocheted	22-28	2,439	13-13	7,996	10-50	3,690	10-15	477
60.04	Undergarments knitted or crocheted	25-28	5,537			10-45	20,600	14-21	510
60.05	Outer garments knitted or crocheted	25-28	36,934	11-18	53,139	6-43	228,037		
60.06	Knitted or crocheted fabric and articles, elastic or rubberized	20-28	1,247	11-16	2,447	6-40	900	10-14	12
61.01	Men's and boys' outer garments	10-25	27,685			8-43	115,719		
61.02	Women's, girls', and infants' outer garments	15-25	22,898	11-17	50,120	8-43	113,833		
61.03	Men's and boys' undergarments	23-25	14,821			3-43	30,857		
61.04	Women's, girls', and infants' undergarments	23-25	399			8-43	5,625		
61.05	Handkerchiefs	20-25	2,550	11-14	6,019	3-55	10,000	10-30	546
61.06	Shawls and scarves	20-25	1,244			8-31	15,383		
61.07	Ties	25-25	252	11-11	860	10-21	1,156		
61.09	Corsets	20-28	3,615	9-9	8,613	7-32	6,474	14-21	265
61.11	Made-up accessories for articles of apparel	15-25	1,148	11-11	518	6-38	667		
62.01	Traveling rugs and blankets	23-25	1,332	12-14	1,491	9-43	1,278	10-14	750
62.02	Bed linen and table linen; curtains	20-25	21,472			4-43	37,601	10-21	772
62.03	Sacks and bags, for packing of goods	13-25	182	8-20	20,173	4-40	1,115	8-20	144
62.04	Tarpaulins, sails, and tents	20-23	878			6-25	0	8-11	9
62.05	Other made-up textile articles	15-33	9,134	8-15	2,921	6-40	8,349	10-14	398
63.02	Used or new rags and scrap twine	5-23	5,275	0-0	26,562	2-11	7,643	10-10	632
64.01	Footwear with outer soles and uppers of rubber	20-25	6,757			6-38	55,613	10-10	3
64.02	Footwear with outer soles of leather or composition leather	23-25	42,086	8-20	35,442	3-20	199,793	10-30	2,065
64.04	Footwear with outer soles of other materials	20-20	2	7-7	1,260	7-13	1,075	10-10	35
64.05	Parts of footwear	18-25	1,902	7-9	3,637	4-5	1,860	8-20	356
65.01	Hat forms	20-20	349	8-8	1,008	8-65	1,256		
65.02	Hat shapes	8-25	336	5-7	727	6-29	2,910		
65.03	Felt hats	20-20	97	8-11	1,403	8-65	1,735		
65.05	Hats and other headgear, knitted or crocheted	20-28	1,936	10-10	1,809	5-43	8,974	13-13	152
65.06	Other headgear	18-25	1,143	10-10	1,967	5-15	7,318		
65.07	Headbands, covers, and hat frames	25-25	1,076	5-8	331	2-25		10-10	7
66.01	Umbrellas	20-20	454					10-10	19
66.02	Walking sticks	20-20	36	7-7	98	10-13	226	10-20	1
67.01	Skins and other parts of birds, and articles thereof	18-20	52	5-9	78	7-7	1,367	10-10	76
67.02	Artificial flowers and articles thereof	18-20	2,628					10-20	1,468
67.04	Wigs	8-25	4,241	8-8	3,874	7-25	74,855	10-10	526
68.02	Worked monumental or building stone; articles thereof	5-20	1,753	4-9	4,507	1-14	12,171	3-8	279
68.03	Worked slate and articles of slate	18-18	118	5-5	2,490	5-13	1,752	5-5	25
68.04	Millstones and grindstones	10-18	3,222	3-5	10,280	3-20	1,003	5-10	583
68.05	Hard polishing stones and oilstones	18-18	564	4-5	174	3-8	367	5-8	37
68.06	Natural or artificial abrasive powder or grain, in primary forms								
68.07	Slag wool; mixtures of heat-insulating mineral materials	15-20	2,094	4-5	5,050	8-8	1	8-8	365
68.08	Articles of asphalt or of similar material								
68.09	Panels, boards, and tiles, of vegetable fiber, wood, and straw	15-18	1,138	6-6	998	0-0	0	8-8	7
68.10	Articles of plastering material	15-18	487	4-4	837	5-6	687	8-8	24
68.11	Articles of cement	18-20	174	4-4	1,710	6-21	992	8-8	13
68.12	Articles of asbestos-cement	13-18	1,876	4-7	7,509	1-14	4,052	8-8	98
68.13	Fabricated asbestos and articles thereof	3-32	2,503	5-12	8,073	4-13	3,119	8-8	909
68.14	Friction material	13-20	3,792	8-8	7,251	4-13	14	8-15	1,388

See footnote at end of table.

APPENDIX TABLE 4-P--Continued

Industrial sector NTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community 1/

NTN number	Abbreviated NTN description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
68.15	Worked mica and articles of mica	18-18	653	5-8	1,264			3-3	14
68.16	Articles of stone or of mineral substances, n.s.p.f.	5-20	1,551	6-9	10,364	4-14	3,707	5-5	1,193
69.00	Refractory bricks, blocks, and tiles	10-18	18,030	4-7	18,789	5-13	5,444	8-8	958
69.03	Other refractory goods	10-16	1,996			5-23	1,228		
69.04	Building bricks	10-13	1,698			3-3	1,011		
69.05	Roofing tiles	18-18	14	4-5	747	6-14	113	5-5	15
69.06	Piping, conduits, and guttering of minerals	18-20	17	4-8	455	8-8	128	5-5	13
69.07	Unglazed sets, hearth, and wall tiles	20-20	24	8-8	1,944			5-5	7
69.08	Glazed sets, hearth, and wall tiles	20-20	5,503	9-9	10,382			5-5	16
69.10	Sinks, washbasins, and bathtubs	20-20	1,286					8-8	59
69.11	Tableware of porcelain or china	10-20	4,130					8-8	66
69.12	Tableware of other kinds of pottery	20-20	2,673	8-16	7,011	3-60	23,097	8-8	172
69.13	Statuettes	18-20	3,940	8-28	4,187	3-23	24,351	8-8	282
69.14	Other articles of pottery, china, and ceramic materials	20-20	126	8-15	571			8-8	26
70.03	Glass in balls, rods, and tubes, unworked	5-18	3,782	7-7	2,147	7-18	3,374	5-10	961
70.07	Cast, rolled and blown glass cut to shape	8-18	2,968	8-8	863	8-22	2,770		
70.08	Safety glass consisting of toughened glass	13-20	207	9-9	1,096	9-11	3,428		
70.09	Glass mirrors	15-20	5,649			10-18	3,377		
70.10	Carboys, bottles, and containers of glass	15-20	15,694	10-10	4,231	2-16	2,348		
70.13	Glassware of kind used for table and office purposes	15-20	15,963					10-15	1,581
70.14	Illuminating glassware	9-20	6,378	9-10	6,907			10-10	211
70.15	Clock or watch glasses	18-18	7	8-8	173	8-24	238	8-10	59
70.16	Bricks, tiles, and articles of pressed or molded glass	18-18	440	8-8	1,150				
70.17	Laboratory, hygienic, and pharmaceutical glassware	10-20	7,383	7-9	2,825	6-21	1,528	8-10	295
70.18	Optical glass	18-18	1,527					8-10	785
70.19	Glass beads, imitation pearls, and ornamental glass	10-18	119	5-12	6,336	4-50	12,983	8-10	767
70.20	Glass fiber, yarns, fabrics, and articles thereof	18-32	4,944	11-13	7,559	3-32	1,033	10-13	3,906
70.21	Other articles of glass	13-20	990	9-9	3,465	7-20	916	8-20	506
71.05	Unwrought or semifinished silver	20-20	32,028	2-7	124,223	1-25	164	3-10	12,977
71.06	Rolled silver, unwrought or semifinished	8-18	76	5-7	62				
71.10	Rolled platinum, unwrought or semifinished	18-18	1,528						
71.12	Articles of jewelry and parts thereof	13-25	2,436	5-9	4,111	8-28	12,690		
71.13	Articles of goldsmiths' or silversmiths' wares	20-23	1,054	5-8	1,132	9-20	2,002		
71.16	Imitation jewelry	13-25	6,932	12-18	5,462	8-35	20,268		
73.02	Ferrous alloys	3-18	6,858	4-10	57,242	3-10	53,393	5-10	17,894
73.05	Iron and steel powders	18-18	510	3-4	4,194	0-10	2,339	5-6	1,890
73.10	Bars and rods, of iron or steel	3-18	36,303	5-7	17,442	3-9	158,883	8-8	3,540
73.11	Angles, shapes, and sections, of iron or steel	2-18	39,935	5-7	17,569	2-8	152,087	8-8	2,012
73.13	Sheets and plates, of iron or steel	3-18	74,546	6-8	79,004	6-12	399,595	8-15	428
73.15	Alloy steel and high carbon steel	3-13	73,904	3-8	122,160	2-12	224,805		
73.16	Railway and tramway track construction material of iron and steel	3-18	1,606	3-9	2,159	1-10	1,893	8-8	354
73.18	Tubes, pipes, and blanks of iron or steel	5-18	47,761			0-13	163,139	8-12	2,269
73.20	Tube and pipe fittings, of iron or steel	10-18	22,210			3-12	17,587	8-10	1,343
73.21	Structures, complete or incomplete, of iron or steel								
73.22	Reservoirs, tanks, and vats, of iron or steel	10-18	24,539	6-6	15,750	2-9	8,674	5-8	1,613
73.23	Casks, drums, cans, and boxes, of sheet or plate iron or steel	10-20	1,483	6-6	2,610	7-7	847	5-8	299
73.24	Compressed gas cylinders	5-18	6,099	6-7	6,601	5-8	4,698	8-8	85
73.25	Stranded wire and cables, of iron or steel	18-18	1,180	7-7	2,665	5-8	49	8-8	952
73.26	Barbed iron or steel wire	10-20	4,127	9-9	3,617	4-10	23,945	8-8	659
73.27	Gauze, cloth, and grill, of iron or steel wire	10-10	603			0-0	9,344		
73.28	Expanded metal, of iron or steel	13-18	2,155			1-15	15,837	8-8	182
73.29	Chain and parts thereof, of iron or steel	18-18	107	8-8	27			8-8	5
73.29	Chain and parts thereof, of iron or steel	5-18	11,408	7-7	8,812	1-13	11,990	8-8	1,300
73.31	Nails and tacks, of iron or steel	2-18	2,705	5-7	3,206	1-10	34,974	8-8	513
73.32	Bolts and nuts, of iron or steel	8-18	61,068	7-11	24,833	1-13	65,681	8-8	3,485
73.33	Needles for hand sewing, of iron or steel	20-20	126	6-8	327	10-19	2,969	5-5	9
73.34	Pins of iron or steel	5-20	381	8-8	785	8-23	2,517	5-5	36
73.35	Springs of iron or steel	15-18	2,378	7-7	6,969	4-10	2,732	8-15	812
73.36	Stoves, of iron or steel	10-20	12,064	7-7	2,436	6-10	4,198	8-8	3,447
73.37	Boilers and radiators of iron or steel	15-20	7,780	9-9	15,700	6-6	0	8-8	1,595
73.38	Articles of kind used for domestic purposes, of iron or steel	10-20	13,874	8-9	13,765	4-9	21,496	8-8	677
73.39	Iron or steel wool	15-15	32			9-9	2		
73.40	Other articles of iron or steel	5-28	56,530	6-8	24,365	0-22	35,313	8-10	2,888
74.01	Copper matte; unwrought copper; copper waste	5-18	25,683	0-0	878,560	2-7	542,655	3-9	371,846
74.03	Wrought bars and rods, of copper; copper wire	5-18	6,778	8-8	12,618	2-16	23,024		
74.04	Wrought plates and sheets of copper	5-18	6,850	8-8	6,322	2-16	34,727		
74.05	Copper foil	5-20	801	8-8	5,741	2-8	21,231		
74.07	Tubes, pipes, and blanks thereof, of copper	5-18	4,512	8-8	6,096	2-11	45,279		
74.08	Tube and pipe fittings, of copper	18-18	5,532	8-8	2,591				
74.10	Stranded wire and cables, of copper wire	18-18	415	8-8	87	4-10	1,142		
74.11	Gauze, cloth, and grill, of copper wire	15-18	870	8-8	1,109	6-25	1,183	8-10	192
74.13	Chain and parts thereof, of copper	18-18	24	7-7	131	8-8	47		
74.14	Nails and tacks, of copper	18-18	2	7-7	92	8-10	29		
74.15	Bolts and nuts of copper	18-18	792	5-7	1,181	2-12	1,839		
74.16	Springs of copper	18-18	11			5-10	0		
74.18	Other articles of kind used for domestic purposes, of copper	18-18	245	7-7	1,351	5-20	13,215		
74.19	Other articles of copper	5-18	7,235	7-7	3,335	7-22	4,130	8-25	740
75.01	Nickel matte, nickel speiss, unwrought nickel	18-18	25,942	0-0	128,280	2-9	235,347		

See footnote at end of table.

APPENDIX TABLE 4-P--Continued

Industrial sector B7N headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community 1/

B7N number	Abbreviated B7N description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports						
		Percent ad val.	1,000 dollars						
75.02	Wrought bars, rods, and shapes, of nickel-----	13-18	2,055	6-6	8,105	2-16	1,437		
75.01	Wrought plates and sheets, of nickel-----	18-18	8,403	1-7	8,927	2-16	7,910		
75.04	Tubes, pipes, and blanks thereof, of nickel-----	18-18	2,057	5-8	2,625	3-11	1,431		
75.06	Other articles of nickel-----	18-18	323	5-7	734	1-25	4,399		
76.02	Wrought bars, rods, and shapes, of aluminum-----	6-18	5,049			5-12	12,730		
76.03	Wrought plates of aluminum-----	5-18	49,767			6-12	28,109		
76.04	Aluminum foil-----	6-18	1,636			2-20	4,979		
76.05	Aluminum powders and flakes-----	15-15	223			4-10	434		
76.06	Tubes and pipes of aluminum-----	13-18	798			2-10	2,567		
76.07	Tube and pipe fittings, of aluminum-----	18-18	733	8-8	1,137				
76.08	Structures of aluminum-----	10-18	5,661	8-8	4,833				
76.09	Reservoirs, tanks, and vats, of aluminum-----	18-18	67	8-8	328	7-7	285		
76.10	Casks, drums, cans, and boxes, of aluminum-----	18-18	1,240			5-10	886		
76.11	Compressed gas cylinders of aluminum-----	18-18	1			5-5	0		
76.12	Stranded wire and cables, of aluminum-----	18-18	131			4-8	3,420		
76.13	Gause, cloth, grill, and netting of aluminum-----	18-18	92			5-13	1,403		
76.15	Articles of kind used for domestic purposes, of aluminum-----	18-18	2,365	8-8	1,976	5-26	5,672		
76.16	Other articles of aluminum-----	18-20	9,892	8-10	10,064	1-25	5,405	10-10	1,115
77.02	Wrought bars, rods, and shapes, of magnesium; wire-----	5-18	998	8-8	617	5-9	22		
78.01	Unwrought lead, waste-----	10-18	924	5-5	46,009	8-10	90,702	5-12	4,433
78.05	Tubes and pipes of lead; tube and pipe fittings-----	18-18	0			6-9	22		
78.06	Other articles of lead-----	18-18	164	6-9	256	5-9	4,964		
79.06	Other articles of zinc-----	18-18	1,516	8-8	474	5-10	260		
80.01	Unwrought tin; scrap-----	8-10	16,544	0-0	72,111	0-0	167,129		
80.02	Wrought bars, rods, and shapes, of tin-----	8-18	36	4-4	126	6-6	13	5-5	5
80.03	Wrought plates and sheets, of tin-----	8-18	15	3-3	6	6-12	18	5-5	0
80.06	Other articles of tin-----	18-18	788	8-8	168	4-7	2,864		
81.04	Other base metals, unwrought or wrought, and articles-----	5-18	16,588	2-10	31,936	0-18	45,450	5-15	12,146
82.01	Hand tools: i.e., spades, axes, and sickles-----	15-20	1,600	6-6	1,961	4-20	3,289	8-8	32
82.02	Saws-----	8-20	4,419	7-10	14,457	4-15	5,415	8-10	2,431
82.03	Hand tools: i.e., pliers, punches, and pipe cutters-----	15-20	10,672	5-7	9,819	2-21	13,885	8-8	752
82.04	Hand tools: i.e., blowtorches and grinding wheels-----	9-20	14,474	7-7	13,237	2-15	14,975	8-8	1,021
82.05	Interchangeable tools for hand tools-----	5-20	26,718	6-8	38,033	3-21	16,557	8-10	2,393
82.07	Tool tips and plates, rods, and like for tools-----	8-18	1,314	7-7	7,346				
82.08	Coffee mills and grinders, less than 10 kg-----	18-18	1,852	7-7	1,307			8-8	88
82.09	Knives with cutting blades-----	18-25	2,886			8-44	11,473	9-20	116
82.11	Razors-----	18-18	1,612	5-7	6,005	4-18	7,560		
82.12	Scissors-----	20-20	1,591					9-9	247
82.13	Other articles of cutlery-----	15-18	845			8-20	2,627		
82.14	Spoons and forks-----	18-25	2,549	9-19	6,880	7-31	7,346	10-20	31
83.01	Locks and padlocks-----	5-20	8,444	9-9	2,451	7-17	4,758	10-20	497
83.02	Base metal fittings for furniture, doors, and chests-----	5-20	53,294	7-7	11,275	4-20	14,015	10-20	242
83.05	Fittings for looseleaf binders, for files-----	5-18	2,790	8-8	1,581	2-11	2,070		
83.06	Statuettes of base metal-----	18-20	1,434	9-9	4,148	4-25	629	10-25	67
83.07	Lamps and lighting fittings, of base metal-----	15-20	19,005	7-7	8,841	5-20	19,005	10-10	1,278
83.08	Flexible tubing and piping, of base metal-----	18-18	471	7-7	2,479			8-10	145
83.09	Clasps and hooks, of base metal-----	5-20	4,359	7-7	5,082	1-28	1,347	10-20	431
83.13	Stoppers and crown corks, of base metal-----	8-18	1,853	7-11	3,942	6-10	1,303	8-10	483
83.14	Sign plates, of base metal-----	8-20	5,613	8-8	863	10-10	475	10-10	42
83.15	Wire, rods, tubes, and plates, of base metal, for soldering-----	5-18	4,469	8-10	5,622	1-5	2,475	8-10	548
84.01	Steam and other vapor generating boilers-----	5-18	5,471	6-6	5,300	7-7	1,953		
84.04	Steam engines with self-contained boilers-----	15-15	367			4-5	137		
84.05	Steam and other vapor power units-----	15-15	16,755	5-5	13,195	4-8	7,122		
84.06	Internal combustion piston engine-----	8-18	492,352	4-14	163,521	4-5	143,200	8-30	15,874
84.07	Hydraulic engines and motors-----	15-18	812	6-6	4,467	8-18	4,624	8-15	728
84.08	Other engines and motors-----	5-18	86,769	5-8	148,414	5-10	84,009		
84.09	Mechanically propelled road rollers-----	8-15	1,267	5-5	754	5-5	0		
84.10	Pumps for liquids-----	10-18	35,780	6-9	63,987	3-6	17,767	8-15	20,188
84.11	Air pumps and vacuum pumps-----	10-20	45,962	4-9	69,134	5-7	24,605	8-15	12,989
84.12	Air conditioning machines-----	15-20	19,192	8-8	10,877	6-6	3,600		
84.13	Furnace burners for liquid fuel-----	15-20	3,615	6-6	9,495	5-5	186	8-8	2,960
84.14	Industrial and laboratory furnaces and ovens, non-electric-----	15-18	2,094	6-6	3,815			8-8	1,115
84.15	Refrigerators-----	15-20	33,541	5-5	37,341	5-5	21,333	8-15	8,813
84.17	Machinery for treatment of materials by heating-----	8-20	26,931	5-9	49,955	6-10	28,833	8-8	15,105
84.18	Centrifuges; filtering machinery-----	10-18	12,345	5-8	34,570	2-6	7,857	8-8	9,404
84.19	Machinery for cleaning or drying bottles; filling bottles-----	8-20	36,420	5-7	31,191	2-8	15,517	8-8	8,323
84.20	Weighing machinery-----	10-18	6,375	6-6	4,484	5-13	2,180	8-8	529
84.21	Mechanical appliances for projecting liquids or powders-----	15-18	14,146	6-6	17,150	5-10	3,686	8-8	4,437
84.22	Lifting and handling machinery-----	10-18	157,073	4-9	86,204	5-5	37,005	8-8	18,027
84.23	Excavating, leveling, boring, and extracting machinery-----	10-18	194,510	4-11	102,332	5-5	20,760	5-8	9,839
84.24	Agricultural and horticultural machinery for soil preparation-----	15-15	29,732	5-5	8,189	0-0	37,063		
84.25	Harvesting and threshing machinery-----	10-18	77,109	5-5	36,217			8-8	3,534
84.26	Dairy machinery-----	8-18	9,868	6-6	5,540	6-6	2,434	8-8	364
84.28	Other agricultural machinery-----	15-18	25,755	5-5	6,207	0-0	34,883	8-8	953
84.29	Machinery of kind used in bread grain milling industry-----	15-15	2,216			2-6	2,619		

See footnote at end of table.

APPENDIX TABLE 4-F--Continued

Industries sector ZHS headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community 1/

HS number	Abbreviated ZHS description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars						
84.30	Machinery for food and drink industries; n.s.p.f.	10-18	13,960	5-5	10,397	6-6	11,417	3-8	4,755
84.31	Machinery for making or finishing cellulose pulp	15-18	14,005	5-6	15,913	4-7	27,298	8-8	2,651
84.32	Bookbinding machinery	10-15	3,585	5-5	6,352	5-5	4,273		
84.33	Paper or paperboard cutting machines	5-18	20,632	5-5	13,134	5-5	14,105	8-8	3,660
84.34	Machinery for type founding or typesetting	10-30	15,636	3-7	16,539	1-20	7,837	3-8	757
84.35	Other printing machinery	10-18	25,371	4-7	29,952	6-13	36,623	6-15	18,619
84.36	Machines for extruding manmade textiles	15-15	13,954	5-5	30,480	4-7	28,622		
84.37	Weaving machines	15-15	14,336	4-6	60,994	5-8	59,157		
84.38	Auxiliary machinery for use with weaving machines	10-20	763	5-5	33,636	5-21	34,570	8-10	7,697
84.40	Machinery for washing, bleaching, etc., textile yarns	15-20	48,870	5-8	23,815	5-20	14,482	8-8	9,617
84.41	Sewing machines	15-20	15,038	6-12	31,873	4-12	82,326	5-13	3,206
84.42	Machinery for preparing and tanning, skins or leather	5-15	3,392			5-5	6,987		
84.43	Converters, ladles, ingot molds, and casting machines	15-18	17,824	5-5	4,934	5-5	5,407	8-8	1,341
84.44	Rolling mills and rolls thereof	15-18	11,170	6-7	9,003	8-8	10,487	8-8	4,016
84.45	Machine tools for metal working	15-18	112,236	3-11	139,820	5-10	175,521	8-15	50,305
84.46	Machine tools for working stone	15-15	357	5-5	2,524	5-5	1,559		
84.47	Machine tools for working wood	13-18	19,114			5-6	8,920	6-8	2,388
84.48	Accessories and parts for machine tools	15-18	8,174	4-4	28,710	5-10	33,118	6-8	3,403
84.49	Tools for working in the hand	13-18	30,089	7-7	10,540	5-8	10,220	8-8	8,353
84.50	Gas-operated welding and cutting appliances	10-18	2,970	6-5	1,758	5-10	2,358	8-15	1,968
84.51	Typewriters	8-20	6,499	5-7	12,707	4-6	60,167	8-25	7,991
84.52	Calculating machines	8-20	43,588	6-14	99,264	5-6	95,067	8-25	47,301
84.53	Statistical machines operated with punched cards	10-18	144,661	7-7	186,678	5-6	5,943	5-25	27,036
84.54	Other office machines	5-18	15,225	6-7	34,506	4-6	17,333	8-25	44,424
84.55	Parts and accessories for office machines	8-18	16,159	4-11	97,973	6-13	41,824	5-15	33,409
84.56	Machinery for sorting, crushing, etc., mixed earth and stone	8-18	25,986	5-5	14,199	5-5	9,020	8-8	2,013
84.57	Glassworking machines								
84.58	Automatic vending machines								
84.59	Machinery, n.s.p.f.	5-20	80,655	5-10	101,447	5-10	99,273	5-15	27,516
84.60	Welding boxes for metal foundry; molds	8-18	11,461	5-5	7,636	6-10	18,198	8-8	1,243
84.61	Taps, cocks, and valves, for pipes, boiler shells, and tanks	10-18	35,250	6-7	88,204	5-11	20,542	8-20	17,526
84.62	Ball, roller or needle roller bearings	8-18	50,430			6-9	55,757		
84.63	Transmission shafts, cranks, gears, and clutches	8-18	49,919	7-7	73,781	4-23	7,590	8-8	11,444
84.64	Gaskets	13-18	6,615	6-6	4,224	5-10	86		
84.65	Machinery parts, n.s.p.f.	18-18	1,536	5-6	14,374	2-10	2,081	8-8	3,351
85.01	Electrical goods: i.e., generators, motors, and transformers	8-20	82,466	5-9	83,004	5-25	77,203	8-15	17,716
85.03	Primary cells and primary batteries	18-18	2,320					8-8	143
85.04	Electrical storage batteries	10-18	12,394	4-10	7,690	8-9	7,184		
85.05	Tools for working in the hand, with self-contained electric motor	15-18	5,268	7-7	18,797	6-7	3,560	3-8	1,637
85.06	Stromechanical domestic appliances	15-20	26,253	8-8	14,823	6-9	11,803	6-8	863
85.07	Tools, with self-contained electric motor	18-18	3,840	6-7	3,665	7-10	16,309	8-8	1,708
85.08	Electrical starting and ignition equipment for combustion engines	10-18	60,671	7-11	14,263	4-4	13,381	8-10	1,358
85.09	Electrical lighting and signaling equipment, for motor vehicles	13-20	22,774	7-9	6,304	4-19	6,478	8-15	499
85.10	Portable electrical battery and magneto lamps	20-20	1,671	8-13	3,453			10-10	137
85.11	Industrial and laboratory electric furnaces and ovens	8-20	16,484	6-8	22,202	4-5	9,952	8-15	6,462
85.12	Electric instantaneous water heaters and immersion heaters	15-20	20,091	7-12	15,636	4-17	14,511	10-10	1,712
85.13	Wire telephonic and telegraphic apparatus	8-18	31,869	7-8	21,763	7-9	30,631	8-15	3,421
85.14	Microphones, loudspeakers, and amplifiers	8-18	13,405	7-7	14,069	8-8	23,018	8-8	1,245
85.15	TV and radiotelegraphic transmission apparatus	8-18	153,194	7-17	104,388	5-10	467,435	8-20	24,820
85.16	Electric traffic control equipment	10-18	8,410	6-6	1,565	4-19	190	8-8	14
85.17	Electric sound or visual signaling apparatus	5-18	4,311	6-6	6,452	4-6	3,419	8-8	1,205
85.18	Electrical capacitors	13-18	10,969	7-7	16,122			8-8	1,695
85.19	Resistors and electric-circuit apparatus	8-20	73,202	6-8	147,459	4-9	54,953	8-8	24,770
85.20	Electric filament lamps; arc-lamps	15-20	15,116	6-8	15,686	4-18	22,055	8-10	2,012
85.21	Thermionic, cathode, and photocathode tubes	10-18	52,451	7-17	91,375	6-15	101,127	8-15	24,184
85.22	Electrical goods and apparatus, n.s.p.f.	18-18	142	6-8	20,764	6-6	29,277	8-25	23,661
85.23	Insulated electric wire	10-18	13,299			5-9	40,291		
85.24	Carbon brushes and battery carbons	5-20	7,499	6-9	5,241	5-8	21,798	8-8	788
85.25	Insulators of any material	8-18	3,680	8-15	2,522	5-15	13,704	8-8	98
85.26	Insulating fittings for electrical machines	13-15	1,701			1-20	2,070		
85.27	Electrical conduit tubing and joints thereof, of base metal	18-18	34	7-7	127				
85.28	Electrical parts of machinery and apparatus, n.s.p.f.	18-18	301	6-6	3,919	6-6	16,470	8-8	378
86.02	Other rail locomotives	10-18	1,362	5-5	537	6-6	3	8-8	0
86.04	Mechanically propelled railway passenger or freight cars	15-20	562	7-7	398			8-8	0
86.05	Railway passenger cars	18-18	0	5-5	24			8-8	11
86.07	Railway freight cars	15-18	2,093	5-6	1,013			8-8	0
86.09	Parts of railway locomotives and rolling stock	8-20	14,829	5-8	4,996	1-9	6,390	8-8	2,711
87.01	Tractors	18-18	91,740	6-20	55,229	6-6	48,729		
87.02	Motor vehicles	15-15	1,810,858			3-9	907,980		
87.03	Special purpose motor trucks and vans	10-18	12,999			5-9	3,629		
87.05	Bodies for motor vehicles	15-15	2,508			3-4	378		
87.06	Parts and accessories of motor vehicles	8-20	1,678,653	7-12	196,214	4-6	167,723	8-15	12,657
87.07	Work and industrial trucks, of type used in factories	15-18	33,897	5-10	12,345	5-5	3,311		

See footnote at end of table.

APPENDIX TABLE 4-P--Continued

Industrial sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community $\frac{1}{2}$

BTN number	Abbreviated BTN description	Canada		European Community		United States		Japan	
		Tariff range	MPS imports	Tariff range	MPS imports	Tariff range	MPS imports	Tariff range	MPS imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
87.08	Tanks	8-15	3,346	5-5	0	5-5	471		
87.10	Cycles, not motorized	25-25	4,485			6-25	19,363	10-10	21
87.12	Parts and accessories of cycles	13-20	3,824	8-10	4,586	4-21	21,509	10-10	420
87.13	Baby carriages	10-18	215	7-7	483	6-9	955	5-5	99
87.14	Other vehicles, not mechanically propelled	10-18	43,937	5-8	19,929	8-8	971	8-15	575
88.03	Parts of flying machines and airships	8-18	103,211	5-9	125,021	5-13	188,027		
88.04	Parachutes	25-25	21	9-9	384				
89.01	Ships	15-25	6,952	3-5	81,896	2-10	17,952	8-15	34,036
90.01	Lenses and prisms, unmounted	8-18	3,930			5-25	4,951	8-10	1,232
90.07	Photographic cameras	10-18	18,423	8-13	48,108	6-17	44,618	8-15	1,842
90.09	Image projectors	15-18	5,836			8-18	2,418		
90.10	Apparatus of kind used in photographic labs	15-18	37,433	7-7	15,072	4-23	8,706		
90.14	Surveying and navigational instruments	5-15	33,345			5-25	16,235		
90.15	Balances	10-18	1,176					8-8	831
90.16	Drawing and mathematical calculating instruments	5-20	17,617	8-9	18,654	6-25	18,267	8-10	3,777
90.17	Medical, dental, and surgical instruments	15-18	42,692	8-8	25,891	5-25	15,113	8-10	4,380
90.18	Mechanotherapy appliances	15-18	3,906	7-7	2,605	5-6	721	8-10	1,132
90.19	Orthopedic appliances	10-20	7,522	5-10	8,107	5-23	4,372	8-10	396
90.20	Apparatus based on use of X-ray	8-18	14,289	7-7	9,011	3-6	17,056	8-10	5,932
90.21	Instruments for demonstrational purposes	15-18	6,467	5-5	3,685	0-0	110	8-8	359
90.22	Machines for testing hardness and strength, of								
	Industrial materials	9-18	7,176	6-6	4,020	7-7	1,274	8-8	644
90.23	Hydrometers and thermometers	15-15	1,894			5-43	2,826		
90.24	Instruments for measuring and checking flow of								
	liquids and gases	5-18	6,958			7-19	5,087	8-8	7,457
90.25	Instruments for physical or chemical analysis	8-18	11,000			5-25	5,268	8-8	1,492
90.26	Gas and liquid meters	18-18	1,692					8-8	183
90.27	Revolutions counters and counters	15-15	744			5-28	2,978		
90.28	Electrical measuring and checking instruments	8-20	100,407	7-13	161,134	5-25	42,658	8-15	37,157
90.29	Parts or accessories for measuring instruments	5-20	21,099	7-13	64,052	5-28	2,771	8-8	15,036
91.01	Rocket watches and wristwatches	10-20	5,901	6-6	46,379				
91.02	Clocks with watch movements	25-25	421	9-11	1,183			10-14	185
91.04	Other clocks	25-25	2,722	9-10	3,968			10-14	1,100
91.05	Time recording apparatus	8-25	2,095	11-11	1,911	9-33	4,669	10-10	262
91.08	Clock movements	25-25	323	10-10	707	9-32	3,855		
91.09	Watch cases	20-20	1,549	7-7	2,450	10-28	6,040		
91.10	Clock cases	25-25	28	8-8	309	10-19	973		
91.11	Other clock and watch parts	8-18	965	6-10	17,508	5-85	7,777	3-13	4,380
92.01	Pianos	15-20	1,906	7-10	4,126	9-17	6,117	8-10	240
92.03	Pipe and reed organs	15-20	21	8-8	157	5-9	2,276	8-10	24
92.06	Percussion musical instruments	15-15	826			3-9	6,489		
92.07	Electromagnetic and electronic musical instru-								
	ments	18-20	5,117	10-10	1,752			8-10	150
92.08	Musical instruments, n.s.p.f.	15-18	760	6-7	1,118	8-9	2,449	8-10	16
92.10	Parts and accessories of musical instruments	8-18	2,301	4-9	3,921	5-20	10,401	8-8	922
92.11	Phonographs and sound recorders	8-18	30,919	8-10	26,175	6-8	142,004	8-15	7,214
92.12	Photographic records	10-20	17,826	4-9	15,005	3-15	12,035	6-13	9,565
92.13	Other parts and accessories of phonographs	8-18	9,435	5-11	9,535	6-8	7,640	8-10	2,590
93.02	Revolvers and pistols	8-20	484	8-12	699				
93.03	Artillery weapons	8-20	8,951	0-0	0	5-23	412		
93.04	Other firearms	8-20	7,809	8-11	4,019	5-26	22,765		
93.06	Parts of arms	8-20	2,574	5-8	1,505	3-21	4,012		
93.07	Bombs, grenades, mines, and ammunition	8-20	2,783	3-10	3,196	8-13	34,372		
94.01	Chairs and other seats	18-20	1,532	6-9	24,425	4-18	29,431	10-15	740
94.02	Medical, dental, and surgical furniture	18-20	451	7-7	1,169	6-9	2,080	10-10	116
94.03	Other furniture	15-20	27,560	9-9	31,879	5-18	31,403	10-15	804
94.04	Mattress supports	18-25	712	8-11	693	5-22	475	10-15	135
95.03	Worked ivory and articles of ivory	15-15	648	4-9	870	5-13	710		
95.07	Worked jet, amber, etc., and articles thereof	18-18	110	2-5	156	5-14	853		
96.01	Brooms and brushes, with or without handles	18-18	430					3-5	9
96.02	Other brooms and brushes	15-23	3,225	7-15	3,813	2-23	8,383	8-20	537
96.04	Feather dusters	20-20	57	10-10	51	7-7	86		
96.05	Powderuffs	18-18	389			7-25	0		
97.01	Wheeled toys designed for riding	13-25	766	11-11	1,201	5-18	1,491	10-10	9
97.02	Dolls	18-25	2,535	12-16	7,811	7-18	28,058	10-10	550
97.03	Other toys	15-20	21,083			8-28	75,445	10-10	3,408
97.04	Equipment for parlor and table	15-20	4,747	9-9	17,809	6-20	12,943	10-15	17,382
97.05	Carnival articles	18-25	1,827	10-10	6,073	6-43	35,152	10-10	70
97.06	Appliances for gymnastics or athletics	5-25	16,540	10-14	15,840	4-18	35,265	10-15	10,085
97.07	Fishhooks and fishing rods	10-20	8,012	5-12	4,392	7-23	21,839	10-10	249
97.08	Merry-go-rounds, swings, etc.	15-15	420			0-0	0		
98.01	Buttons and button molds	18-30	2,375	10-13	2,022	5-31	8,566	8-20	506
98.02	Slide fasteners	18-23	901					8-8	583
98.03	Fountain pens	18-23	5,397	7-13	11,399	4-61	7,388	10-32	5,239
98.04	Fountain pens	13-13	36	2-7	197				
98.05	Pencils	5-20	1,329	5-9	1,902	0-12	2,464	10-10	190
98.06	Slates	10-18	75			5-5	584		
98.07	Date, sealing or numbering stamps	18-18	322	7-7	1,334	6-9	0	8-8	131
98.08	Typewriter and similar ribbons	23-25	470	8-8	1,895	6-14	17	8-10	404
98.09	Sealing wax	18-18	25	6-6	84	3-6	0	8-10	1
98.10	Mechanical lighters	18-20	1,569	8-11	9,800			10-25	2,117
98.11	Smoking pipes	18-20	1,025	3-10	1,615	1-53	4,841	10-25	416
98.12	Combs	20-20	251	9-9	664	9-28	1,701	10-20	217
98.13	Corset buses	20-20	2	7-7	96	5-10	0	10-10	2
98.14	Perfume and similar sprayers	20-20	11	10-10	429	5-50	60	10-20	96
98.15	Vacuum bottles	18-20	212					10-10	142
98.16	Mannequins	20-20	1,082	7-7	506	4-18	0	10-10	80

See footnote at end of table.

APPENDIX TABLE 4-F--Continued

Industrial sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and the European Community \checkmark

BTN number	Abbreviated BTN description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars						
99.01	Paintings and drawings, executed entirely by hand--	23-23	13,904	0-0	11,885	0-0	80,350	0-0	5,674
99.02	Original engravings-----	20-20	1,137	0-0	470	0-0	2,537	0-0	256
99.05	Collections of zoological, botanical, etc., Interest-----	18-18	1,850	0-0	1,156	8-8	9,863	0-0	76
99.06	Antiques-----	18-20	4,666	0-0	12,028	0-0	21,923	0-0	1,540
	Total-----		9,832,504		10,074,506		113,467,895		4,401,553

\checkmark Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from tariff data presented in Basic Documentation for the Tariff Study, GATT.

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Industrial sector BTN headings where possible rate disparities may exist
in the United States tariff compared with tariffs of Canada, Japan,
and the European Community 1/

BTN number	Abbreviated BTN description	United States		Canada		Japan		European Community	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
25.09	Earth colors, natural micaceous iron oxides	1-10	527					0-0	40
25.11	Natural barium sulphate	5-13	4,715	1-1	755				
25.15	Marble and travertine	1-14	542					0-0	1,253
25.16	Granite, basalt, and other building stone	1-11	1,008					0-0	1,977
25.18	Dolomite	1-11	1,833					0-0	76
25.31	Felspar, leucite, nepheline, and fluorspar	4-36	27,669	3-3	5,419	8-8	3,170	0-0	6,450
26.01	Metallic ores and concentrates	2-11	814,616	0-0	886,081				
26.03	Ash and residues containing metals	4-36	20,035	2-2	39,049	10-10	2,097	0-0	5,219
27.07	Oils and other products of the distillation of coal tar	5-27	12,250	1-5	23,348	6-20	6,610	3-10	3,619
27.10	Certain petroleum oils	0-16	736,017	5-7	327,425	6-18	160,437		
28.05	Alkali, rare earth metals, and mercury	2-13	10,934	1-6	10,486				
28.11	Arsenic trioxide and acids of arsenic	5-33	2,353	4-6	30	10-10	48	8-10	233
28.13	Other inorganic acids and nonmetal oxygen compounds	5-17	1,955	4-6	1,511			5-15	6,204
28.28	Other inorganic metallic oxides and hydroxides	1-36	18,896	3-7	11,954	5-14	927		
28.29	Fluorides	4-16	5,216	5-8	935			3-8	1,831
28.30	Chlorides and oxychlorides	3-17	1,333	2-7	2,811				
28.33	Bromides, bromates and perbromates	4-74	44	8-8	350	15-15	205	10-13	35
28.35	Sulphides and polysulphides	4-17	384	4-8	294			5-10	49
28.36	Dithionites and sulfoxylates	4-18	30	8-8	454			8-12	21
28.38	Sulphates and persulphates	1-31	6,807	2-8	4,515	10-13	2,054	5-10	1,517
28.39	Nitrites and nitrates	4-14	331	4-8	1,545				
28.41	Arsenites and arsenates	4-14	22	4-7	19				
28.42	Carbonates and percarbonates	2-18	2,447	3-9	3,815			8-36	1,390
28.47	Salts of metallic acids	4-17	2,199	4-11	2,837				
28.48	Other salts and peroxy salts of inorganic acids	4-14	166	3-11	253				
28.49	Colloidal precious metals	4-20	9	2-6	4,891	6-6	521	5-5	154
28.52	Compounds of thorium, uranium and yttrium	4-18	12,663	3-3	2,391			8-15	5,744
28.56	Carbides	2-17	16,367	4-13	6,478	5-18	4,280	5-8	1,330
28.57	Hydrides, nitrides, silicides and borides	3-17	418	4-7	622				
29.01	Hydrocarbons	5-24	19,622	3-13	107,436	8-13	9,297	3-10	33,507
29.02	Halogenated derivatives of hydrocarbons	2-20	12,249	8-13	16,212	8-13	7,355	10-10	5,330
29.03	Sulphonated derivatives of hydrocarbons	4-42	373	5-8	1,819	5-15	1,784	10-13	654
29.04	Alcyclic alcohols and their halogenated derivatives	3-46	6,975	4-13	24,563	8-15	6,663	8-20	3,136
29.05	Cyclic alcohols and their halogenated derivatives	5-20	7,580	6-10	1,849	8-11	353	5-25	326
29.06	Phenols and phenol-alcohols	6-27	1,239	2-9	9,384	7-15	1,675	3-13	3,814
29.07	Halogenated derivatives of phenols or phenol-alcohols	15-20	1,099	5-9	2,820	5-15	2,886	10-10	251
29.08	Ethers and alcohol peroxides	1-23	6,360	7-13	4,401	8-13	1,468	10-15	2,456
29.09	Epoxides, epoxyalcohols, and epoxyethers	5-24	903			8-15	646	10-10	2,169
29.10	Acetals and hemiacetals	9-20	21	7-9	378	8-14	100	10-13	13
29.11	Aldehydes and cyclic polymers of aldehydes	4-29	4,282	7-12	9,833	8-15	813	8-13	1,743
29.12	Derivatives of aldehyde-function compounds	5-20	0	8-8	11			10-10	16
29.13	Ketones-function and quinone-function compounds	1-20	9,680	6-12	8,692	5-12	1,658	5-20	4,301
29.14	Monoacids and derivatives	4-23	19,951	5-12	20,894	8-15	9,505	5-20	4,616
29.15	Polyacids and derivatives	4-23	3,985	6-10	12,500	4-15	13,420	8-10	18,370
29.16	Alcohol-acids, keton-acids, phenol-acids, and derivatives	2-26	5,375	4-12	7,146	8-13	4,720	10-30	3,780
29.17	Sulphuric esters and their salts	5-20	194	9-9	442			10-10	99
29.18	Nitrous and nitric esters	5-20	0	6-9	55	8-15	38	10-10	10
29.19	Phosphoric esters and their salts	5-23	47	7-9	3,806			10-10	605
29.20	Carbonic esters and their salts	5-20	1	9-9	316	1-1	28	10-10	58
29.21	Other esters of mineral acids and their salts	5-20	0	9-9	3,997	10-10	181	10-10	1,404
29.22	Amine-function compounds	5-30	7,762	4-8	16,307	11-15	5,950	10-20	5,876
29.23	Oxygen-function amino-compounds	5-30	12,957	7-19	15,660	15-15	3,609	10-25	6,529
29.24	Quaternary ammonium salts	5-20	8	6-9	2,224	5-15	224	10-10	525
29.25	Azide-function compounds	5-30	13,551	6-11	13,428	13-15	1,578	8-20	6,769
29.26	Imide-function compounds	5-20	1,335	6-9	2,661	9-15	714	5-13	1,564
29.27	Nitrile-function compounds	5-20	8,897					10-20	1,017
29.28	Diazo-, azo-, and azoxy-compounds	9-30	1,646	8-8	1,426	9-9	129	10-10	280
29.29	Organic derivatives of hydrazine	5-20	404	9-9	2,918			10-10	111
29.30	Compounds with other nitrogen-functions	9-20	0	9-9	5,169	10-15	2,663	10-10	1,297
29.31	Organo-sulphur compounds	4-20	8,736	7-9	5,621			10-13	4,021
29.32	Organo-arsenic compounds	5-20	0	9-9	47			10-10	70
29.33	Organo-mercury compounds	5-20	0	9-9	272				
29.34	Other organo-inorganic compounds	5-20	1,627	9-10	1,728	7-18	1,466	10-10	3,069
29.35	Heterocyclic compounds	5-30	30,172	5-13	94,739	5-15	14,571	3-20	31,213
29.36	Sulphonamides	15-30	2,275	7-7	8,182	13-15	2,322	10-10	3,120
29.37	Sulfones and sulfams	5-20	0	9-9	460			10-10	76
29.38	Vitamins	2-19	9,911	4-9	22,049			8-15	6,988
29.39	Hormones	2-19	30,525	6-9	21,471				
29.41	Glycosides and their salts and esters	5-19	4	6-9	6,276				
29.42	Vegetable alkaloids and their salts	2-29	9,416	5-9	22,872	13-15	1,405	5-20	2,020
29.43	Sugars and sugar esters	10-40	236	15-20	944	15-15	81	10-25	138
29.44	Antibiotics	2-19	11,550	5-11	47,359			8-10	14,531
29.45	Other organic compounds	5-20	160	7-10	503	8-13	46	10-10	27
30.01	Medicaments	0-26	11,952	6-17	84,066	13-80	15,565	8-25	62,087
30.04	Wadding and gauze for medical use	4-22	475	7-7	1,807	10-23	3,119	10-10	1,153
30.05	Other pharmaceutical goods	3-20	310	8-8	2,127	8-18	4,846	10-10	1,607
32.02	Tannins and their salts and esters	3-19	497	5-5	164			5-8	25
32.03	Synthetic tanning substances	5-17	81	5-5	631			3-16	1,196
32.04	Coloring matter of vegetable origin	3-30	549	2-5	736	15-15	287	3-3	402
32.05	Synthetic organic dyestuffs	4-30	26,434	8-14	57,345	5-15	24,802	8-13	26,620
32.06	Color lakes	30-30	0	11-11	518	15-15	320	8-13	142
32.07	Other coloring matter	1-16	3,132	5-9	12,456	5-15	7,399	5-13	767
32.08	Coloring substances for ceramics and glass	4-34	154	3-8	2,905	15-15	940	5-8	1,256
32.09	Varnishes and lacquers; paints	4-30	1,656	7-8	19,611	10-18	11,724	4-13	10,471

See footnote at end of table.

APPENDIX TABLE 4-G--Continued

Industrial sector BTN headings where possible rate disparities may exist in the United States tariff compared with tariffs of Canada, Japan, and the European Community 1/

BTN number	Abbreviated BTN description	United States		Canada		Japan		European Community	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
32.10	Artists' colors, in containers	8-19	1,282	9-9	439				
33.01	Essential oils	2-13	30,344	2-12	27,485				
33.02	Terpene by-products of essential oils	12-12	0						
33.04	Mixtures of odoriferous substances	4-18	13,502	5-5	19,706	8-8	2,466	8-25	2,406
33.06	Perfumery	4-20	12,433	7-8	12,919				
34.03	Lubricating preparations	5-16	229	4-4	4,888	0-0	0		
34.04	Artificial waxes	5-20	0	5-5	3,661	10-15	1,328	8-10	2,326
34.05	Polishes and creams	3-16	578	6-7	3,023			5-10	1,025
34.07	Modeling pastes	5-18	0	7-7	231				
35.02	Albumins and their derivatives	5-37	519	10-12	3,921	10-10	123	8-20	210
35.06	Prepared glues, n.s.p.f.	3-15	0	6-10	1,322			3-10	318
36.01	Propellant powders	15-15	781	4-6	634				
36.02	Prepared explosives	1-20	10,793	8-8	1,412			10-10	1
36.07	Pyrotechnic articles	1-26	3,920	7-7	1,540			8-8	298
36.08	Ferro-cerium	3-16	0	6-6	216	0-0	0		
36.08	Other combustible preparations	5-18	0					8-8	451
37.06	Chemical products for photography	2-18	178	6-6	4,647				
38.02	Animal black	5-10	245			0-0	462		
38.08	Bolin and resin acids	4-16	116	3-5	26,212		3,874	5-10	9,558
38.11	Disinfectants and insecticides	2-16	643	4-6	26,161				
38.13	Pickling preparations for metal surfaces	5-16	0	4-7	2,454				
38.14	Antiknock preparations	5-16	301	5-11	23,421				
38.18	Composite solvents and thinners	4-16	75			6-15	618		
38.19	Chemical products and preparations of chemical industries, n.s.p.f.	1-26	1,900	2-9	81,845	1-18	78,452	5-13	33,061
39.01	Condensation, polycondensation products	3-23	8,623	7-14	71,798	8-28	46,026	5-15	20,809
39.02	Polymerisation and copolymerisation products	3-21	39,724	7-12	86,091	8-23	86,987	8-18	17,076
39.03	Regenerated cellulose	3-19	6,668	6-12	29,618			5-14	2,675
39.06	Other high polymers and artificial plastic materials	4-30	413	5-10	5,442	10-15	591	8-10	1,758
39.07	Articles of cellulose, hardened proteins, etc.	4-35	57,081	7-12	37,436	8-25	54,071	10-15	3,920
40.02	Synthetic rubber latex	3-16	20,799	4-5	87,001	3-18	31,190		
40.06	Unvulcanized rubber in shapes	3-13	145					3-8	509
40.08	Plates and sheets of unhardened vulcanized rubber	6-38	209	6-9	5,249	15-23	9,386	8-10	191
40.10	Transmission belts	6-21	2,381	10-10	7,355	10-20	6,329	8-8	500
40.13	Wearing apparel of unhardened vulcanized rubber	5-35	3,072	8-10	3,425			8-8	78
41.01	Raw hides and skins	2-41	63,530	0-0	238,571	0-0	14,667	0-0	73,966
42.02	Travel goods of leather	4-21	72,569	8-21	10,747			10-20	3,165
42.03	Wearing apparel of leather	4-87	40,284	8-13	6,349	10-25	7,437	10-20	615
42.06	Furicles made from gut	17-17	1,145	6-6	2,132	0-0	115		
43.01	Raw furskins	19-41	84,565	0-0	126,143	0-0	20,512	5-20	7,367
43.02	Furskins, tanned and dressed	3-19	7,519	5-5	22,951	8-23	7,854		
43.03	Articles of furskin	9-19	3,028	7-10	5,741				
43.04	Artificial fur and articles	6-32	0	9-9	84	0-0	0		
44.15	Plywood	8-20	119,007			10-15	28,420		
44.17	"Improved" wood, in sheets	10-13	282			0-0	0		
44.23	Builders' carpentry and joinery	5-20	5,919	6-7	9,100	8-18	5,113	8-8	180
44.24	Household utensils of wood	7-26	15,349	8-8	2,928			10-10	8
44.25	Wooden tools, tool bodies, and tool handles	4-22	4,568	6-7	373	10-15	1,169	5-8	6
44.27	Lamps and furniture of wood	5-17	16,324	7-7	5,927				
44.28	Other articles of wood	3-20	42,112	4-7	4,320			10-15	129
45.01	Natural cork, unworked	4-12	3,991			0-0	28	0-0	3,462
45.02	Natural cork in blocks	14-14	53			0-0	0		
45.03	Articles of natural cork	5-20	1,964			0-0	862	10-10	538
45.04	Agglomerated cork and articles	5-20	2,207			0-0	823	10-13	461
46.01	Plaits and similar products of plaiting materials	2-21	3,306	5-7	510	0-0	0		
46.02	Plaiting materials bound together	3-29	2,025	5-10	3,195	10-20	200	8-15	1,044
46.03	Basketwork	4-25	13,170	10-10	11,621				
48.01	Paper and paperboard in rolls	1-34	910,663	3-12	423,381	3-18	42,225	6-20	10,210
48.05	Paper and paperboard corrugated in rolls	3-25	1,099					8-8	82
48.07	Paper and paperboard impregnated and printed	1-25	5,089	10-12	50,316	5-20	17,440	5-15	4,059
50.03	Silk waste	7-10	135	0-0	5,874	0-0	0	0-0	4,694
50.04	Silk yarn, not for retail sale	10-14	989			2-5	7		
50.05	Yarn spun from silk waste, not for sale	9-14	1,613	4-4	2,688	0-0	0		
50.06	Yarn spun from noil silk, not for retail sale	9-14	123	3-3	28	0-0	0		
50.08	Silkworm gut	14-14	0	4-4	23	0-0	0		
50.09	Woven fabrics of silk other than noil	11-19	26,943	8-14	11,825				
50.10	Woven fabrics of noil silk	11-18	137			0-0	0		
51.01	Yarn of manmade fibers, not for sale	11-64	28,048	3-11	58,128	18-22	30,358	8-25	2,394
51.02	Monofil of manmade fiber	1-83	1,678	5-11	4,201	0-0	0	8-15	690
51.03	Yarn of manmade fibers, for sale	22-27	193	9-10	258	0-0	0	8-13	4
51.04	Woven fabrics of manmade fibers	13-38	60,217	13-15	22,125	5-32	31,126	8-25	3,734
52.02	Woven fabrics of metal thread	8-21	837	9-9	91	0-0	0	10-10	5
53.01	Sheep's or lambs' wool, not carded	10-43	129,524	0-0	472,056	0-0	8,554	0-0	362,066
53.02	Other animal hair, not carded	0-20	8,808	2-2	19,627	0-0	671	0-0	2,549
53.03	Waste of sheep's or lambs' wool, not pulled	10-18	21,592	0-0	7,285	0-0	718	0-0	1,999
53.04	Waste of animal hair, pulled	15-15	84	0-0	342	5-5	104	0-0	4
53.05	Waste of animal hair, carded or combed	5-30	6,731	3-3	31,622	10-10	5,037	5-5	5,210
53.06	Yarn of carded sheep's or lambs' wool, not for sale	16-30	1,946	5-8	956	8-16	236	5-5	72
53.07	Yarn of combed sheep's or lambs' wool	16-30	11,507	5-10	8,476	8-16	1,010	5-5	942
53.08	Yarn of fine animal hair, not for sale	5-30	2,806	4-4	4,293	8-16	398	5-5	153
53.10	Yarn of animal hair, for retail sale	5-30	4,071	11-11	3,550			8-8	419
53.11	Woven fabrics of sheep's or lambs' wool or of fine animal hair	16-100	88,807	13-18	45,288	10-36	19,120	10-16	21,632
54.01	Flax, raw or processed but not spun	0-13	3,456	0-0	2,689	0-0	0		
54.02	Ramie	4-13	54	0-0	306	0-0	0		
54.03	Flax or ramie, not for sale	4-18	2,684	2-9	2,256	0-0	280		

See footnote at end of table.

APPENDIX TABLE 4-G--Continued

Industrial sector HTS headings where possible rate disparities may exist in the United States tariff compared with tariffs of Canada, Japan, and the European Community 1/

HTS number	Abbreviated HTS description	United States		Canada		Japan		European Community	
		Tariff range	HTS imports	Tariff range	HTS imports	Tariff range	HTS imports	Tariff range	HTS imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
54.05	Woven fabrics of flax or of ramie	3-68	25,670	16-16	3,098	20-20	358	25-30	337
55.05	Cotton yarn, not for retail sale	4-20	18,716	4-8	12,701	10-18	10,817	6-11	7,607
55.07	Cotton gauze	7-36	0	9-9	740	18-20	4,169	7-14	11
55.08	Terry towelling	15-25	84					7-14	14
55.09	Other woven fabrics of cotton	7-36	129,462	13-15	75,906	3-23	38,303	7-18	6,397
56.03	Waste of manmade fibers	3-25	2,839	8-9	7,119	5-10	1,467	6-6	607
56.04	Manmade fibers, carded	12-23	49	9-10	2,619	10-10	1,439	8-13	6
56.05	Yarn of manmade fibers, not for sale	17-27	2,799	10-11	9,283			8-25	125
56.06	Yarn of manmade fibers, for sale	22-27	193			0-0	0	8-13	21
56.07	Woven fabrics of manmade fibers	13-38	252	15-16	21,076	8-32	39,226	8-25	2,543
57.02	Manila hemp, not spun	4-10	625	0-0	1,880	0-0	156	0-0	1,807
57.04	Other vegetable textile fibers, not spun	4-18	8,068	0-0	38,262	0-0	2,798	0-0	5,630
57.05	Yarn of true hemp	4-18	9	6-9	198	0-0	0	4-8	0
57.09	Woven fabrics of true hemp	3-23	0	11-11	118			8-8	1
57.10	Woven fabrics of jute	3-23	181,425			0-0	22,978		
58.02	Other carpets	6-30	30,931	11-23	21,692	10-33	12,795	15-21	2,778
58.03	Tapestries, handmade	9-21	465	9-9	712	0-0	114		
58.04	Woven pile fabrics	6-38	13,051	15-15	3,954			7-18	7,381
58.05	Narrow woven fabrics	6-25	5,821	7-14	3,830	10-32	6,913	10-14	419
58.07	Chenille yarns	2-30	829	7-8	3,033	10-23	1,113	13-18	98
58.08	Tulle and other net fabrics, plain	12-30	2,631	10-11	528	10-20	309	10-13	107
58.09	Tulle and other net fabrics, figured	10-45	6,221	12-14	1,235	10-20	3,302	15-25	666
58.10	Embroidery	13-30	906	9-13	10,869	10-23	2,875		
59.01	Wadding and articles of wadding	7-25	393	4-8	4,830			5-5	283
59.02	Felt and articles of felt	4-31	1,252	10-12	1,372			11-14	574
59.03	Bonded fiber fabrics	14-22	801					10-14	188
59.04	Twine, and cordage	3-28	39,582	13-13	3,578	10-20	6,532	5-10	246
59.05	Nets and netting of twine and cordage	4-53	1,102	10-14	384	23-23	3,317	5-10	165
59.06	Other articles made from yarn	7-25	0	9-9	309	0-0	0	7-10	103
59.07	Textile fabrics coated with gum	6-26	360	11-11	750			7-11	8
59.08	Textile fabrics impregnated with preparations	6-32	886	14-14	9,232			8-8	339
59.11	Rubberized textile fabrics	6-38	1,129	7-14	6,951	13-32	2,861	8-8	134
59.12	Textile fabrics otherwise impregnated	7-19	34	7-7	1,548			8-10	92
59.13	Elastic fabrics and trimmings	15-21	3,162					8-11	62
59.14	Wicks, of woven and plaited textile materials	10-14	280			0-0	51		
59.16	Transmission belting of textile material	6-21	1,689	8-8	1,074			8-11	66
59.17	Textile fabrics for machines	6-38	4,390	4-10	9,812	5-25	1,440	8-11	1,233
60.01	Knitted or crocheted fabrics	6-40	13,388	13-14	15,879	20-28	14,515	8-25	4,107
60.02	Gloves, not elastic or rubberized	10-64	8,839	20-20	3,645	25-25	4,615	10-14	180
60.03	Stockings, knitted or crocheted	10-50	3,550	13-13	7,596	22-28	2,439	10-15	477
60.04	Under garments, knitted or crocheted	10-45	20,600	17-17	18,908			14-21	510
60.05	Outer garments, knitted or crocheted	6-43	228,937	11-18	53,139			18-21	5,536
60.06	Knitted or crocheted fabric, elastic or rubberized	6-40	900	11-16	2,447	20-28	1,247	10-14	12
61.01	Men's and boys' outer garments	8-43	115,719	17-17	57,967	10-25	27,685	18-28	941
61.02	Women's, girls', and infants' outer garments	8-43	113,833	11-17	50,120	15-25	22,898	18-28	1,148
61.03	Men's and boys' under garments	8-43	30,877	17-17	28,703			14-14	86
61.04	Women's, girls', and infants' under garments	8-43	5,629	13-13	4,652			14-21	76
61.05	Handkerchiefs	3-55	10,000	11-14	6,019	20-25	2,950	10-30	546
61.06	Shawls and scarves	8-31	15,383					13-21	414
61.08	Accessories for women's and girls' garments	8-35	608	11-11	212	0-0	0	14-21	3
61.09	Corsets	7-32	6,474	9-9	8,613			14-21	265
61.10	Gloves, not knitted or crocheted	10-64	2,233	15-15	1,024	0-0	0	14-14	13
61.11	Made up accessories for apparel	6-38	667	11-11	518	15-25	1,148	14-25	439
62.01	Travelling rugs and blankets	9-43	1,278	12-14	1,491			10-14	758
62.02	Bed linen and table linen	4-43	37,601	17-19	16,301	20-25	21,472	10-21	772
62.03	Sacks and bags for pecking goods	4-40	1,115	8-20	20,173	13-25	182	8-20	144
62.04	Tarpaulins, sails, and tents	6-25	0					8-11	9
62.05	Other made up textile articles	6-40	8,349	8-15	2,921	15-33	9,134	10-14	398
63.01	Clothing and linen, of textile materials showing wear	2-11	381			0-0	0		
63.02	Used or new rags and cordage	2-11	7,643	0-0	26,562				
64.01	Footwear with outer soles and uppers of rubber	6-38	55,613					10-10	3
64.02	Footwear with outer soles of leather	3-20	199,793					10-30	2,065
64.03	Footwear with outer soles of wood	8-13	309			0-0	0		
65.01	Hat-forms	8-65	1,256	8-8	1,008	20-20	349	13-13	49
65.02	Hat-shapes	6-29	2,910	5-7	727	8-25	336		
65.03	Felt hats	8-65	1,739	8-11	1,403	20-20	97	13-20	32
65.04	Hats and other headgear, any material	5-29	1,340	6-9	606	0-0	0	13-20	27
65.05	Hats and other headgear, knitted or crocheted	5-43	8,974	10-10	1,809	20-28	1,936	13-13	152
65.07	Head-bands and hat foundations	2-25	0	5-8	331			10-10	7
66.01	Umbrellas	20-20	11,401					10-10	19
66.03	Parts of umbrellas or walking-sticks	12-30	1,745	7-15	339	0-0	1,255	10-10	25
67.02	Artificial flowers and articles thereof	21-43	42,613	13-17	1,760	18-20	2,628	10-20	1,468
67.03	Human hair, worked	4-11	3,614			0-0	0		
68.04	Wiglets	7-25	74,853	8-8	3,874	8-25	4,241	10-10	526
68.02	Worked monumental or building stone	1-14	12,711	4-9	4,507			3-8	279
68.04	Millstones and grindstones	3-20	1,803	3-5	10,280	10-18	3,222	5-10	983
68.11	Articles of cement	6-21	992	4-4	1,710			8-8	13
68.12	Articles of asbestos-cement	1-14	4,052	4-7	7,509				
68.13	Fabricated asbestos and articles thereof	4-13	3,119			3-32	2,503		
68.15	Worked mica and articles	9-20	1,479	5-8	1,264			3-3	14
69.05	Roofing tiles	6-14	113	4-5	747				
69.07	Unglazed sets, paving, and wall tiles	24-25	3,598	8-8	1,944			5-5	7
69.08	Glazed sets, paving, and wall tiles	23-25	19,401	9-9	10,382			5-5	16
69.09	Laboratory, chemical, and industrial wares	7-30	957	8-12	1,817	10-10	288	8-8	552
69.11	Tableware, of porcelain or china	13-60	35,179	24-26	10,921	10-20	4,130	8-8	66
69.12	Tableware, of other kinds of pottery	3-60	23,097	8-16	7,011	20-20	2,673	8-8	172

See footnote at end of table.

APPENDIX TABLE 4-G--Continued

Industrial sector HTS headings where possible rate disparities may exist in the United States tariff compared with tariffs of Canada, Japan, and the European Community 1/

HTS number	Abbreviated HTS description	United States		Canada		Japan		European Community	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
69.13	Statuettes, of pottery and china-----	3-23	24,351	8-28	4,187			8-8	282
69.14	Other articles, of pottery and china-----	20-23	141	8-15	571			8-8	26
70.01	Waste glass-----	2-11	720			0-0	0		
70.02	"Enamel" glass-----	34-34	6	4-4	5	0-0	0	5-5	0
70.03	Glass in balls, rods, and tubes, unworked-----	7-18	3,374	7-7	2,147	5-18	3,782	5-10	961
70.05	Unworked drawn or blown glass-----	3-26	30,150	8-8	4,304	8-8	8,683	5-10	502
70.07	Cast, rolled, drawn, or blown glass, out-----	8-22	2,770	8-8	863	8-18	2,968		
70.11	Glass envelopes-----	5-16	340			5-5	8,352		
70.12	Glass liners for vacuum bottles-----	20-29	20	11-13	350	5-5	98	8-8	5
70.13	Glassware-----	11-50	22,591	16-16	13,780	15-20	15,963	10-15	1,581
70.15	Clock and watch glasses-----	8-24	238	8-8	173			8-10	59
70.17	Laboratory, hygienic and pharmaceutical glassware-----	6-21	1,528	7-9	2,825	10-20	7,323	8-10	295
70.18	Optical glass-----	10-25	1,148	9-9	1,469			8-10	785
70.19	Glass beads and imitation pearls-----	4-50	12,983	5-12	6,336	10-18	119	8-10	767
70.20	Glass fiber, yarns, and fabrics-----	3-28	1,033	11-13	7,559			10-13	3,906
70.21	Other articles of glass-----	7-20	916	9-9	3,465			8-20	506
71.02	Precious and semiprecious stones, unworked-----	3-21	448,730	4-4	360,307	0-0	25,051	3-8	76,799
71.03	Synthetic precious or semiprecious stones, unworked-----	4-15	1,636	1-4	5,498	0-0	2	1-20	1,493
71.04	Dust and powder of precious or semimanufactured stones-----	2-21	18,665	0-0	9,302	0-0	1,055	0-0	7,577
71.05	Silver, unwrought or semimanufactured-----	1-25	164	2-7	124,293			1-10	12,977
71.07	Gold, unwrought or semimanufactured-----	5-20	134	1-8	0	0-0	0	0-0	0
71.08	Bolled gold, unworked or semimanufactured-----	12-20	9	4-4	0	0-0	0	0-0	0
71.09	Platinum, unwrought or semimanufactured-----	5-25	74,533	1-5	66,166	0-0	8,513	9-8	53,954
71.10	Bolled platinum, unworked or semimanufactured-----	12-20	9	4-4	150			10-10	4
71.12	Articles of jewelry of precious metal-----	8-28	12,690	5-9	4,111	13-25	2,436		
71.13	Articles of goldsmiths' or silversmiths' wares, of precious metal-----	9-20	2,002	5-8	1,132				
71.14	Other articles of precious metal-----	11-20	0	6-8	130	0-0	1,964	5-25	109
71.15	Articles consisting of pearls or stones-----	8-28	1,407	7-8	4,511	0-0	0	5-20	90
71.16	Imitation jewelry-----	8-35	20,268	12-18	6,462	13-25	6,912	13-20	1,598
73.06	Puddled bars and pilings, ingots-----	3-10	192			0-0	1,422		
73.08	Iron and steel coils-----	8-12	55,385			0-0	0		
73.09	Universal plates of iron and steel-----	7-12	17,760			0-0	5		
73.19	High-pressure hydro-electric conduits of steel-----	5-12	0			0-0	0		
73.33	Needles for hand sewing, of iron or steel-----	10-19	2,969	6-8	327			3-5	9
73.34	Pins, of iron or steel-----	8-23	2,517	8-8	785	5-20	381	3-5	36
73.40	Other articles of iron or steel-----	0-22	35,313	6-8	24,365	5-28	56,530	8-10	2,888
74.02	Master alloys-----	2-11	66	0-0	1,492	0-0	57		
74.03	Wrought bars, rods, shaped, of copper-----	2-16	23,024			5-18	6,778		
74.04	Wrought plates and sheets, of copper-----	2-16	34,787			5-18	6,850		
74.06	Copper powders and flakes-----	5-10	2,622			0-0	921		
74.17	Gause, grill, and setting, of copper wire-----	6-25	1,183	8-8	1,109			8-10	190
74.12	Expanded metal, of copper-----	10-10	0			0-0	0		
74.17	Cooking and heating apparatus, of copper-----	6-10	40			0-0	0		
74.18	Other articles for home, of copper-----	5-20	13,215	7-7	1,351			10-25	127
74.19	Other articles of copper-----	7-22	4,130	7-7	3,335	5-18	7,235	8-25	740
75.02	Wrought bars, rods, and shapes, of nickel-----	2-16	1,437	6-6	8,105				
75.03	Wrought plates and sheets, of nickel-----	2-16	7,910	1-7	8,927				
75.06	Other articles of nickel-----	1-25	4,329	5-7	734			10-25	397
76.04	Aluminum foil-----	2-20	4,979			6-18	1,636		
76.15	Articles for home, of aluminum-----	5-26	5,672	8-8	1,976			10-10	94
76.16	Other articles of aluminum-----	1-25	5,405	8-10	10,064			10-10	1,115
77.01	Unwrought magnesium-----	7-20	5,606	5-8	19,278			5-15	481
78.03	Wrought plates and sheets, of lead-----	6-12	315			0-0	0		
78.04	Lead foil-----	3-15	278	3-10	510	0-0	0		
79.01	Unwrought zinc-----	5-19	57,769	5-5	36,530	0-0	164	3-8	4,134
80.04	Zinc foil-----	10-10	0			0-0	0		
81.01	Tungsten-----	5-18	15	4-6	124	0-0	132	8-8	35
81.02	Molybdenum-----	7-16	580	6-10	3,681	0-0	1,808	5-10	398
81.04	Other base metals-----	5-13	485			0-0	0		
82.01	Hand tools: i.e., spades, axes, and scythes-----	0-18	45,450	2-10	31,936	5-18	16,588	5-15	12,146
82.02	Hand tools: i.e., pickers and punches-----	4-20	3,289	6-6	1,961			8-8	32
82.03	Hand tools: i.e., files and punches-----	2-21	13,885	5-7	9,819			8-8	752
82.05	Interchangeable tools for hand tools-----	3-21	16,557	6-8	38,033	5-20	26,718	8-10	2,393
82.09	Knives-----	8-44	11,473	17-17	3,268	18-25	2,886	9-20	116
82.10	Knife blades-----	11-44	966	13-13	260	8-18	691	9-9	3
82.11	Razors-----	4-18	7,560	5-7	6,005				
82.12	Scissors-----	37-50	5,653	11-11	248	20-20	1,591	9-9	247
82.13	Other articles of cutlery-----	8-20	2,627	9-9	1,530			9-20	305
82.14	Spoons, forks, and knives-----	7-31	7,346	9-19	6,880			10-20	31
82.15	Handles of base metal-----	10-44	4	8-8	6	0-0	39	10-20	0
83.01	Locks and padlocks-----	7-17	4,758			5-20	8,444		
83.02	Base metal fittings for furniture-----	4-20	14,015	7-7	11,275	5-20	53,294	10-20	242
83.04	Files and racks, of base metal-----	10-10	58			0-0	0		
83.06	Statuettes, of base metal-----	4-25	629	9-9	4,148			10-25	67
83.07	Lamps of base metal-----	5-20	19,025	7-7	8,841			10-10	1,278
83.09	Clasps-----	1-28	1,347	7-7	5,080	5-20	4,559	10-20	431
83.11	Bells and gongs, of base metal-----	9-20	1,019	9-9	318			10-10	16
83.12	Photograph frames, of base metal-----	9-20	123	10-10	361			10-25	22
84.07	Hydraulic engines and motors-----	8-18	4,624	6-6	4,467			8-15	728
84.16	Calendering and similar rolling machines-----	5-14	490			0-0	161		
84.34	Machinery for printing industry-----	1-20	7,837	3-7	16,539	10-36	15,636	3-8	752
84.38	Auxiliary machinery for weaving machines-----	5-21	34,570	5-5	33,638	10-20	763	8-10	7,697
84.40	Machinery for coloring fabrics, printing-----	5-20	14,482	5-8	23,815			8-8	9,617
84.63	Transmission shafts and cranks-----	4-23	7,590	7-7	73,781	8-18	49,919	8-8	11,444

See footnote at end of table.

APPENDIX TABLE 4-G--Continued

Industrial sector BTN headings where possible rate disparities may exist in the United States tariff compared with tariffs of Canada, Japan, and the European Community 1/

BTN number	Abbreviated BTN description	United States		Canada		Japan		European Community	
		Tariff range	MFB imports	Tariff range	MFB imports	Tariff range	MFB imports	Tariff range	MFB imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
85.01	Electrical goods: i.e., generators and motors	5-25	77,203	5-9	83,004	8-20	82,466	8-15	17,716
85.09	Electrical lighting and signaling equipment for motor vehicles	4-19	6,478	7-9	6,304			8-15	499
85.10	Portable electrical battery lamps	14-35	3,300	8-13	3,453			10-10	137
85.12	Electric heaters	4-17	14,511	7-12	15,636				
85.16	Electric traffic control equipment	4-19	190	6-6	1,565			8-8	14
85.20	Electric filament lamps; arc-lamps	4-18	22,035	6-8	15,656			8-10	2,012
85.25	Insulating fittings for electrical machines	1-20	2,070	7-14	5,679			8-8	337
86.05	Railway passenger cars	18-18	86	5-5	24			8-8	11
86.07	Railway freight cars	18-18	772	5-6	1,013			8-8	0
86.10	Railway track fixtures and fittings	7-10	0			0-0	0		
87.12	Parts for cycles	4-21	21,509	8-10	4,386			10-10	420
88.02	Flying machines	5-15	61,133	5-15	269,767				
89.05	Floating structures other than vessels	10-10	55			0-0	0		
90.01	Lenses and prisms, unmounted	5-25	4,951	9-14	5,435	8-18	3,938	8-10	1,232
90.02	Lenses and prisms, mounted	10-21	20,242					8-10	1,374
90.03	Frames and mountings for spectacles	15-15	9,071			5-15	5,519		
90.04	Spectacles	15-23	11,896	10-10	828			10-20	517
90.09	Refracting telescopes	6-23	20,431					8-20	13
90.06	Astronomical instruments	23-23	311			0-0	0	8-8	1
90.08	Cinematographic cameras and projectors	6-18	26,428			8-15	10,887		
90.10	Apparatus for cinematographic laboratories	4-23	8,706	7-7	15,078			10-10	3,253
90.11	Microscopes	11-11	3,139			0-0	1,484		
90.12	Compound optical microscopes	8-23	11,320	11-11	3,825			8-8	500
90.13	Optical appliances, n.s.p.f.	10-23	1,533	11-11	3,945	8-18	4,269		
90.14	Surveying and navigational instruments	5-25	16,235	9-11	27,048	5-15	33,345	8-10	4,195
90.16	Drawing and mathematical calculating instruments	6-25	18,267	8-9	18,654	5-20	17,617	8-10	3,777
90.17	Medical and dental instruments	5-25	15,113	8-8	25,891			8-10	4,340
90.19	Orthopedic appliances	5-23	4,372	5-10	8,107	10-20	7,522	8-10	396
90.23	Meters	5-43	2,826	7-12	3,104	15-15	1,894	8-8	315
90.24	Instruments for liquid flows	7-19	5,087	9-11	29,030	5-18	6,958	8-8	7,457
90.25	Instruments for chemical analysis	5-25	5,268	10-10	9,410	8-18	11,000	8-8	1,492
90.26	Gas, etc., production meters	13-32	694	9-9	6,915			8-8	183
90.27	Meters for movements	5-28	2,978	7-9	5,301			8-8	702
90.28	Electrical measuring and checking instruments	5-25	42,658	7-13	161,134	8-20	100,407	8-15	37,157
90.29	Parts of meters	5-28	2,771	7-13	64,052	5-20	21,099	8-8	15,036
91.01	Watches	32-32	54,114	6-6	46,379	10-20	5,901	15-20	8,707
91.02	Clocks with watch movements	30-30	6,773	9-11	1,183			10-14	185
91.03	Instrument panel clocks	21-33	0	9-9	179	0-0	991	10-14	42
91.04	Other clocks	8-33	4,669	9-10	3,948			10-14	1,100
91.05	Apparatus to measure time intervals	15-32	586	11-11	1,911	8-25	2,095	10-10	262
91.06	Time switches	20-33	66	10-10	3,941			10-10	458
91.07	Watch movements	9-25	54,035	10-10	4,367	10-10	4,361	15-20	1,037
91.08	Clock movements	9-32	3,855	10-10	707			13-13	1,531
91.09	Watch cases	10-28	6,040	7-7	2,450				
91.10	Clock cases	10-19	975	8-8	309				
91.11	Other clock and watch parts	5-25	7,777	6-10	17,508	8-18	965	3-13	4,380
92.01	Pianos	9-17	6,117	7-10	4,126				
92.05	Other wind musical instruments	8-30	6,224	7-7	524	15-15	2,049	8-8	1,110
92.10	Parts of musical instruments	5-20	10,401	4-9	3,921	8-18	2,301	8-8	922
92.12	Phonograph records	3-15	12,035	4-9	15,005				
93.02	Revolvers and pistols, being firearms	16-102	11,105	8-12	699	8-20	484	20-20	66
93.03	Artillery weapons	5-23	412	0-0	0	8-20	8,951		
93.04	Other firearms	5-26	22,765	8-11	4,019	8-20	7,809		
93.05	Arms of other descriptions	5-18	431			0-0	0		
93.06	Parts of arms	3-21	4,012	5-8	1,505	8-20	2,574		
93.07	Bombs, grenades, and ammunition	8-13	34,372	3-10	3,196				
94.01	Chairs	4-18	29,431	6-9	24,425				
94.04	Bedding	5-22	475	8-11	693			10-15	135
95.01	Worked tortoise shell and articles	5-10	19			0-0	0		
95.02	Worked mother of pearl and articles	5-10	150			0-0	0		
95.04	Worked bone and articles	5-13	44			0-0	0		
95.05	Worked horn, coral, and articles	3-13	1,437	3-8	409	0-0	0		
95.06	Worked vegetable carving material	5-13	32	3-6	27	0-0	0		
95.07	Worked jet, amber, and articles	5-14	853	2-5	156				
95.08	Molded or carved articles of wax	3-43	397	5-7	1,448	5-8	1,752	5-10	489
96.01	Brooms and brushes, consisting of twigs	20-180	1,039	9-9	582	18-18	430	5-5	9
96.02	Other brooms and brushes	2-23	8,383	7-15	3,813			8-20	537
96.03	Prepared knots and tufts for broom making	0-54	674	9-9	10	0-0	0	9-5	5
96.05	Powder puffs	7-25	0	10-10	112			10-20	6
96.06	Band sieves and hand riddles	5-11	0			0-0	0		
97.03	Other toys	8-28	75,445					10-10	3,408
97.04	Equipment for parlor games	6-20	12,943	9-9	17,809			10-15	17,382
97.05	Carnival articles	6-43	35,152	10-10	6,073	18-25	1,827	10-10	70
97.06	Apparatus for gymnastics or athletics	4-18	35,065			5-25	16,940		
97.07	Fishing equipment	7-23	21,839	5-12	4,392	10-20	8,012	10-10	249
98.01	Buttons	5-31	6,564	10-13	2,022			8-20	506
98.02	Slide fasteners	20-35	1,301	12-14	2,806			8-8	583
98.03	Pens	4-61	7,388	7-13	11,399	18-23	5,397	10-32	5,239
98.04	Penpoints	4-20	30	2-7	197			8-10	127
98.10	Mechanical lighters	12-25	10,619	8-11	9,800			10-25	2,117
98.11	Smoking pipes	1-53	4,841	3-10	1,615	18-20	1,025	10-25	416
98.12	Combs	9-28	1,701	9-9	664			10-20	217
98.14	Perfume sprayers	5-50	60	10-10	429	20-20	11	10-20	96
98.15	Vacuum bottles	23-28	108	13-17	2,354			10-10	142
98.16	Magnifying	4-18	0	7-7	506				
	Total		7,810,578		6,959,862		1,950,415		1,378,343

1/ Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from tariff data presented in Basic Documentation for the Tariff Study, GATT.

APPENDIX TABLE 4-H

Industrial sector BTN headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of the European Community, United States, and Canada 1/

BTN number	Abbreviated BTN description	Japan		European Community		United States		Canada	
		Tariff range	MFN imports 1,000 dollars	Tariff range	MFN imports 1,000 dollars	Tariff range	MFN imports 1,000 dollars	Tariff range	MFN imports 1,000 dollars
		Percent ad val.		Percent ad val.		Percent ad val.		Percent ad val.	
25.03	Sulphur	10-10	2			0-0	47,612	0-0	1,564
25.04	Natural graphite	12-12	1,677	0-0	1,838				
25.13	Pumice stone, emery, and natural abrasives	5-10	408					0-0	472
25.32	Stroentianite and broken pottery	13-13	4,505	0-0	8,250	3-5	3,417		
27.01	Coal, briquettes	10-10	380,122			0-0	1,898	0-0	78,193
27.09	Petroleum oils obtained from bituminous minerals, crude	12-12	1,334,864	0-0	4,014,399			0-0	331,021
27.10	Certain petroleum oils	8-62	559,116	5-7	327,425	0-16	736,017	6-18	160,437
27.11	Petroleum gases	11-20	34,861	2-2	2,844	0-0	145,789	9-13	15,762
28.03	Carbon	10-10	2,026					0-0	2,301
28.04	Hydrogen, rare gases, and other nonmetals	5-15	1,743	2-6	8,469	2-11	5,127		
28.27	Lead oxides	5-14	24			1-16	5,730		
28.28	Other inorganic metallic oxides and hydroxides	5-15	6,204	3-7	11,954	1-36	18,896	5-14	927
28.30	Chlorides and oxychlorides	8-15	800	2-7	2,811	3-17	1,333		
28.37	Sulphites and bisulphates	20-20	-	5-5	441	2-7	301		
28.40	Phosphites, hypophosphites, and phosphates	10-14	926			2-10	701		
28.42	Carbonates and percarbonates	8-36	1,390	3-9	3,815	2-18	2,447	13-15	8,510
28.52	Compounds of thorium, uranium, and yttrium	8-15	5,744	3-3	2,391	4-18	12,663		
29.04	Acyclic alcohols and their halogenated derivatives	8-20	3,136	4-13	24,565	3-46	6,975	8-15	6,663
29.05	Cyclic alcohols and their halogenated derivatives	5-25	328	6-10	1,849	5-20	7,580	8-11	353
29.06	Phenols and phenol-alcohols	3-13	3,814	2-9	9,384				
29.08	Ethers and alcohol peroxides	10-15	2,456			1-23	6,360		
29.13	Ketone-function and quinone-function compounds	5-20	4,301	6-12	8,692	1-20	9,680	5-12	1,658
29.14	Monoc acids and their derivatives	5-20	4,616	5-12	20,894	4-23	19,951	8-15	9,505
29.16	Alcohol-acids, ketone-acids, phenol-acids, etc.	10-30	3,780	4-12	7,146	2-26	5,375	8-13	4,720
29.22	Amine-function compou	10-20	5,876	4-8	16,307	5-30	7,762		
29.23	Single and complex amins								
29.25	Amide-function compounds	10-25	6,529	7-19	15,660	5-30	12,957		
29.27	Nitrile-function compounds	8-20	6,769	6-11	13,428	5-30	13,551		
29.28	Organic-mercury compounds	10-20	1,017			5-20	8,897		
29.33	Organic-mercury compounds	15-15	182			5-20	0		
29.35	Heterocyclic compounds; nucleic acids	3-20	31,213	5-13	94,739	5-30	30,172	5-15	14,571
29.38	Vitamins	8-15	6,988	4-9	22,049	2-19	9,911		
29.39	Hormones	10-13	7,307			2-19	30,595		
29.42	Vegetable alkaloids and their salts and esters	5-20	2,000	5-9	22,872	2-29	9,416		
29.43	Sugars, sugar esters	10-25	138			10-40	236		
30.03	Medicaments	8-25	62,087	6-17	84,066	0-26	11,952		
31.02	Mineral or chemical fertilizers, nitrogenous	8-10	1,499					0-0	2,138
31.03	Mineral or chemical fertilizers, phosphatic	10-10	542			0-0	6,181		
32.03	Synthetic tanning substances	3-16	1,196	5-5	631	5-17	81		
32.07	Other coloring matter	5-13	767			1-16	3,130		
33.01	Essential oils	5-15	15,374	2-12	27,485	2-13	30,344		
33.03	Concentrates of essential oils in fats, in fixed oils	10-10	0			0-0	3,335	0-0	0
33.04	Mixtures of odoriferous substances	13-18	9,520	5-5	19,706	4-18	13,500	8-8	2,466
33.05	Aqueous distillates of essential oils	10-10	0					0-0	0
33.06	Perfumery	8-25	2,406	7-8	12,919	4-20	12,433		
34.01	Soap	10-15	614			4-8	1,722	3-18	936
34.02	Organic surface-active agents	10-18	5,224	8-8	17,455	5-12	3,111		
34.03	Lubricating preparations	8-13	2,381					0-0	0
35.02	Albumins	8-20	210	10-12	3,921	5-37	519	10-20	123
35.03	Gelatin and gelatin derivatives	5-20	974	5-8	2,986	5-10	10,823		
35.04	Peptones and other protein substances	5-20	55	5-5	1,073	5-5	160	0-0	0
36.04	Percussion and detonating caps	10-10	11			0-6	780	0-0	0
36.06	Matches	13-13	0			1-8	1,511		
37.01	Photographic plates and film in the flat, sensitized, unexposed paper	15-30	6,794	9-9	13,558	3-8	15,660	13-13	11,058
37.02	Film in rolls, sensitized, unexposed	15-40	9,869	8-8	24,424	3-5	21,719	10-18	12,414
37.03	Sensitized paper, not developed	8-40	3,000	9-9	12,983	4-5	11,310	10-18	7,638
37.04	Sensitized plates and film, not developed	8-15	357	4-4	457	4-7	324	0-0	0
37.05	Plates, exposed, and developed	15-15	235	3-5	2,445	4-4	488		
37.06	Motion picture film, exposed and developed	12-29	100	3-3	152	7-7	477	0-0	0
37.07	Other motion picture film, exposed and developed	2-18	3,289	2-6	11,973	4-4	6,019		
38.01	Artificial graphite	5-12	578					0-0	0
38.08	Resin and resin acids	5-10	9,558					0-0	3,874
38.19	Chemical products and preparations of chemical industries, n.s.p.f.	5-13	33,061	2-9	81,845	1-26	11,900	1-18	78,452
39.01	Condensation, polycondensation, products	5-15	20,809			3-23	8,623		
39.02	Polymerization and copolymerization products	8-18	17,076	7-12	86,091	3-21	39,724	8-23	86,987
39.03	Regenerated cellulose	5-14	2,675			3-19	6,668		
39.07	Articles of regenerated cellulose, vulcanised fiber, etc.	10-15	3,920			4-35	57,081		
40.11	Rubber tires	8-15	1,064			4-15	88,301		
41.02	Bovine cattle leather	15-20	1,017	8-8	19,134	4-9	35,171	8-20	3,274
41.03	Sheep and lamb skin leather	8-20	4,754	3-5	22,953	5-6	6,587	8-18	9,684
41.04	Goat and kid skin leather	8-20	808	4-5	25,921	4-6	13,359	10-18	406
41.06	Chamois-dressed leather	25-25	29	5-5	1,597	5-8	3,743	10-18	1
41.08	Patent leather and imitation patent leather	25-25	12	5-5	1,448	4-9	1,255	10-10	755
42.02	Travel goods of leather	10-20	3,165	8-15	10,747	4-21	72,569		
42.03	Wearing apparel of leather	10-20	615	8-13	6,349	4-87	40,264	10-25	7,437
42.04	Leather articles for machines	8-23	387	5-8	897	4-10	678		
42.05	Other articles of leather	13-13	272			3-14	3,648		
43.01	Raw furskins	5-20	7,367	0-0	126,143			0-0	20,512
43.02	Furskins, tanned or dressed	15-15	631	5-5	22,951	3-19	7,519		
43.03	Articles of furskins	20-20	142	7-10	5,741	9-19	3,028		
43.04	Artificial fur and articles thereof	25-25	0	9-9	84	6-32	0	0-0	0
44.05	Wood saw lengthwise	3-10	95,560					0-0	30,392

See footnote at end of table.

APPENDIX TABLE 4-H--Continued

Industrial sector HS headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of Canada, United States, and the European Community 1/

HS number	Abbreviated HS Description	Japan		European Community		United States		Canada	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
44.14	Wood sawn lengthwise	15-20	1,220	7-7	15,027	4-10	35,572	8-10	10,944
44.15	Plywood	15-20	4,647			8-20	119,007	10-15	28,420
44.17	"Improved" wood, in sheets, blocks	15-15	32	4-4	26			0-0	0
44.18	Reconstituted wood, in sheets, blocks	15-20	1,017			6-10	136		
44.19	Wooden headings and moldings	15-15	105			2-13	12,366		
44.27	Lamps and furniture, of wood	10-40	249	7-7	5,927	5-17	16,324	15-15	1,610
44.28	Other articles of wood	10-15	129	4-7	4,320	3-20	42,112		
45.03	Articles of natural cork	10-10	532					0-0	862
45.04	Agglomerated cork	10-13	461					0-0	823
46.01	Plaits and similar products of plaiting materials	15-20	9	5-7	510	2-21	3,306	0-0	0
46.02	Plaiting materials bound together	8-15	1,044	5-10	3,195	3-29	2,025		
46.03	Basketwork	15-15	664			4-29	13,170		
48.01	Paper and paperboard, in rolls or sheets	6-20	10,210	3-12	423,381	1-34	910,663	3-18	42,225
48.07	Boxes and bags, of paper or paperboard	5-15	4,059			1-29	5,089	5-20	17,440
48.16	Silkworm cocoons suitable for reeling	13-15	352			3-9	1,631		
50.01	Silk yarn from silk waste other than soil, not for sale	10-10	314			0-0	1	0-0	0
50.05	Yarn spun from silk waste other than soil, not for sale	15-15	65	4-4	2,688			0-0	0
50.06	Yarn spun from non silk, not for retail sale	15-15	121	3-3	28			0-0	0
50.08	Silkworm gut	15-15	0	4-4	23			0-0	0
50.10	Woven fabrics of non silk	10-13	46					0-0	0
51.01	Yarn of manmade fibers, not for retail sale	8-25	2,394	3-11	58,128	11-64	28,048		
51.02	Monofil and strip, of manmade fiber materials	8-15	690	5-11	4,201	1-83	1,678	0-0	0
51.03	Yarn of manmade fibers (continuous), for retail sale	8-13	4					0-0	0
51.04	Woven fabrics of manmade fibers	8-25	3,734					5-32	31,126
52.02	Woven fabrics of metal thread or of metalized yarn	10-10	5					0-0	0
54.03	Flax or ramie yarn, not for retail sale	15-15	7	2-9	2,256	4-18	2,684	0-0	280
54.05	Woven fabrics of flax or of ramie	25-30	337			3-68	25,670		
55.09	Other woven fabrics of cotton	7-18	6,397			7-36	129,462	3-23	38,303
56.01	Manmade fibers (discontinuous), not carded, combed, etc.	8-25	112	8-9	24,641	1-15	45,039	10-10	12,191
56.05	Yarn of manmade fibers (discontinuous), not for retail sale	8-25	125	10-11	9,283				
56.06	Yarn of manmade fibers (discontinuous), for retail sale	8-13	21					0-0	0
56.07	Woven fabrics of manmade fibers (discontinuous)	8-25	2,543					8-32	39,226
57.10	True hemp, raw or processed but not spun	20-20	1,057			3-23	181,425	0-0	
58.02	Other carpets, rugs, mats, etc.	15-21	2,778			6-30	30,931	10-33	12,795
58.03	Tapestries, handmade	15-21	128	9-9	712	9-21	465	0-0	114
58.04	Woven pile fabrics and chenille fabrics	7-18	7,381			6-38	13,051		
58.07	Chenille yarn and gimped yarn	13-18	58	7-8	3,033	2-30	829		
58.09	Tulle and other net fabrics, figured	15-29	666	12-14	1,235	10-45	6,221	10-20	3,302
58.10	Embroidery, in the piece, in strips or in motifs	28-28	4,325	9-13	18,869	13-30	906	10-25	2,875
59.02	Felt and articles of felt	11-14	574			4-31	1,252		
59.06	Other articles made from yarn, twine, other than textile fabrics	7-10	103					0-0	0
59.14	Wicks, of woven, plaited, or knitted textile materials	8-11	135					0-0	51
60.01	Knitted or crocheted fabric	8-25	4,107			6-40	13,388		
60.04	Undergarments knitted or crocheted	14-21	510			10-45	20,600		
60.05	Other garments and other articles, knitted or crocheted	18-21	5,536			6-43	228,037		
61.01	Men's and boys' outer garments	18-28	941			8-43	115,719	10-25	27,685
61.02	Women's, girls', and infants' outer garments	18-28	1,148	11-17	50,120	8-43	113,833		
61.03	Men's and boys' undergarments	14-14	86			3-43	30,857		
61.04	Women's, girls', and infants' undergarments	14-21	76			8-43	5,625		
61.05	Handkerchiefs	10-30	546	11-14	6,019	3-55	10,000		
61.06	Shawls, scarves, etc.	13-21	414			8-31	15,383		
61.07	Ties	21-21	260			10-21	1,156		
61.08	Collars, neckers, cuffs, etc.	14-21	3			8-35	608	0-0	0
61.09	Corsets	14-21	265	9-9	8,613	7-32	6,474		
61.10	Gloves, stockings, etc.	14-14	13					0-0	0
61.11	Manmade accessories for articles of apparel	14-25	439	11-11	518	6-38	667		
62.02	Bed linen and table linen	10-21	772			4-43	37,601		
62.03	Secks and bags, for packing of goods	8-20	144	8-20	20,173	4-40	1,115		
63.01	Clothing, traveling rugs, etc., of textile material	13-15	413			2-11	381	0-0	0
63.02	Used and new rags, scrap twine, etc.	10-10	632	0-0	26,562				
64.02	Footwear with outer soles of leather	10-30	2,065	8-20	35,422	3-20	199,793		
64.03	Footwear with outer soles of wood or cork	10-10	0					0-0	0
64.05	Parts of footwear of any material except metal	8-20	356	7-9	3,637	4-5	1,860		
64.06	Gaiters, spats, etc.	8-10	3					0-0	0
65.02	Hat-shapes	20-20	310	5-7	727	6-29	2,910	8-25	136
65.03	Felt hats and other felt headgear	13-20	32	8-11	1,403	8-65	1,735		
65.04	Hats and other headgear, plaited	13-20	87	6-9	606	5-29	1,340	0-0	0
65.06	Other headgear	13-20	369	10-10	1,967	5-15	7,318		
66.02	Walking sticks	10-20	1	7-7	98	10-13	226		
66.03	Parts, trimmings, and accessories, for umbrellas and walking sticks	10-20	25	7-15	339			0-0	1,255
68.06	Natural or artificial abrasive powder of grain	15-15	595	5-5	6,472	3-3	4,293		
68.14	Friction material of kind suitable for brakes and clutches	8-15	1,388			4-13	14		
69.03	Other refractory goods	15-15	520			5-23	1,228		
70.06	Cast, rolled, drawn, or blown glass	18-18	397	5-5	1,763	2-12	22,873	5-5	10,686
70.20	Glass fiber, yarns, fabrics, and articles	10-13	3,906			3-28	1,033		
70.21	Other articles of glass	8-20	506	9-9	3,465	7-20	916		

See footnote at end of table.

APPENDIX TABLE 4-B--Continued

Industrial sector BTN headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of Canada, United States, and the European Community 1/

BTN number	Abbreviated BTN description	Japan		European Community		United States		Canada	
		Tariff	MFN	Tariff	MFN	Tariff	MFN	Tariff	MFN
		range	range	range	range	range	range	range	range
		Percent	1,000	Percent	1,000	Percent	1,000	Percent	1,000
	ad val.	dollars	ad val.	dollars	ad val.	dollars	ad val.	dollars	
71.03	Synthetic or reconstructed precious or semi-precious stones, unmounted	3-20	1,493	1-4	5,498	4-15	1,636	0-0	2
71.12	Articles of jewelry and parts thereof, of precious metal	18-25	733	5-9	4,111	8-20	12,690		
71.13	Articles of goldsmiths' or silversmiths' wares, of precious metal	20-25	66	5-8	1,132	9-20	2,002		
71.14	Other articles of precious metal	5-25	109	6-8	130	11-20	0	0-0	1,964
71.15	Articles consisting of pearls, precious or semi-precious stones	5-20	90	7-8	4,511	8-20	1,407	0-0	0
71.16	Imitation jewelry	13-20	1,598			8-35	20,868		
73.13	Sheets and plates, of iron and steel, hot-rolled or cold-rolled	8-15	428					3-18	74,546
73.15	Alloy steel and high carbon steel, in ingots, puddled bars	10-20	11,440	3-8	122,160	2-12	224,805	3-13	73,904
73.18	Tubes and pipes, of iron or steel	8-12	2,259			2-13	163,139		
73.35	Springs and leaves for springs, of iron or steel	8-15	81			4-10	2,732		
73.40	Other articles of iron or steel	8-10	2,886			0-22	35,313		
74.02	Master alloys	5-15	0	0-0	1,492	2-11	66	0-0	57
74.03	Wrought bars, rods, and angles, of copper, copper wire	15-20	390	6-8	17,618	2-16	23,024	5-18	6,778
74.04	Wrought plates and sheets, of copper	15-20	442	8-8	6,322	2-16	34,727	5-18	6,850
74.05	Copper foil	15-20	1,935	8-8	5,741	2-8	21,231	5-20	801
74.06	Copper powders and flakes	15-15	183	2-10	1,806	5-10	2,622	0-0	921
74.07	Tubes and pipes, of copper	15-20	2,041	8-8	6,096	2-11	45,279	5-18	4,512
74.09	Reservoirs, tanks, and vats, of copper	10-10	0					0-0	0
74.10	Stranded wire and cables, of copper wire	15-15	22			4-10	1,142		
74.12	Expanded metal, of copper	10-10	0					0-0	0
74.13	Chain and parts thereof, of copper	10-20	152	7-7	131	8-8	47		
74.14	Nails, tacks, and spikes, of copper	10-25	0	7-7	92	8-10	29		
74.17	Cooking and heating apparatus for home, not electrically operated, of copper	10-10	43					0-0	0
74.18	Other articles for home, of copper	10-25	127	7-7	1,351	5-20	13,215		
74.19	Other articles of copper	8-25	740	7-7	3,335	7-22	4,130	5-18	7,235
75.01	Nickel waste	11-23	55,341	0-0	128,280	2-9	235,347		
75.02	Wrought bars, rods, and angles, of nickel, nickel wire	13-15	1,235			2-16	1,437		
75.03	Wrought plates and sheets, of nickel	9-23	1,970	1-7	8,927	2-16	7,910		
75.04	Tubes and pipes, of nickel	15-15	2,816	5-8	2,625	3-11	1,431		
75.06	Other articles of nickel	10-25	397	5-7	734	1-25	4,329		
76.02	Wrought bars, rods, and angles, of aluminum	16-18	1,347			5-12	12,730	6-18	5,049
76.03	Wrought plates and sheets, of aluminum	16-18	2,363			6-12	28,109	5-18	49,767
76.04	Aluminum foil	16-16	1,081				4,979	6-18	1,636
76.06	Tubes and pipes, of aluminum	16-16	282			2-10	2,567		
76.12	Stranded wire and cables, of aluminum	16-18	1			4-8	3,420		
77.01	Unwrought magnesium	5-15	481	5-8	19,272			5-5	1,355
77.02	Wrought bars, rods, and angles, of magnesium, wire, tubes	15-15	123					5-18	998
77.03	Other articles of magnesium	16-18	39	8-8	173	5-9	412	0-0	0
77.04	Beryllium, unwrought or wrought, articles	5-10	237					0-0	0
78.03	Wrought plates and sheets, of lead	20-20	0	10-10	279	6-12	315	0-0	0
78.04	Lead foil	12-12	6					0-0	0
78.05	Tubes and pipes, of lead	15-20	0			6-9	22		
79.03	Wrought plates and sheets, of zinc	10-15	5			2-12	1,491		
81.01	Tungsten, unwrought or wrought, articles	5-10	398					0-0	1,808
81.03	Tantalum, unwrought or wrought, articles	10-10	665	3-9	1,677	5-9	685	0-0	172
81.04	Other base metals, unwrought or wrought, articles	5-15	12,146	2-10	31,936	0-18	45,450	5-18	16,588
82.09	Knives with cutting blades	9-20	116			8-44	11,473		
82.13	Other articles of cutlery	9-20	305	9-9	1,530	8-20	2,627		
82.14	Spoons and forks	10-20	31	9-19	6,880	7-31	7,346		
82.15	Handles of base metal for tableware	10-20	0	8-8	6	10-44	4	0-0	39
83.01	Locks	10-20	497	9-9	2,451	7-17	4,758	5-20	8,444
83.02	Base metal fittings and mountings for furniture, etc.	10-20	242	7-7	11,275	4-20	14,015	5-20	53,294
83.04	Files, of base metal	10-10	8					0-0	0
83.06	Statuettes, of base metal	10-25	67	9-9	4,148	4-25	629		
83.09	Clasps, of base metal	10-20	431	7-7	5,082	1-28	1,347	5-20	4,359
83.10	Beads and spangles, of base metal	10-25	3	9-9	1	7-7	0	0-0	0
83.12	Photograph, picture frames, of base metal	10-25	22	10-10	361	9-20	123		
84.01	Steam and other vapor generating boilers	10-15	2,966					5-18	5,471
84.05	Steam and other vapor power units, not incorporating boilers	8-15	12,598	5-5	13,199	4-8	7,122		
84.06	Internal combustion piston engines	8-20	15,874	4-14	163,521	4-5	143,200	8-18	492,352
84.08	Other engines and motors	10-20	45,119	5-8	148,414	5-10	84,009	5-18	86,769
84.10	Pumps for liquids	8-15	20,188			3-6	17,767		
84.11	Air pumps and vacuum pumps; fans and blowers	8-15	12,989	4-9	69,134	5-7	24,605		
84.15	Refrigerators and refrigerating equipment	8-15	8,813	5-5	37,341	5-5	21,333		
84.27	Presses, crushers, and other machinery, for winemaking, i.e.	15-15	37					0-0	0
84.32	Bookbinding machinery	15-15	2,064	5-5	6,352	5-5	4,273		
84.35	Other printing machinery	6-15	18,619	4-7	29,952				
84.45	Machine tools for working metal	8-15	30,505	3-11	139,520	5-10	175,721		
84.50	Gas-operated welding, cutting, and appliances	8-15	1,960	5-5	1,750				
84.51	Typewriters	8-25	7,991	5-7	12,707	4-6	60,167	8-20	6,695
84.52	Calculating machines and accounting machines	8-25	47,301	6-14	52,264	5-6	95,067	8-20	43,548
84.53	Statistical machines for punched cards	5-25	37,036	7-7	186,678	5-6	5,943	10-18	144,661
84.54	Other office machines	8-25	44,424	6-7	34,506	4-6	17,333	5-18	15,255
84.55	Parts and accessories for business machines	5-15	33,409	4-11	97,973				
84.59	Machinery and mechanical appliances, n.s.p.f.	5-15	27,516	5-10	101,447	5-10	99,273	5-20	80,655

See footnote at end of table.

APPENDIX TABLE 4-H--Continued

Industrial sector BTN headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of Canada, United States, and the European Community ^{1/}

BTN number	Abbreviated BTN description	Japan		European Community		United States		Canada	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
84.61	Taps and valves, for pipes, tanks, vats, etc.	8-20	17,326	6-7	88,204	5-11	20,542	10-18	35,252
84.64	Gaskets and similar joints of metal sheeting	20-20	291	6-6	4,224	5-10	86		
85.01	Electrical goods: i.e., generators, motors, and transformers	8-15	17,716	5-9	83,004	5-25	77,203		
85.09	Electrical lighting and signaling equipment for cycles and motor vehicles	8-15	499			4-19	6,478		
85.11	Industrial and laboratory electric furnaces, ovens, and heating equipment	8-15	6,462			4-5	9,852		
85.13	Radiotelegraphic and radiotelephonic transmission and reception apparatus	8-20	24,820	7-17	104,388	5-10	467,435	8-18	153,194
85.22	Electrical goods and apparatus, n.s.p.f.	8-25	23,661	6-8	20,764	6-6	29,277		
85.23	Insulated electric wire and cable	15-15	3,663			5-9	40,291		
87.02	Motor vehicles for transport of persons, goods, and materials	10-30	33,710	8-22	122,549	3-9	907,940	15-15	1,210,858
87.04	Chassis fitted with engines, for motor vehicles	15-15	0			3-9	570	0-0	835
87.05	Bodies for motor vehicles	8-15	23			3-4	378		
87.06	Parts and accessories of motor vehicles	8-15	12,657			4-6	167,723		
87.08	Tanks and other armored fighting vehicles	20-20	0	5-5	0	5-5	471	8-15	3,346
87.09	Motorcycles	10-15	104			5-8	101,906		
87.14	Other vehicles, not mechanically propelled	8-15	573	5-8	19,989				
88.01	Balloons and airships	15-15	0			5-5	12	0-0	0
88.02	Flying machines	10-15	31,537	5-15	269,767	5-15	61,133		
88.03	Parts of airships and flying machines	15-15	29,490	5-9	129,021	5-13	188,007		
88.04	Parachutes	20-20	19	9-9	384				
88.05	Catapults; ground flying trainers	15-15	246	5-9	5,544	5-6	674	0-0	0
89.01	Ships	8-15	34,036	3-5	81,896	8-10	17,952		
90.03	Frames and mountings for spectacles	8-20	1,207	8-8	2,750			5-15	5,519
90.04	Spectacles	10-20	517	10-10	828				
90.05	Refracting telescopes	8-20	13			6-23	20,431		
90.11	Microscopes and diffraction apparatus	8-10	4					0-0	1,484
90.28	Electrical or electronic measuring and analyzing instruments	8-15	37,157			5-25	42,658		
91.01	Watches	15-20	8,707	6-6	46,379			10-20	5,901
91.03	Instrument panel clocks	10-14	42					0-0	991
91.07	Watch movements, assembled	15-20	1,037	10-10	4,367	9-85	54,035	10-10	4,361
91.09	Watch cases	15-20	396	7-7	2,450	10-28	6,040		
91.10	Clock cases	15-20	13	8-8	309	10-19	975		
92.12	Phonograph records	6-13	9,565			3-15	12,035		
93.01	Sidearms	20-20	0	4-4	95	9-9	739	0-0	0
93.02	Revolvers and pistols	20-20	66	8-12	699			8-20	484
93.03	Artillery weapons and machine guns	20-20	840	0-0	0	5-23	412	8-20	8,951
93.04	Other firearms	20-30	1,070	8-11	4,019	5-26	22,765	8-20	7,809
93.05	Arms of other descriptions	20-20	39	10-10	562	5-18	431	0-0	0
93.06	Parts of arms, but not including parts of side-arms	20-20	166	5-8	1,505	3-21	4,012	8-20	2,574
93.07	Boats, grenades, and mines; ammunition	20-20	394	3-10	3,196	8-13	34,372	8-20	2,783
94.01	Chairs	10-15	740			4-18	29,431		
94.03	Other furniture	10-15	804			5-18	31,403		
94.04	Bedding	10-15	135			5-22	475		
95.01	Worked tortoise shell and articles	10-20	68	4-8	1	5-10	19	0-0	0
95.02	Worked mother of pearl and articles	10-10	13					0-0	0
95.03	Worked ivory and articles	10-20	42	4-9	870	5-13	710		
95.04	Worked bone and articles	10-10	13					0-0	0
95.05	Worked horn, coral, and articles	10-20	189	3-8	409	3-13	1,437	0-0	0
95.06	Worked vegetable carving material and articles	10-10	80					0-0	0
96.02	Other brooms and brushes	8-20	537	7-15	3,813	2-23	8,383		
96.04	Feather dusters	20-20	163	10-10	51	7-7	86		
96.05	Powder puffs	10-20	6	10-10	112	7-25	0		
96.06	Hand sieves and hand riddles	10-10	5					0-0	0
97.06	Appliances for gymnastics or athletics	10-15	10,085			4-18	35,265	5-25	16,940
97.08	Merry-go-rounds, swings, etc.	10-10	7			0-0	0		
98.01	Buttons	8-20	206	10-13	2,022	5-31	8,566		
98.03	Buttons	10-32	5,239	7-13	11,399	4-61	7,388		
98.05	Pencils	10-10	190			0-12	2,464		
98.10	Mechanical lighters	10-25	2,117	8-11	9,800	12-25	10,619		
98.11	Smoking pipes	10-25	416	3-10	1,615	1-53	4,841		
98.12	Combs	10-20	217	9-9	664	9-28	1,701		
98.14	Perfume and similar sprayers	10-20	96	10-10	429	5-50	60		
	Total		3,643,647		8,563,985		8,393,604		3,878,462

^{1/} Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from tariff data presented in *Basic Documentation for the Tariff Study*, GATT.

APPENDIX TABLE 4-1

Industrial sector BTN headings where possible rate disparities may exist in the European Community's tariff compared with tariffs of the United States, Canada, and Japan 1/

BTN number	Abbreviated BTN description	European Community		United States		Canada		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
25.01	Common salt	15-19	98	5-5	8,541	5-5	2,776	5-5	32,175
28.17	Sodium hydroxide and peroxides of sodium or potassium	5-11	736	1-5	1,103				
28.27	Lead oxides	11-11	2,004	1-16	5,732				
28.51	Isotopes and their compounds, inorganic or organic					0-0	550		
28.56	Carbides	4-13	6,478	2-17	16,367				
29.01	Hydrocarbons	3-13	107,436					3-10	33,507
29.04	Acyclic alcohols and their halogenated derivatives	4-13	24,563	3-46	6,975				
29.08	Ethers and alcohol peroxides	7-13	4,401	1-23	6,360				
29.13	Ketone-function and quinone-function compounds	6-12	8,692	1-20	9,680				
29.16	Alcohol-acids and oxygen-function acids	4-12	7,146	2-26	5,375				
29.23	Oxygen-function amino-compounds	7-19	15,660	5-30	12,997				
29.35	Heterocyclic compounds	5-13	94,739						31,213
29.43	Sugars; sugar esters	15-20	944	10-40	236			10-25	138
30.03	Medicaments	6-17	84,066	0-26	11,952				
31.05	Synthetic organic dyestuffs	8-14	57,345	4-30	26,434				
33.01	Essential oils	2-12	27,485	2-13	30,344				
35.01	Casein	2-14	10,916	3-8	24,948				
36.04	Percussion and detonating caps	12-12	1,243	0-6	780	0-0	0		
39.01	Condensation and polyaddition products	7-14	71,798	3-23	8,623				
42.02	Travel goods, of leather, textile fabric, paper-board, etc.	8-15	10,747	4-21	72,569				
44.05	Wood sawn lengthwise	10-10	556,956			0-0	30,392		
45.03	Articles of natural cork	16-16	11,237	5-20	1,964	0-0	862		
45.04	Agglomerated cork and articles	16-16	6,888	5-20	2,207	0-0	823		
48.01	Paper and paperboard, in rolls or sheets	3-12	423,381	1-34	910,663				
48.03	Parchment	13-13	5,525	3-8	2,404				
48.04	Composite paper, in rolls or sheets	13-13	2,972	3-10	28				
48.05	Paper and paperboard, corrugated in rolls	13-14	5,371	3-25	1,999				
48.06	Paper and paperboard, ruled, lined, and squared, in rolls	13-13	173	1-9	127	0-0	0		
48.07	Paper and paperboard, impregnated, coated, and printed	10-12	50,316	1-25	5,089				
48.08	Filter blocks and plates of paper pulp	13-13	376			0-0	0	3-3	5
48.11	Wallpaper	13-13	6,718	2-8	3,630				
48.14	Writing blocks and envelopes	15-15	920	4-10	856				
48.15	Other paper and paperboard, cut to size or shape	7-12	16,619	1-10	3,397				
48.16	Boxes and bags of paper and paperboard	15-15	6,391	3-9	1,631				
48.17	File boxes and storage boxes, of paper and paperboard	14-14	69	3-9	54				
48.18	Registers and notebooks, of paper and paperboard	15-15	1,915	4-10	4,065				
48.19	Paper and paperboard labels	14-14	1,343	3-10	449				
48.20	Bobbins and spools, of paper and paperboard	14-14	289	4-9	683				
48.21	Other articles of paper pulp	7-14	11,333	4-19	11,293				
49.03	Children's picture books	13-13	227	0-0	676			0-0	135
49.10	Calendars	10-10	1,365			0-0	0		
51.02	Monofil, of manmade fibers	5-11	4,201	1-83	1,678	0-0	0		
51.03	Yarn of manmade fibers	9-10	258			0-0	0		
51.04	Woven fabrics of manmade fibers (continuous)	13-15	22,125			5-32	31,126		
54.05	Woven fabrics of flax or ramie	16-16	3,098	3-68	25,670				
55.09	Other woven fabrics of cotton	13-15	75,906			3-23	38,303		
56.06	Yarn of manmade fibers (discontinuous)	14-14	116			0-0	0		
57.10	Woven fabrics of jute	15-22	9,005	3-23	181,425	0-0	22,972		
58.01	Carpets, knotted	12-20	68,522	6-17	12,753				
58.02	Other carpets	11-23	21,692	6-30	30,931	10-33	12,795		
59.04	Twine, cordage, and rope	13-13	3,578	3-28	39,582				
59.05	Nets of twine or cordage	10-14	384	4-53	1,102				
60.02	Gloves and mittens, knitted or crocheted	20-20	3,645	10-64	8,835			10-14	188
60.05	Other garments, knitted or crocheted	11-18	53,139	6-43	228,037				
60.06	Knitted or crocheted fabric, elastic	11-16	2,447	6-40	900				
61.03	Men's and boys' undergarments	17-17	28,703	3-43	30,857				
61.05	Handkerchiefs	11-14	6,019	3-55	10,000				
61.08	Collars, yokes, and accessories for women's garments								
61.11	Gloves, not knitted or crocheted	15-15	1,024			0-0	0		
62.02	Bed linen and table linen	17-19	16,301	4-43	37,601				
62.03	Sacks and bags, for packing goods	8-20	20,173	4-40	1,115			8-20	144
62.04	Tarpaulins, sails, and tents	15-16	5,803	6-25	0				
64.01	Footwear with outer soles and uppers of rubber	20-20	8,049	6-38	55,613			10-10	3
64.02	Footwear with outer soles of leather or composition leather	8-20	35,422	3-20	199,793			10-30	2,065
64.06	Gaiters and spats	10-10	32			0-0	0		
66.03	Parts of umbrellas and walking sticks	7-15	339			0-0	1,255		
69.10	Sinks, wash basins, and bathtubs	12-18	1,442					8-8	59
69.11	Tableware, of porcelain or china	24-26	10,921	13-60	35,179	10-20	4,130	8-8	66
69.12	Tableware, of other kinds of pottery	8-16	7,011	3-60	23,097				
69.13	Statuettes, of pottery and china	8-28	4,187	3-23	24,351			8-8	282
70.02	Glass fiber, yarns, and fabrics	11-13	7,259	3-28	1,033				
71.16	Imitation jewelry	12-18	6,462	8-35	20,268				
73.19	High-pressure hydro-electric conduits of steel	10-10	264			0-0	0		
74.06	Copper powders and flakes	2-10	1,806			0-0	921		
76.04	Aluminum foil	12-12	4,557	2-20	4,979				
76.06	Tubes and pipes, of aluminum	12-12	2,064	2-10	2,567				
78.03	Wrought plates of lead	10-10	279			0-0	0		
78.04	Lead foil	3-10	518			0-0	0		
81.01	Tungsten, unwrought or wrought	6-10	3,681			0-0	1,800		

See footnote at end of table.

APPENDIX TABLE 4-I--Continued

Industrial sector BTN headings where possible rate disparities may exist in the European Community's tariff compared with tariffs of Canada, United States, and Japan ^{1/}

BTN number	Abbreviated BTN description	European Community		United States		Canada		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
81.02	Molybdenum	5-10	2,807			0-0	0		
81.04	Other base metals and articles	2-10	31,936	0-15	45,450				
82.14	Spoons and knives of base metal	9-19	6,880	7-31	7,346				
84.06	Internal combustion piston engines	4-14	163,521	4-5	143,200				
85.01	Primary cells and primary batteries	20-20	11,993	9-9	8,462			8-8	143
85.15	TV transmission and reception apparatus	7-17	104,388	5-10	467,435				
85.21	Thermionic, cathode, and photocathode tubes	7-17	91,375	6-15	101,127				
85.25	Insulators of any material	8-15	2,522	5-15	13,704				
85.26	Insulating fittings for electrical machines	7-14	5,679	1-20	2,070				
87.01	Tractors	6-20	55,229	6-6	48,729			10-15	21,179
87.02	Motor vehicles	8-22	122,549	3-9	907,940			10-30	33,710
87.04	Chassis fitted with engines, for motor vehicles	11-22	954	3-9	570	0-0	835		
87.05	Bodies for motor vehicles	12-20	899	3-4	378			8-15	23
87.10	Cycles, not motorized	17-17	2,207	6-15	19,563				
88.02	Flying machines	5-15	269,767	5-15	61,133				
90.06	Astronomical instruments	12-12	505			0-0	0		
93.05	Arms of other descriptions	10-10	562			0-0	0		
95.02	Worked mother of pearl and articles	5-11	187			0-0	0		
96.02	Other brooms and brushes	7-15	3,813	2-23	8,383				
97.03	Other toys	16-19	51,305	8-28	75,445				
97.06	Appliances for gymnastics or athletics	10-14	15,840	4-18	35,255				
	Total		3,036,811		4,122,857		149,548		155,035

^{1/} Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from tariff data presented in Basic Documentation for the Tariff Study, GATT.

APPENDIX TABLE 4-J

Agricultural sector BTN headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the European Community, United States, and Japan 1/

BTN number	Abbreviated BTN description	Canada		European Community		United States		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
01.05	Live poultry	6-13	4,123	3-9	3,609			0-0	5,973
02.01	Meat of bovine animals, sheep, swine, and horses	1-13	70,110			1-12	627,845		
02.06	Meat and edible meat offals	1-20	6,318			2-10	4,904		
03.01	Fish, fresh, chilled or frozen	8-11	9,682			1-15	325,434		
04.01	Milk and cream, fresh	18-18	364			3-56	1,072	0-0	
04.02	Milk and cream, preserved	15-18	1,168			3-56	668		
04.05	Birds' eggs and egg yolks	3-35	7,391	18-12	13,985	2-38	7,391		
05.04	Guts and bladders of animals	10-10	1,550	0-0	84,996			0-0	10,655
05.14	Civet, musk, and castoreum	10-18	388	0-0	8,004	4-10	646	5-5	2,207
05.15	Animal products, n.e.s.p.f.	8-18	3,849	5-5	5,981	3-8	8,931	3-3	861
06.01	Bulbs, tubers, and rhizomes	13-18	2,091	8-15	3,718	1-8	16,886	0-0	397
06.02	Other live plants	9-13	6,481	3-13	7,628	0-8	1,075	0-0	438
06.03	Cut flowers and flower buds	13-25	4,681			5-10	3,352	5-5	162
07.01	Vegetables, fresh or chilled	0-19	88,646	7-21	168,727	1-41	153,804	5-10	4,908
07.02	Vegetables, frozen	18-23	1,869			1-36	2,650	10-10	2,775
07.03	Vegetables in brine or preservatives	18-18	3,309	6-15	7,657	3-23	1,947		
07.04	Dried and dehydrated vegetables	10-18	2,108			4-35	3,765		
07.05	Dried leguminous vegetables	7-18	3,055	2-5	58,910	1-13	2,007		
08.04	Grapes, fresh or dried	0-12	30,192			0-9	4,104		
08.07	Stone fruit, fresh	2-13	10,827			1-9	998		
08.10	Fruit, frozen	11-20	3,536			1-69	3,640		
08.11	Fruit, provisionally preserved	5-18	2,045	6-16	7,700	0-68	876		
09.10	Other spices	5-18	790			3-8	2,787	5-30	4,613
11.01	Cereal flours	3-20	608			1-24	679		
11.02	Cereal groats and meal	5-20	3,828			1-24	321		
11.05	Flour, meal and flakes of potato	15-18	244			7-7	105		
11.07	Malt, roasted or not	4-20	18			1-6	2,517		
11.08	Starches, inulin	10-24	2,445			6-12	591		
12.01	Oil seeds and oleaginous fruit	15-18	64,457	0-0	819,442	0-100	13,812		
12.02	Flours or meals of oil seeds	18-18	617	5-8	625				
12.03	Seeds and fruit used for sowing	15-15	9,318	4-13	39,708	0-25	17,483	5-5	6,707
12.04	Sugar beet and sugar cane	18-28	3			7-33		0-0	20
12.07	Plants used in perfumery or pharmacy	15-18	598	1-8	20,565	2-15	11,407	5-20	6,500
13.03	Vegetable saps and extracts	5-18	1,224	2-24	20,364	2-30	21,614	5-30	10,352
14.05	Vegetable products, n.e.s.	18-18	590	2-2	6,023	8-8	6,881		
15.04	Fats and oils, of fish and marine mammals	15-15	522			0-23	6,940	5-10	636
15.05	Wool grease and substances therefrom	18-18	28	5-7	984			3-8	104
15.06	Other animal oils and fats	18-18	168	3-3	6,683	5-6	3	5-8	77
15.07	Fixed vegetable oils	10-18	18,637	3-20	283,159	1-65	64,698	5-26	15,619
15.08	Certain animal and vegetable oils	10-18	335			4-60		8-8	336
15.10	Fatty acids	10-15	3,852	5-8	17,925	5-20	2,174		
15.11	Glycerol and glycerol lyes	15-15	1,391	2-6	3,392	2-3	30	3-10	1,445
15.12	Hydrogenated animal or vegetable oils	15-18	1,522					8-8	423
15.14	Spermaceti, crude, pressed, or refined	15-18	10	4-4	362	6-6	56	8-8	41
15.17	Residues of animal or vegetable waxes	10-18	412	2-5	238	5-5	93	0-0	
16.02	Other prepared or preserved meat	1-25	13,882			1-17	355,521		
16.03	Meat and fish extracts	18-20	170	7-20	18,898	0-0	4,696		
16.04	Prepared or preserved fish	2-20	12,742			1-35	84,736	10-20	2,372
16.05	Crustaceans and mollusks	8-20	9,356			4-14	64,806	8-15	5,970
17.01	Beet and cane sugar, solid	0-42	25,364			9-9	530,761		
17.02	Other sugars, artificial honey	4-18	1,847			3-24	6,460	5-35	26,605
17.04	Sugar confectionery	18-20	3,469			5-67	26,130		
18.03	Cocoa paste	5-15	1,686			2-2	2,796		
18.05	Cocoa powder	15-15	1,551			2-2	21,255		
18.06	Chocolate and cocoa food preparations	7-20	3,898			1-7	29,371		
19.01	Malt extract	20-20	21			9-15	20		
19.02	Certain cereal preparations	13-20	1,657			3-18	3		
19.03	Macaroni and spaghetti	4-18	804			2-3	5,074		
19.04	Tapioca and sago	10-20	173			6-12	7,260		
19.05	Roasted cereal preparations	13-18	562			3-3	1,398		
19.07	Bread, ships', biscuits, and bakers' wares	5-18	3,108			3-3	4,054		
19.08	Pastry, cakes, and biscuits	8-20	3,046			3-3	27,523		
20.01	Vegetables and fruit, prepared with vinegar	18-18	1,298			4-60	5,766		
20.02	Vegetables preserved by other than vinegar	6-23	17,233			4-23	91,850		
20.04	Fruit, preserved by sugar	15-18	614			3-34	3,420		
20.06	Fruit otherwise prepared	6-20	19,891			1-120	43,472		
20.07	Fruit and vegetable juices	5-24	32,511			2-120	9,419		
21.02	Concentrates of coffee, tea, or malt	6-35	11,136	12-18	4,405	10-10	46,921		
21.04	Sauces, mixed condiments	8-18	4,161			5-14	3,956		
21.05	Soups and broths	8-18	2,139			7-10	2,860		
21.06	Natural yeasts and baking powders	6-18	547	8-23	1,098	5-10	1,183		
21.07	Food preparations, n.e.s.	5-20	5,930			3-25	16,098		
22.01	Waters, ice, and snow	18-18	1,513	4-4	333	1-2	476	5-5	2
22.02	Lemonades and flavored waters	5-18	660			1-20	717		
22.04	Grape must	13-13						0-0	
22.05	Wine of fresh grapes	5-50	20,805	13-79	81,388	5-55	121,521		
22.06	Vermouths	5-50	2,242	17-36	642	6-11	18,124		
22.07	Other fermented beverages	4-20	507			2-202	5,000		
22.09	Spirits and liquors	3-56	25,344	3-258	73,465	4-63	530,139	20-156	13,398
22.10	Vinegar and substitutes	15-15	196			3-3	169		
23.01	Flours and meals, not for human consumption	8-18	180	2-2	169,010	4-8	45,774	0-0	28,620
23.02	Bran and residues from milling	5-18	207	8-21	63,835	0-0	9,001	0-0	21,158
23.03	Wastes of sugar manufacture	5-18	86	0-0	75,358	8-8	6,897	0-0	645
23.04	Oilseeds and residues	18-18	24,752	0-0	475,381	3-7	765	5-5	31,622
23.06	Animal food, n.e.s.	5-20	46	2-2	8,446	8-8	489	0-0	4,782

See footnote at end of table.

APPENDIX TABLE 4-J--Continued

Agricultural sector HTS headings where possible rate disparities may exist in the Canadian tariff compared with tariffs of the United States, Japan and European Community ^{1/}

HTS number	Abbreviated HTS description	Canada		European Community		United States		Japan	
		Tariff	MFN	Tariff	MFN	Tariff	MFN	Tariff	MFN
		range	imports	range	imports	range	imports	range	imports
		Percent	1,000	Percent	1,000	Percent	1,000	Percent	1,000
		ad val.	dollars	ad val.	dollars	ad val.	dollars	ad val.	dollars
23.07	Sweetened sorgho	5-18	7,407	6-15	13,453	4-8	17,566	5-5	15,302
24.01	Unmanufactured tobacco	1-40	4,887	15-24	243,725	17-303	121,253		
24.02	Manufactured tobacco	18-73	4,322	25-117	10,251	5-76	16,363	20-355	8,321
	Total		66,516		2,809,396		3,616,657		234,666

^{1/} Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the HTS heading.

Source: Developed from National tariffs.

APPENDIX TABLE 4-K

Agricultural sector BTN headings where possible rate disparities may exist in the United States tariff compared with tariffs of the European Community, Canada, and Japan 1/

BTN number	Abbreviated BTN description	United States		European Community		Canada		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
01.01	Live horses, asses, mules, and hinnies	3-15	15,084			0-0	2,497	0-0	5,282
01.02	Live animals of the bovine species	1-10	133,052	0-0	257,760			0-0	3,974
01.06	Other live animals	4-41	9,317	8-0	16,019	0-0	4,068	0-0	4,119
02.03	Poultry liver, fresh, chilled, frozen, or salted	5-21	-			0-0	-	5-5	-
02.04	Other meat and edible offals	1-21	4,821	5-14	36,629	1-1	168	5-5	3,894
03.01	Fish, fresh, chilled or frozen	1-15	325,434	5-23	171,070			5-10	58,650
03.02	Fish, dried, salted, or in brine	0-15	27,581			0-0	810		-
04.01	Milk and cream, fresh	3-56	3,072	16-16	-	18-18	364	0-0	-
04.02	Milk and cream, preserved	3-56	668			15-18	1,168	25-45	14,157
04.03	Butter	8-56	935			0-0	-		-
04.04	Cheese and curd	6-26	82,671			6-15	16,855		-
04.05	Bird's eggs and egg yolks	2-38	10,106	12-12	13,985	3-35	7,391		-
05.02	Figs' and hogs' bristles or hair	0-11	7,825	0-0	11,280			0-0	562
05.03	Horsehair	2-11	4,253	1-1	6,040	0-0	124	0-0	863
05.07	Skins, parts, and feathers of birds	5-15	7,465	2-4	27,030	5-5	858		-
05.14	Civet, musk, and castoreum	4-10	646	0-0	8,004				-
07.01	Vegetables, fresh or chilled	1-41	153,804	7-21	168,727	0-19	88,646	5-10	4,908
07.02	Vegetables, frozen	1-36	2,650	18-19	5,820	18-23	1,869	10-10	2,775
07.03	Vegetables in brine	3-23	1,947	6-15	7,657				-
07.04	Dried, dehydrated vegetables	4-35	3,765	16-18	20,325	10-18	2,108	15-15	4,297
07.05	Dried leguminous vegetables	1-13	2,007	2-5	58,910				-
07.06	Arrowroot, salsp, sweet potatoes, etc	13-25	1,737	6-6	88,141	0-0	750		-
08.01	Dates, bananas, coconuts, etc	4-68	263,717	2-20	164,628	5-6	41,306	5-30	152,720
08.02	Citrus fruit, fresh or dried	1-35	7,977	6-20	276,192	0-0	48,734	10-40	26,838
08.03	Figs, fresh or dried	13-20	666	7-10	50	0-0	570	10-20	30
08.05	Other nuts	1-35	20,195	2-8	78,092	0-0	12,708	10-30	7,744
08.09	Other fruit, fresh	7-35	13,076	11-11	3,962	4-4	8,634		-
08.10	Fruit, frozen	1-68	3,640	18-20	11,642	11-20	3,536	20-20	507
08.11	Fruit, provisionally preserved	0-68	876	6-16	7,700	5-18	2,045	10-40	547
08.12	Fruit, dried, other than above	2-35	1,227	4-16	16,388	10-10	3,551	10-15	608
08.13	Peel of melons and citrus fruit	1-32	151	2-2	1,922	0-0	311	3-3	34
09.04	Pepper and pimento	1-21	28,375	10-17	18,140	5-8	1,222	5-10	2,344
09.08	Nutmeg and mace	8-50	2,770	5-15	3,283	13-13	7	5-10	1,289
10.05	Maize	1-25	7,637			1-5	28,418	10-10	405,898
10.06	Rice	5-36	2,140			5-5	11,583	15-15	2,399
11.01	Cereal flours	1-24	679			3-20	608		-
11.02	Cereal groats and meal	1-24	321			5-20	3,828		-
11.04	Flours of certain fruits	6-32	8	13-17	335	0-0	-		-
11.09	Wheat gluten	10-10	3,479			0-0	-		-
12.01	Oil seeds and oleaginous fruit	0-100	13,812	0-0	819,442	18-18	64,457	3-20	496,695
12.02	Flours, meals of oil seeds	10-15	-	5-8	625				-
12.03	Seeds, fruit used for sowing	0-25	17,483	4-13	39,708			5-5	6,707
12.04	Sugar beet and sugar cane	7-33	-					0-0	20
12.05	Chicory roots	12-12	226	2-2	814	0-0	2		-
12.07	Plants used in perfumery or pharmacy	2-15	11,407	1-8	20,565			5-20	6,500
12.08	Locust beans and fruit kernels	5-10	323			0-0	22		-
13.03	Vegetable saps and extracts	2-32	21,614	2-24	20,364	5-18	1,224	5-30	10,352
14.02	Vegetable materials used for padding	4-13	3,925	1-2	2,620	0-0	184	0-0	1,688
14.03	Vegetable materials used in brooms	0-20	12,673	0-0	6,086	0-0	1,042	3-3	2,700
15.05	Wool greases and substances therefrom	21-23	994	5-7	984			3-8	104
15.07	Fixed vegetable oils	1-65	64,698	3-20	283,159	10-18	18,637	5-26	15,619
15.08	Certain animal and vegetable oils	4-60	-	14-14	621	10-18	335	8-8	356
15.09	Degras	16-16	8	6-6	60	0-0	12		-
15.10	Fatty acids	5-20	2,174	5-8	17,925	10-15	3,852	8-8	6,383
15.13	Margarine and imitation lard	10-31	1			7-18	708	15-35	839
16.02	Other prepared or preserved meat	1-17	355,521			1-25	13,280		-
16.04	Prepared or preserved fish	1-35	84,736	13-30	64,875	2-20	12,742	10-20	2,372
17.02	Other sugars and artificial honey	3-24	6,460			4-18	1,847	5-35	26,605
17.04	Sugar confectionery	5-67	26,130	21-21	12,326	18-20	3,469		-
20.01	Vegetables and fruit, prepared with vinegar	4-68	5,766	22-22	4,968	18-18	1,228	20-25	144
20.02	Vegetables preserved by other than vinegar	4-23	91,850			6-23	17,233		-
20.03	Fruit preserved by freezing	1-68	16,961	26-26	379	0-0	-		-
20.04	Fruit, preserved by sugar	3-34	3,420			15-18	614		-
20.05	Jams, jellies, marmalades	3-67	3,307	27-30	3,532	8-10	475	25-40	874
20.06	Fruit otherwise prepared	1-120	43,472	15-32	42,802	6-20	19,891	20-45	23,144
20.07	Fruit and vegetable juices	2-120	9,419	15-50	9,580	5-24	39,511	17-35	2,166
21.07	Food preparations, s.e.s.	3-25	16,098			5-20	5,930		-
22.02	Lemonade and flavored waters	1-20	717			5-18	660		-
22.04	Grape must	31-31	-			13-13	-	0-0	-
22.05	Wine of fresh grapes	5-55	121,521	13-79	81,388	5-50	20,805		-
22.07	Other fermented beverages	2-202	5,000	20-72	303	4-20	507	46-46	97
22.08	Ethyl alcohol or neutral spirits	4-31	7			1-1	100		-
22.09	Spirits and liqueurs	4-63	530,139	3-258	73,465	3-56	25,344	20-156	13,398
24.01	Unmanufactured tobacco	17-303	121,253	15-24	243,725	1-40	4,882		-
24.02	Manufactured tobacco	5-76	16,363	26-117	10,251	18-73	4,427	20-355	8,321
	Total		2,763,212		3,240,298		551,159		1,309,523

1/ Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from National tariffs.

APPENDIX TABLE 4-L

Agricultural sector BTN headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of the European Community, United States, and Canada 1/

BTN number	Abbreviated BTN description	Japan		European Community		United States		Canada	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
02.01	Meat of bovine animals, sheep, swine, and horses	8-25	119,053	5-20	538,095	1-12	627,845	1-13	70,110
02.02	Dead poultry, fresh, chilled, or frozen	15-20	6,152			5-21	82		-
02.05	Pig fat free of lean meat	10-10	10					0-0	-
02.06	Meat and edible meat offals	15-25	2,638			2-10	4,904	1-20	6,518
03.02	Fish, dried, salted or in brine	8-15	22,007			0-15	27,551	0-0	810
03.03	Crustaceans and mollusks	5-15	148,516			4-13	287,453		-
04.02	Milk and cream, preserved	25-35	14,157			3-56	668	15-18	1,168
04.03	Butter	45-45	664			8-56	935	0-0	-
04.04	Cheese and curd	35-45	20,563			6-26	82,671	6-15	16,855
04.05	Birds' eggs and egg yolks	20-25	13,424	12-12	13,985	2-38	10,106	3-35	7,391
04.06	Natural honey	30-30	3,239			8-8	1,112	4-4	187
05.12	Coral, shells, and waste of shells	20-20	4,173	0-0	4,537	0-0	430	5-5	416
07.01	Vegetables, fresh or chilled	5-10	4,908					0-19	88,646
07.03	Vegetables in brine or preservatives	15-15	1,359			3-23	1,947		-
07.04	Dried and dehydrated vegetables	15-15	4,297			4-35	3,765		-
07.05	Dried leguminous vegetables	10-25	23,734	2-5	58,910	1-13	2,007	7-18	3,055
07.06	Arrowroot, salep, sweet potatoes, etc.	15-15	1					0-0	750
08.01	Dates, bananas, coconuts, etc.	5-30	152,720	2-20	164,628	4-68	263,717	5-6	41,306
08.02	Citrus fruit, fresh or dried	10-40	26,838	6-20	276,192	1-35	7,977	0-0	48,734
08.03	Figs, fresh or dried	10-20	30					0-0	570
08.04	Grapes, fresh or dried	5-20	6,959	6-22	24,142	0-9	4,104	0-12	30,192
08.05	Other nuts	10-30	7,744	2-8	78,092	1-35	20,195	0-0	12,708
08.06	Apples, pears, and quinces, fresh	10-20	-	8-33	47,802	3-9	9,454	7-7	9,034
08.09	Other fruit, fresh	20-20	219			7-35	13,076	4-4	8,634
08.10	Fruit, frozen	20-20	507			1-68	3,640		-
08.11	Fruit, provisionally preserved	10-40	547	6-16	7,700	0-68	876	5-18	2,045
08.12	Fruit, dried, other than above	10-15	608	4-16	16,388	2-35	1,227		-
09.01	Coffee and coffee substitutes	20-35	56,014	10-18	685,756	1-8	1,165,605	2-2	73,382
09.02	Tea	20-35	17,513	9-12	41,169	0-0	52,555	0-0	3,173
09.03	Mate	20-20	-	0-0	51	0-0	49	0-0	5
09.09	Seeds of anise, fennel, and caraway	5-10	808			3-8	2,787	5-18	792
09.10	Other spices	5-30	4,613	14-25	3,394	3-8	2,321	7-7	-
10.01	Wheat and meslin	20-20	318,618			5-14	2,321	7-7	-
10.02	Rye	15-15	4,319					5-5	21
10.03	Burley	10-10	41,662					0-0	-
10.04	Oats	10-10	6,934					0-0	-
10.06	Rice	15-15	2,399			5-36	2,140	5-5	11,583
10.07	Other cereals	5-15	238,844			1-5	1,048	5-5	722
11.01	Cereal flours	13-25	47			1-24	679	3-20	608
11.02	Cereal groats and meal	20-25	1,517			1-24	321	5-20	3,828
11.04	Flours of certain fruits	25-25	22			6-32	8	0-0	-
11.05	Flour, meal and flakes of potato	25-25	-			7-7	105		-
11.06	Flours of certain roots	25-25	176					10-20	692
11.07	Malt, roasted or not	15-15	21,720			1-6	2,517	4-20	12
11.08	Starches, inulin	25-25	5,492			6-12	591	10-24	2,445
11.09	Wheat gluten	25-25	3			10-10	3,479	0-0	-
12.01	Oil seeds and oleaginous fruit	3-20	496,695	0-0	819,442	0-100	13,812		-
12.02	Flours, meals of oil seeds	15-15	-	5-8	625			0-0	-
12.05	Chicory roots	15-15	-	2-2	814			0-0	2
12.07	Plants used in perfumery or pharmacy	5-20	6,500	1-8	20,565	2-15	11,407		-
12.08	Locust beans and fruit kernels	5-40	10,529	2-9	8,782	5-10	323	0-0	22
13.02	Shellac, natural gums, and resins	15-28	4,398	1-2	16,725	4-5	17,104	10-10	2,567
13.03	Vegetable saps and extracts	5-30	10,352	2-24	20,364	2-32	21,614	5-18	1,224
14.01	Vegetable materials used for plaiting	5-10	2,090			0-9	1,557	0-0	79
14.05	Vegetable products, n.e.s.	5-40	3,350	2-2	6,023	8-8	6,881	18-18	590
15.01	Lard, pig, and poultry fat	8-17	6,362			5-5	2	7-9	2,383
15.04	Fats and oils, of fish and marine mammals	5-10	636			0-23	6,940		-
15.07	Fixed vegetable oils	5-26	15,619	3-20	283,159	1-65	64,698	10-18	15,619
15.13	Margarine and imitation lard	15-35	839			10-31	1	7-18	708
15.15	Beeswax and other insect waxes	15-15	997	5-5	1,520				-
16.01	Sausages	25-25	374			2-8	9,330	1-3	251
16.02	Other prepared or preserved meat	15-25	2,224			1-17	355,321	1-25	13,282
16.03	Meat and fish extracts	20-20	389	7-20	18,898	0-0	4,696		-
16.04	Prepared or preserved fish	10-20	2,372			1-35	84,736	2-20	12,742
16.05	Crustaceans and mollusks	8-15	5,970			4-14	64,806		-
17.01	Beet and cane sugar, solid	42-110	283,942			9-9	530,761	0-42	25,364
17.02	Other sugars and artificial honey	5-35	26,605			3-24	6,460	4-18	1,247
17.03	Molasses	5-229	28,872			1-4	43,742	3-7	2,748
17.04	Sugar confectionery	35-35	2,322			5-67	26,130		-
17.05	Flavored or colored sugars	35-35	458			15-15	35		-
18.03	Cocoa paste	10-20	345			2-2	2,796	5-15	1,686
18.05	Cocoa powder	30-30	781			2-2	21,255	15-15	1,551
18.06	Chocolate and cocoa food preparations	25-35	8,887			1-7	29,371	7-20	3,892
19.02	Certain cereal preparations	20-35	85			3-18	3	13-20	1,657
19.03	Macaroni and spaghetti	29-29	159			2-3	5,074	4-18	804
19.04	Tapioca and sago	25-25	4			6-12	7,260	10-20	173
19.05	Roasted cereal preparations	30-30	144			3-3	1,398	13-18	562
19.06	Wafers and rice paper	10-10	3					0-0	21
19.07	Bread, ships', biscuits and bakers' wares	15-15	11			3-3	4,054	5-18	3,108
19.08	Pastry, cakes, and biscuits	35-40	2,630	13-13	5,603	3-3	27,523	5-20	3,046
20.01	Vegetables and fruit, prepared with vinegar	20-25	144			4-68	5,766		-
20.02	Vegetables preserved by other than vinegar	15-35	7,936			4-23	91,850	6-23	17,233
20.03	Fruit preserved by freezing	35-35	45			1-68	16,961	0-0	-
20.04	Fruit, preserved by sugar	30-30	560			3-34	3,420	15-18	614
20.05	Jams, jellies, and marmalades	25-40	874			3-67	3,307	8-10	475
20.06	Fruit otherwise prepared	20-45	23,144	15-32	42,802	1-120	43,472	6-20	19,891
20.07	Fruit and vegetable juices	17-35	2,166	15-50	9,580	2-120	9,419	5-24	32,511
21.01	Roasted chicory and coffee substitutes	15-15	133			1-12	533	4-6	354

See footnote at end of table.

APPENDIX TABLE 4-L--Continued

Agricultural sector HTS headings where possible rate disparities may exist in the Japanese tariff compared with tariffs of the United States, European Community, and Canada ^{1/}

HTS number	Abbreviated HTS description	Japan		European Community		United States		Canada	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
21.02	Concentrates of coffee, tea, or maté-----	20-30	18,333	12-18	4,425	10-10	46,921	6-35	11,136
21.03	Mustard flour and prepared mustard-----	25-30	39	4-16	79	5-5	588	8-8	302
21.04	Sauces; mixed condiments-----	15-25	1,177			5-14	3,956	8-18	4,161
21.05	Soups and broths-----	17-30	718			7-10	2,868	8-18	2,139
21.06	Natural yeasts and baking powders-----	10-25	210	8-23	1,098	5-10	1,183	6-18	547
21.07	Food preparations, n.s.s.-----	25-35	6,123			3-25	16,098	5-20	5,930
22.02	Lemonade and flavored waters-----	25-35	62	15-15	1,328	1-20	717	5-18	660
22.03	Beer made from malt-----	20-20	548			5-5	31,490	9-9	1,749
22.05	Wine of fresh grapes-----	59-72	2,124	13-79	81,388	5-55	121,521	5-50	20,805
22.06	Vermouths-----	53-53	980	17-36	642	6-11	18,124	5-50	2,242
22.07	Other fermented beverages-----	46-46	97	20-72	303	2-202	5,000	4-20	507
22.08	Ethyl alcohol or neutral spirits-----	50-103	408	16-277	2,124	4-31	7	1-1	100
22.09	Spirits and liqueurs-----	20-156	13,398	3-258	73,465	4-63	530,139	3-56	25,344
22.10	Vinegar and substitutes-----	13-13	23			3-3	169		
24.01	Unmanufactured tobacco-----	355-355	63,861	15-24	243,725	17-303	121,253	1-40	4,887
24.02	Manufactured tobacco-----	20-355	8,321	26-117	10,251	5-76	16,363	18-73	4,422
	Total-----		2,382,136		3,634,571		5,026,920		698,147

^{1/} Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the HTS heading.

Source: Developed from National tariffs.

APPENDIX TABLE 4-M

Agricultural sector BTN headings where possible rate disparities may exist in the European Community's tariff compared with tariffs of the United States, Canada, and Japan 1/

BTN number	Abbreviated BTN description	European Community		United States		Canada		Japan	
		Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports	Tariff range	MFN imports
		Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars	Percent ad val.	1,000 dollars
01.01	Live horses, asses, mules, and hinnies-----	0-18	59,769	3-15	15,084	0-0	2,497	0-0	5,280
01.04	Live sheep and goats-----	5-15	23,735	0-9	388			0-0	22
01.06	Other live animals-----	8-10	16,019				1,068	0-0	4,119
02.01	Meat of bovine animals, sheep, swine, and horses-----	5-20	538,095	1-12	607,845	1-13	70,110	8-25	119,053
02.04	Other meat and edible offals-----	5-14	36,629	1-21	4,821	1-1	168		
02.06	Meat and edible meat offals-----	13-24	3,556	2-10	4,904	1-30	6,518		
03.01	Fish, fresh, chilled, or frozen-----	5-23	171,070	1-15	325,434	8-11	9,682	5-10	58,650
03.02	Fish, dried, salted, or in brine-----	10-20	45,981	0-15	27,581	0-0	810	8-15	22,007
03.03	Crustaceans and mollusk-----	6-25	41,080	4-14	287,453	8-8	16,779	5-15	148,516
04.01	Milk and cream, fresh-----	16-16	-	3-56	3,072			0-0	-
04.05	Birds' eggs and egg yolks-----	10-12	13,985	2-38	10,106				
04.06	Natural honey-----	27-27	16,998	8-8	1,112	4-4	187		
06.01	Roots, tubers, and rhizomes-----	8-15	3,718	1-8	16,886			0-0	397
06.02	Other live plants-----	3-13	7,628	0-8	1,075			0-0	438
06.03	Cut flowers and flower buds-----	17-24	10,237	5-10	3,352			5-5	162
06.04	Foliage and branches of trees and shrubs-----	8-17	9,734	5-13	6,902				
07.01	Vegetables, fresh or chilled-----	7-21	168,727	1-41	153,804	0-19	88,646	5-10	4,908
07.02	Vegetables, frozen-----	18-19	5,820	1-36	2,650				
07.03	Vegetables in brine or preservatives-----	6-15	7,657	3-23	1,947				
07.04	Dried and dehydrated vegetables-----	16-18	20,325	4-35	3,765				
08.01	Dates, bananas, coconuts, etc-----	2-20	164,628	4-68	263,717	5-6	41,306	5-30	152,720
08.02	Citrus fruit, fresh or dried-----	6-20	276,152	1-35	7,977	0-0	48,734	10-40	26,838
08.03	Figs, fresh or dried-----	7-10	75	5-5	50	0-0	570		
08.04	Grapes, fresh or dried-----	6-22	24,142	0-9	4,104	0-12	30,192	5-20	6,959
08.06	Apples, pears, and quinces, fresh-----	8-33	47,802	3-9	9,454	7-7	9,034	10-20	-
08.07	Stone fruit, fresh-----	10-25	13,047	1-9	998	2-13	10,827	10-10	-
08.08	Berries, fresh-----	6-16	13,271	1-9	10,768	5-10	5,701		
08.10	Fruit, frozen-----	18-20	11,642	1-68	3,640				
08.11	Fruit, provisionally preserved-----	6-16	7,700	0-68	876	5-18	2,045		
08.12	Fruit, dried, other than above-----	4-16	16,388	2-35	1,227				
09.01	Coffee and coffee substitutes-----	10-18	685,756	1-8	1,165,605	2-2	73,382		
09.02	Tea-----	9-12	41,169	0-0	52,555	0-0	3,173		
09.04	Pepper and pimento-----	10-17	18,140	1-21	28,375	5-8	1,222	5-10	2,344
09.05	Vanilla-----	12-12	2	0-0	10,368	0-0	577	0-0	516
09.06	Cinnamon-----	10-13	1,381	2-2	1,641			0-0	98
09.07	Cloves-----	15-18	205			5-5	128	5-10	748
09.08	Nutmeg and mace-----	5-15	3,283					5-10	1,289
09.09	Seeds of anise, fennel, and caraway-----	5-26	1,175	8-8	2,904	0-0	118	5-10	808
09.10	Other spices-----	14-25	1,394	3-8	2,787	5-18	792	5-30	4,613
11.04	Flours of certain fruits-----	13-17	335	6-32	8	0-0	-		
11.05	Flour, meal, and flakes of potato-----	19-19	858	7-7	105				
11.08	Starches; inulin-----	30-30	2,023	6-12	591	10-24	2,445		
12.03	Seeds and fruit used for sowing-----	4-13	39,708	0-25	17,483				
13.03	Vegetable saps and extracts-----	2-24	20,364	2-32	21,614	5-18	1,224	5-30	10,352
15.07	Fixed vegetable oils-----	3-20	283,159	1-65	64,698	10-18	18,637	5-26	15,619
15.08	Certain animal and vegetable oils-----	14-14	621	4-60	-				
15.12	Hydrogenated animal or vegetable oils-----	17-20	3,042					8-8	423
15.13	Margarine and imitation lard-----	25-25	199	10-31	1	7-18	708		
16.02	Other prepared or preserved meat-----	16-26	45,808	1-17	355,521	1-25	13,282		
16.03	Meat and fish extracts-----	7-20	18,898	0-0	4,696				
16.04	Prepared or preserved fish-----	13-30	64,875	1-35	24,736	2-20	12,742	10-20	2,372
16.09	Crustaceans and mollusk-----	16-20	29,819	4-14	64,866	8-20	9,356	8-15	5,970
17.04	Sugar confectionery-----	21-21	12,326	5-67	26,130				
18.03	Cocoa paste-----	15-15	513	2-2	2,796	5-15	1,086		
18.04	Cocoa butter-----	12-12	16,999			0-0	6,077		
18.05	Cocoa powder-----	16-16	40	2-2	21,255				
19.05	Pastry, cakes, and biscuits-----	13-13	5,603	3-3	27,523				
20.01	Vegetables and fruit, prepared with vinegar-----	20-22	4,968	4-68	5,766				
20.02	Vegetables preserved by other than vinegar-----	18-24	89,610	4-23	91,850	6-23	17,233		
20.03	Fruit preserved by freezing-----	26-26	379	1-68	16,961	0-0	-		
20.04	Fruit, preserved by sugar-----	25-25	200	3-34	3,420				
20.05	Jams, jellies, and marmalades-----	27-30	3,532	3-67	3,307	8-10	475		
20.06	Fruit otherwise prepared-----	15-32	42,802	1-120	43,472	6-20	19,891		
20.07	Fruit and vegetable juices-----	15-50	9,580	2-120	9,419	5-24	38,511	17-35	2,166
21.01	Roasted chicory and coffee substitutes-----	18-22	-	1-12	533	4-6	354		
21.02	Concentrates of coffee, tea, or mate-----	12-18	4,423			6-35	11,136		
21.03	Mustard flour and prepared mustard-----	4-15	79	5-5	588				
21.04	Sauces and mixed condiments-----	18-18	3,863	5-14	3,926	8-18	4,161		
21.05	Soups and broths-----	18-18	1,066	7-10	2,868	8-18	2,139		
21.06	Natural yeasts and baking powders-----	8-23	1,098	5-10	1,183	6-18	547	10-25	210
21.07	Food preparations, n.e.s-----	20-20	2,349	3-25	16,098	5-20	5,930		
22.02	Lemonade and flavored waters-----	15-15	1,328	1-20	717	5-18	660		
22.03	Beer made from malt-----	24-24	11,801	5-5	31,490	9-9	1,749		
22.04	Grape must-----	40-40	851			13-13	-	0-0	-
22.05	Wine of fresh grapes-----	13-79	81,388	5-55	121,521	5-50	20,805		
22.06	Vermouths-----	17-36	642	6-11	18,124	5-50	2,242		
22.07	Other fermented beverages-----	20-72	303	2-208	5,000	4-20	507	46-46	97
22.08	Ethyl alcohol or neutral spirits-----	16-277	2,124	4-31	7	1-1	100	50-103	408
22.09	Spirits and liqueurs-----	3-258	73,465	4-63	530,139	3-56	25,344	20-156	13,398
22.10	Vinegar and substitutes-----	28-36	26	3-3	169	15-15	196	13-13	23
23.02	Bras and residues from milling-----	8-21	63,835	0-0	9,001	5-18	207	0-0	21,158
23.07	Swetened forage-----	6-15	13,453	4-8	17,566	5-18	7,407	5-5	15,302
24.01	Manufactured tobacco-----	19-24	24,725			1-40	4,887		
24.02	Manufactured tobacco-----	26-117	10,251	5-76	16,363	18-73	4,822	20-355	8,321
	Total-----		3,742,089		4,706,658		656,328		656,248

1/ Based on comparison of low and high duties in the range of each country's rates on dutiable items only in the BTN heading.

Source: Developed from National tariffs.

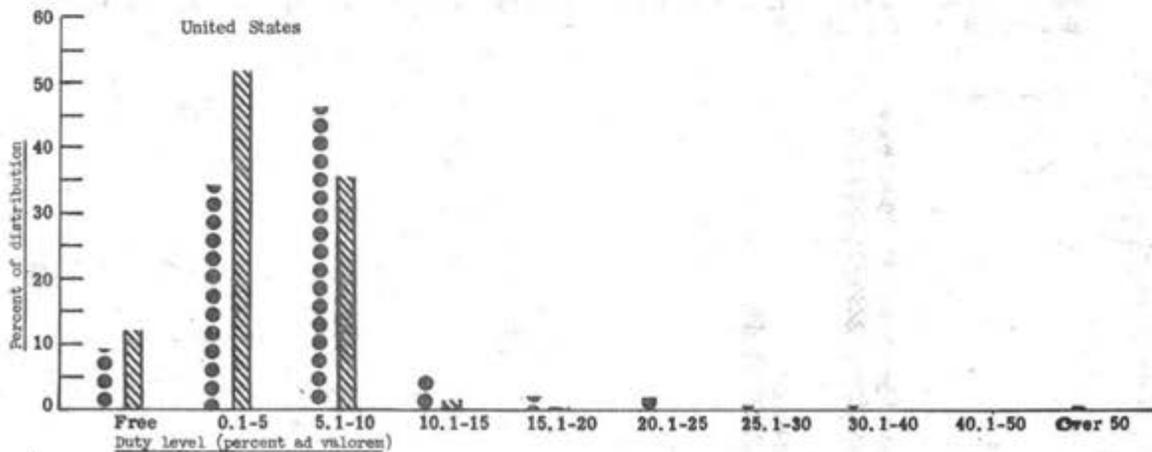
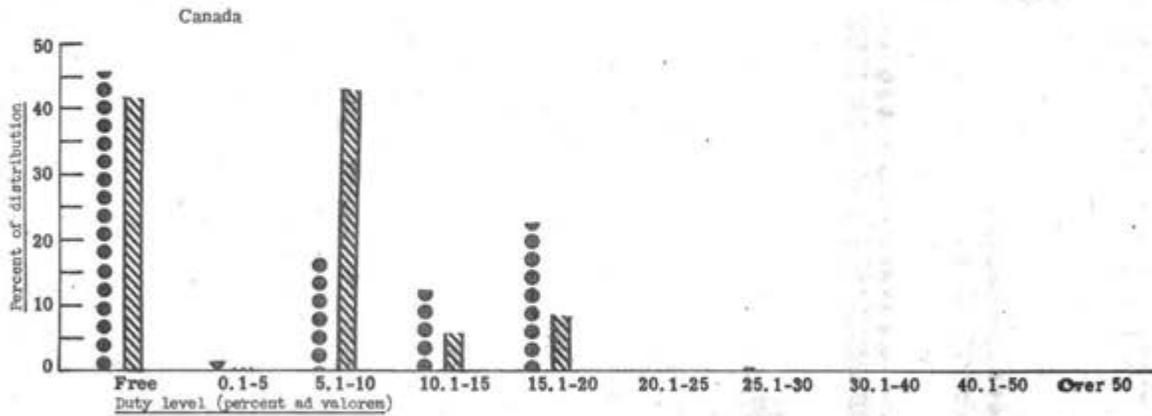
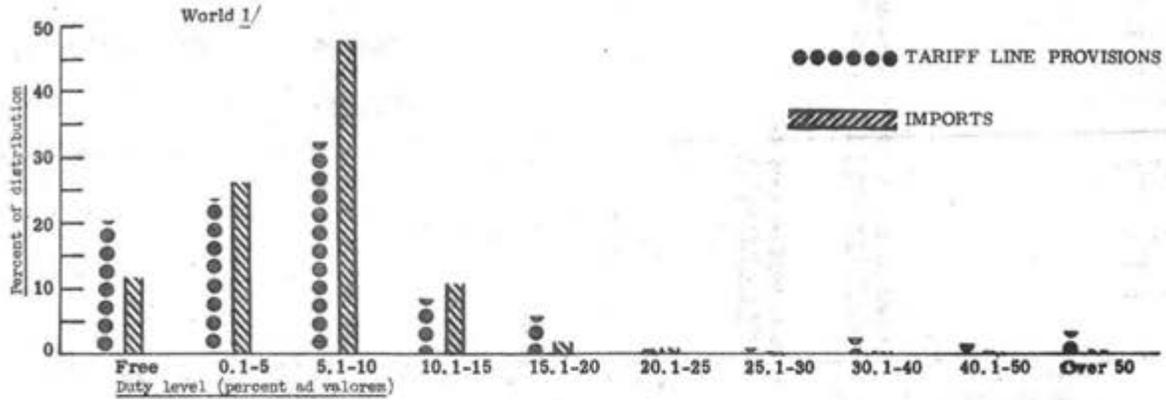
Appendix Chart 4-A.--Industrial Sectors: Tariff and trade profiles

Distribution, by duty level, of MFN tariff provisions and imports of Canada, United States, Japan, the European Community and the United Kingdom

Industrial Sectors

I-1	Nonelectrical machinery
I-2	Transport equipment
I-3	Ores, metals and metal manufactures
I-4	Chemicals
I-5	Textiles
I-6	Electrical machines and apparatus
I-7	Pulp, paper and paperboard, and manufactures
I-8	Coal, petroleum, natural gas
I-9	Mineral products and fertilizers, ceramic products and glass
I-10	Professional, scientific and controlling instruments, photographic apparatus, clocks and watches
I-11	Wood and cork and manufactures
I-12	Precious stones, precious metals and manufactures
I-13	Rubber and rubber manufactures
I-14	Raw hides and skins, leather and furskins and manufactures
I-15	Footwear and travel goods
I-16	Musical instruments, sound recording or reproduction apparatus
I-17	Firearms, ammunition, tanks and other armored fighting vehicles
I-18	Furniture
I-20	Photographic and cinematographic supplies
I-21	Works of art and collectors' pieces
I-22	Office and stationery supplies
I-23	Manufactured articles not elsewhere specified

TARIFF AND TRADE PROFILES
Industrial Sector I-1. --Nonelectrical Machinery

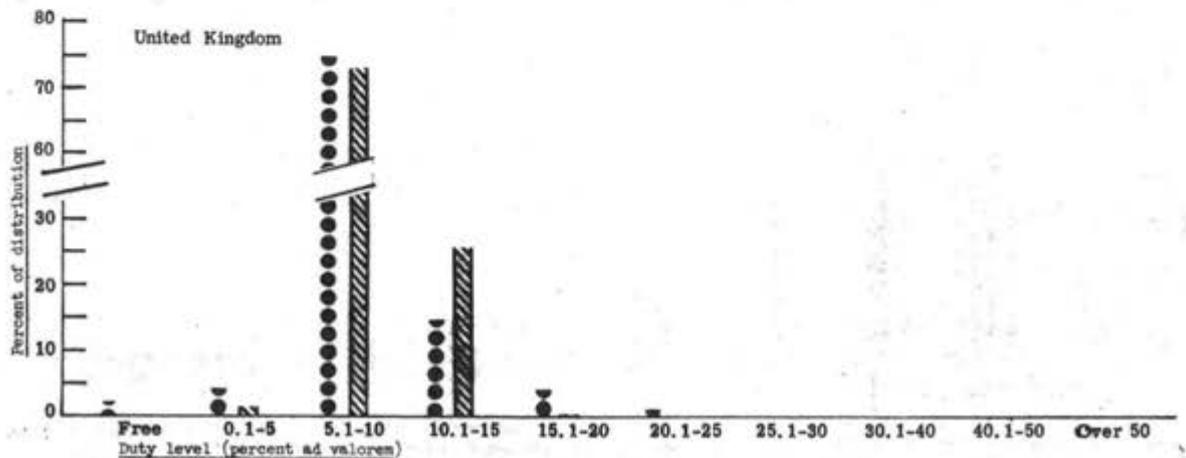
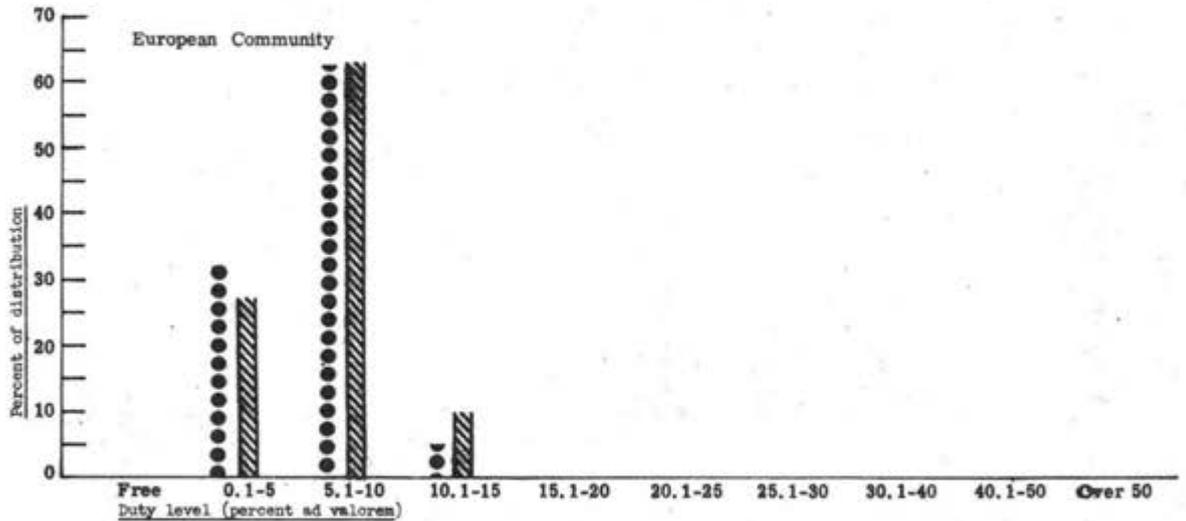
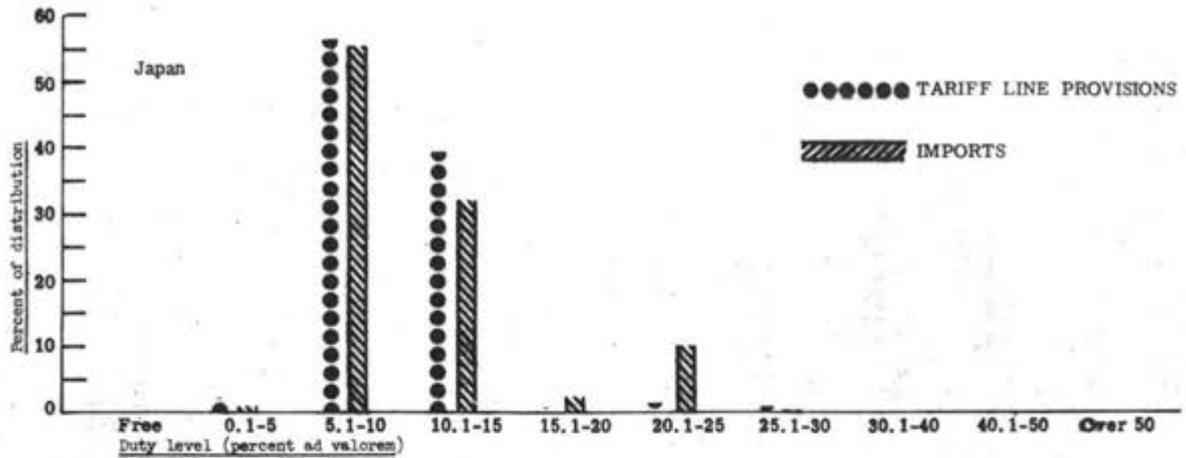


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

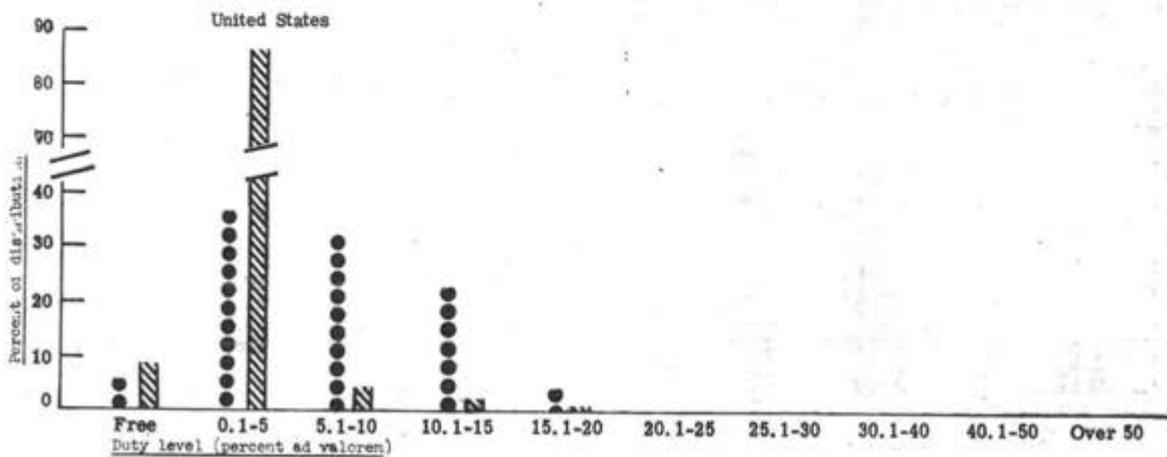
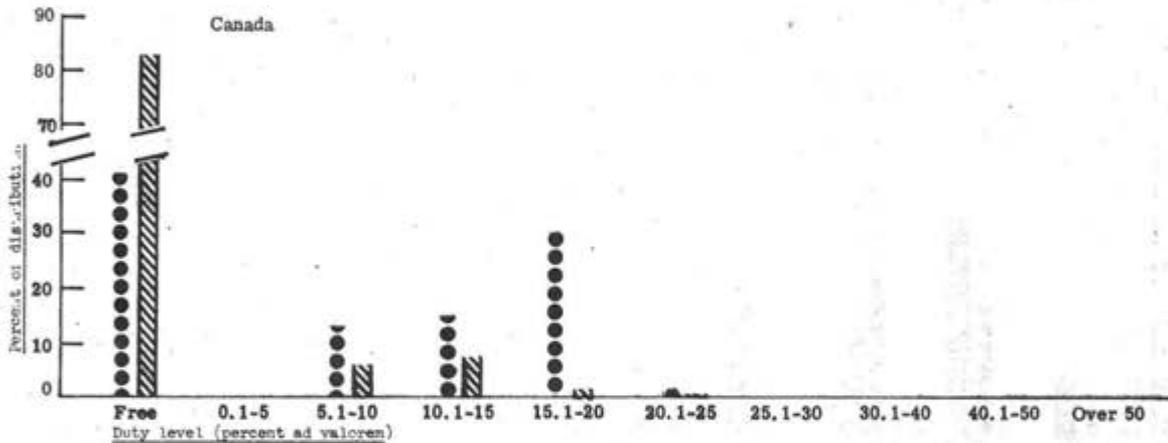
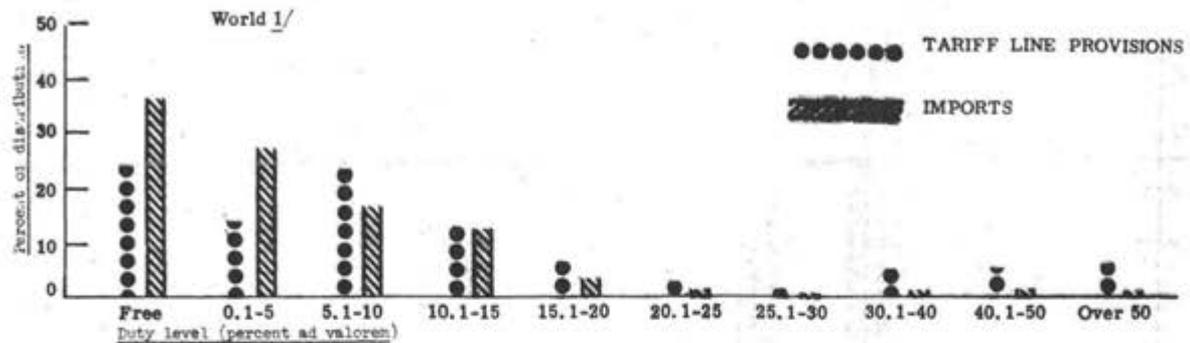
Industrial Sector 1-1.--Nonelectrical Machinery--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

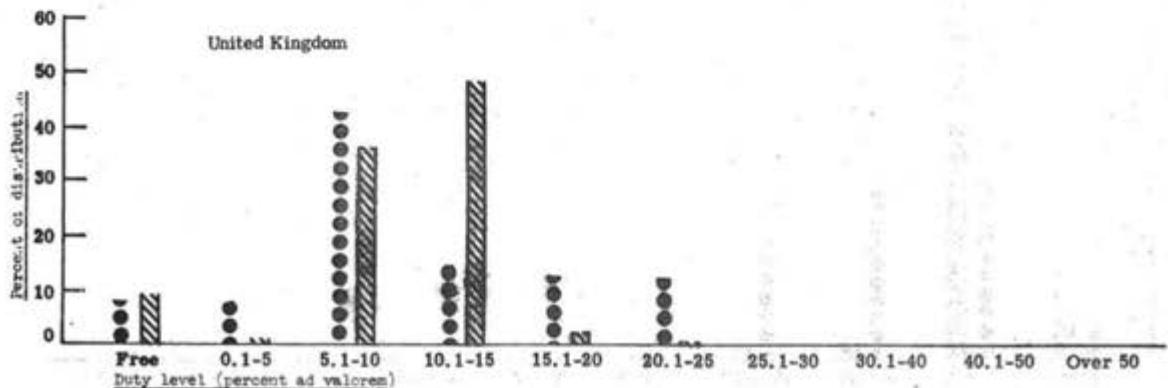
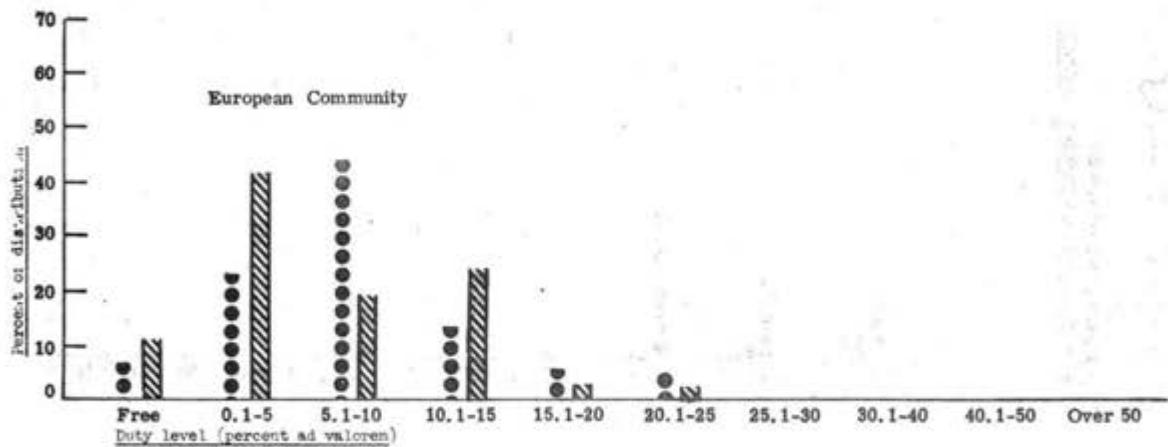
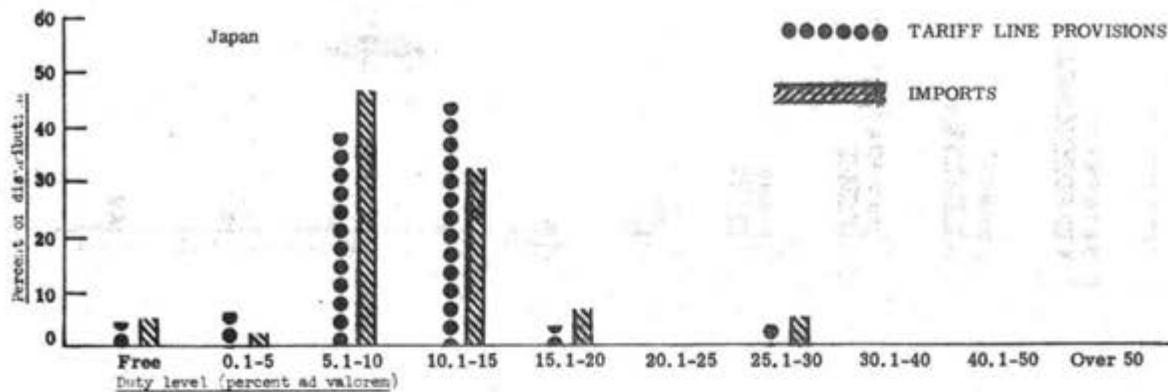
TARIFF AND TRADE PROFILES
 Industrial Sector I-2. --Transport Equipment



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

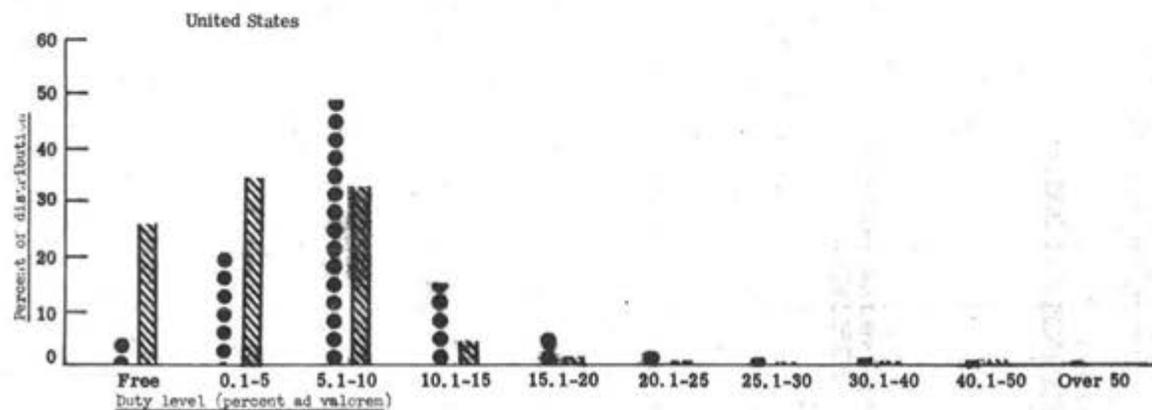
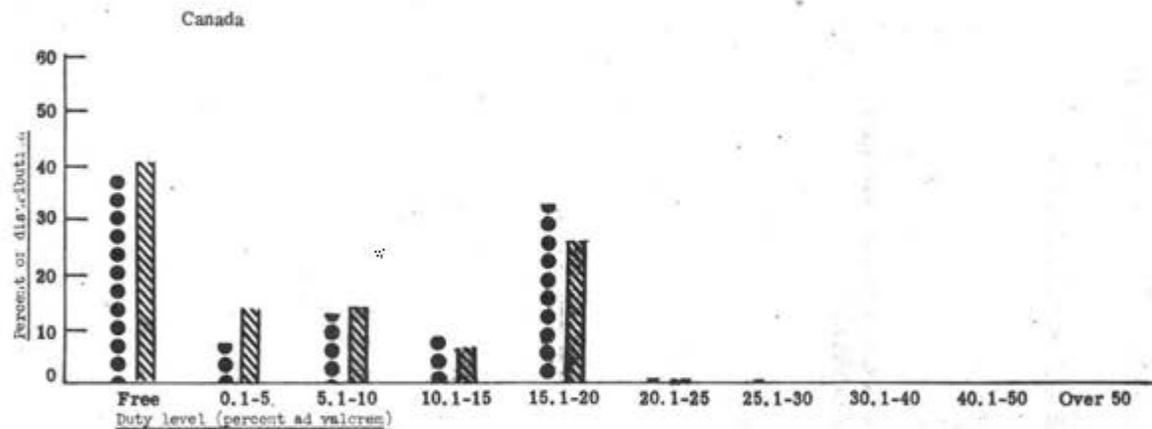
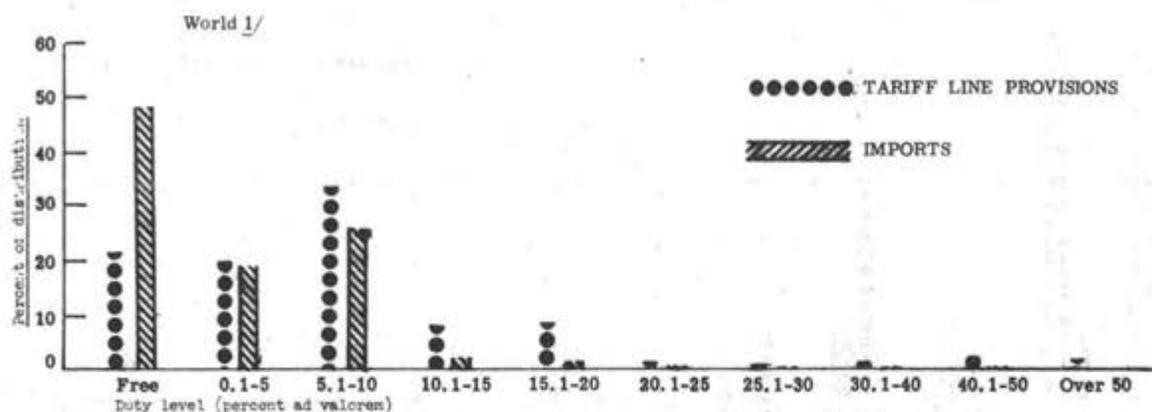
TARIFF AND TRADE PROFILES
Industrial Sector 1-2. --Transport Equipment--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

TARIFF AND TRADE PROFILES

Industrial Sector I-3. --Ores, Metals and Metal Manufactures

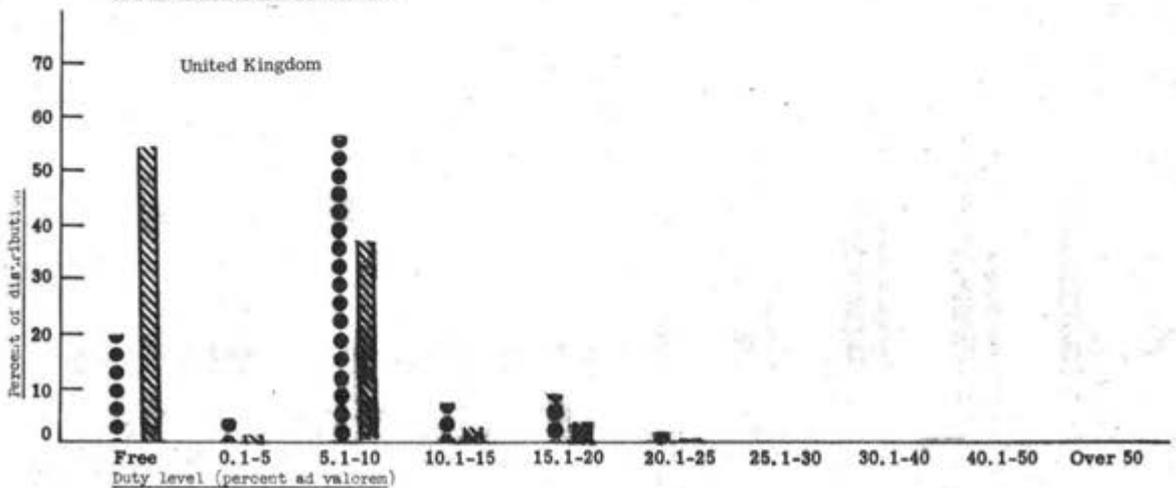
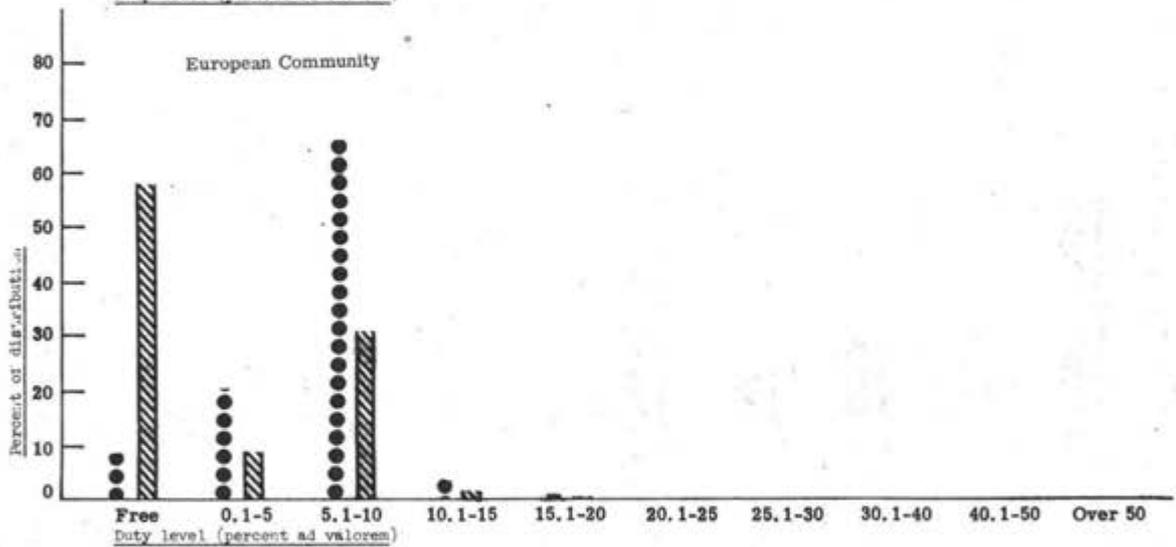
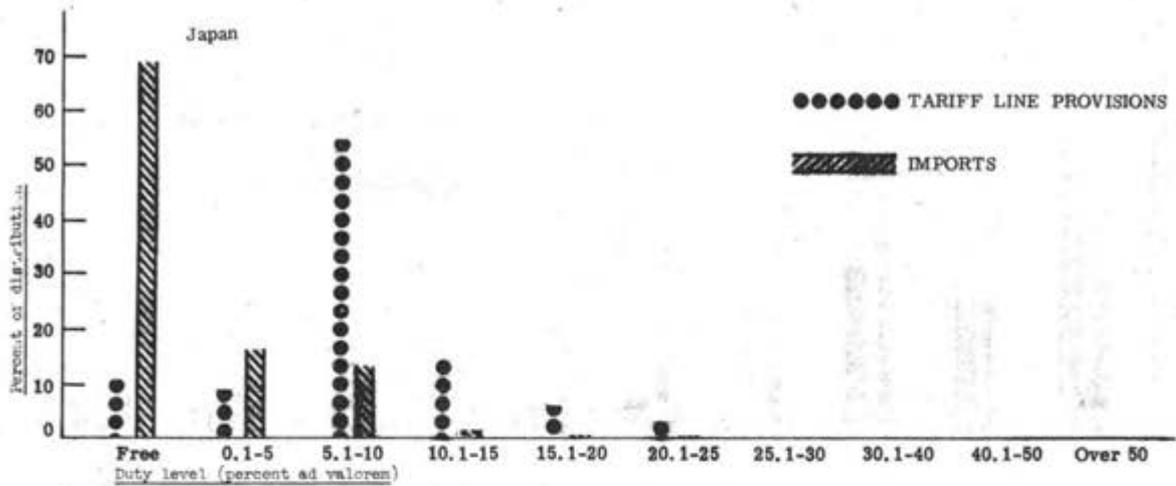


-1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

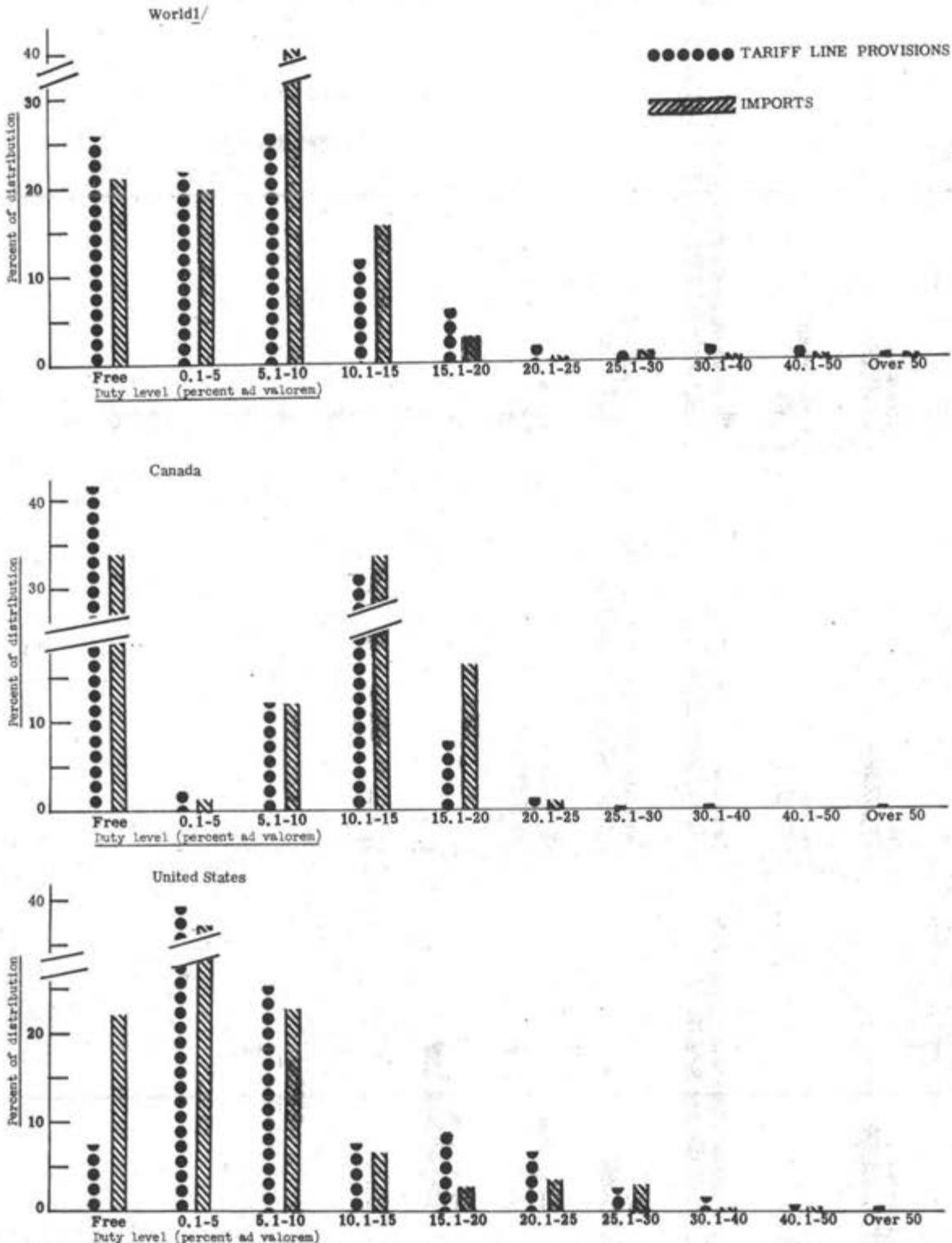
Industrial Sector I-3.--Ores, Metals and Metal Manufactures--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES
Industrial Sector I-4, --Chemicals

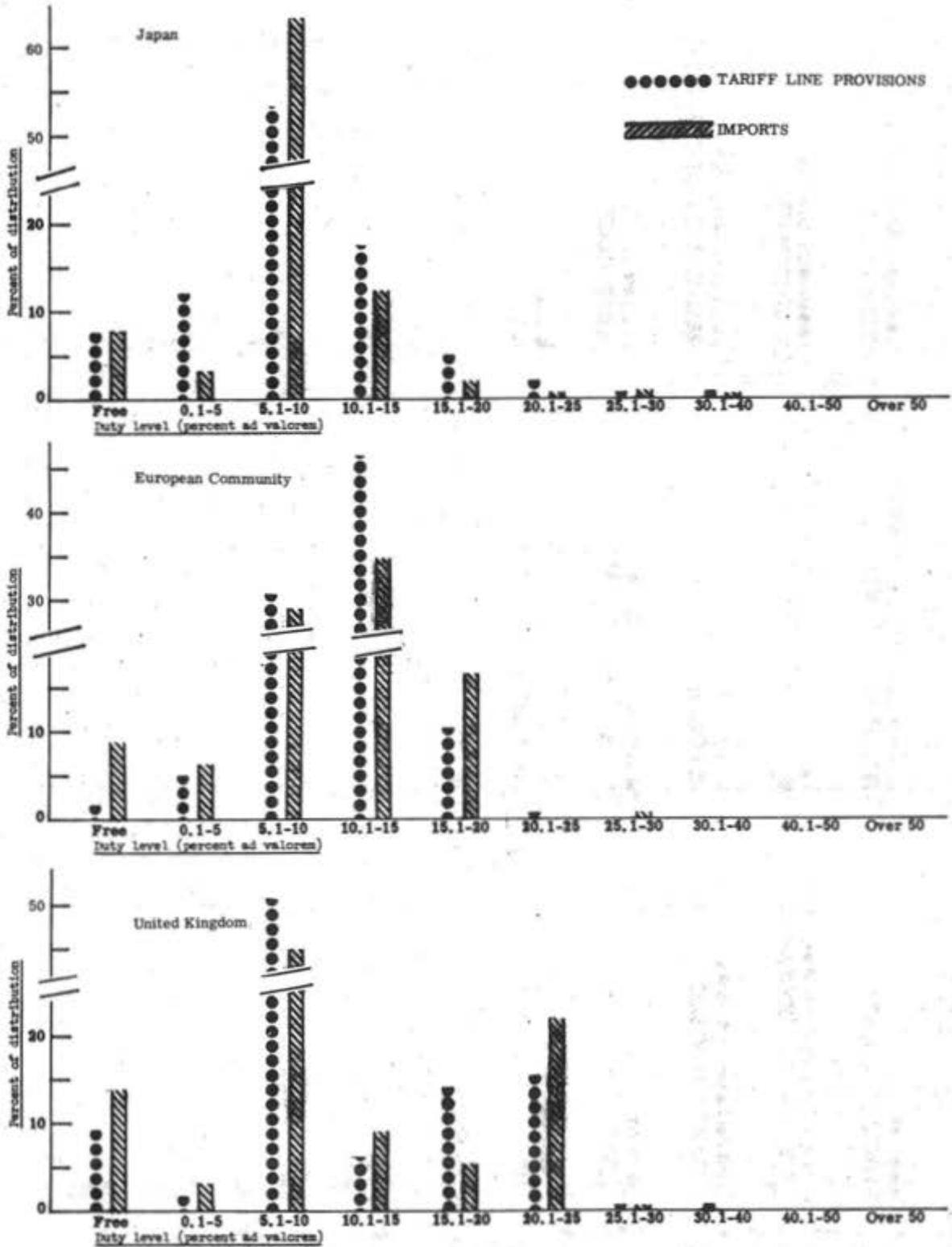


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-4. --Chemicals--Continued

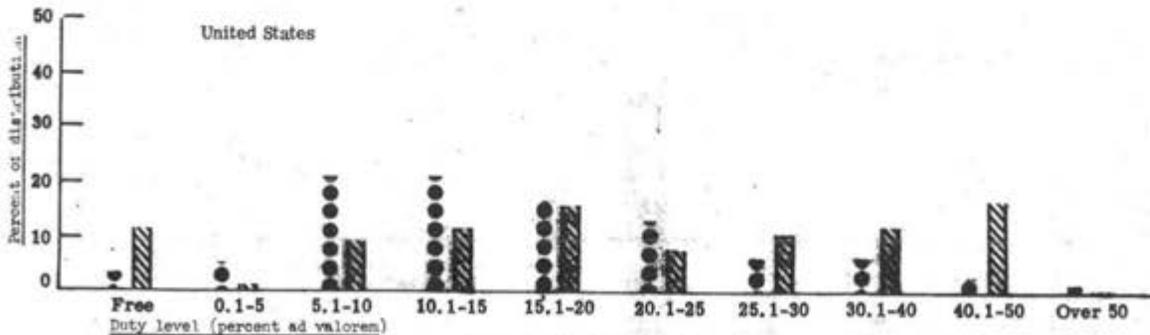
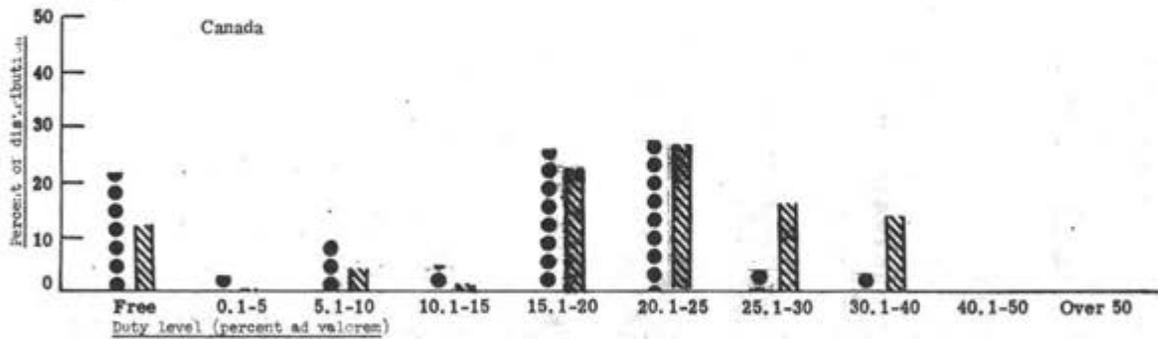
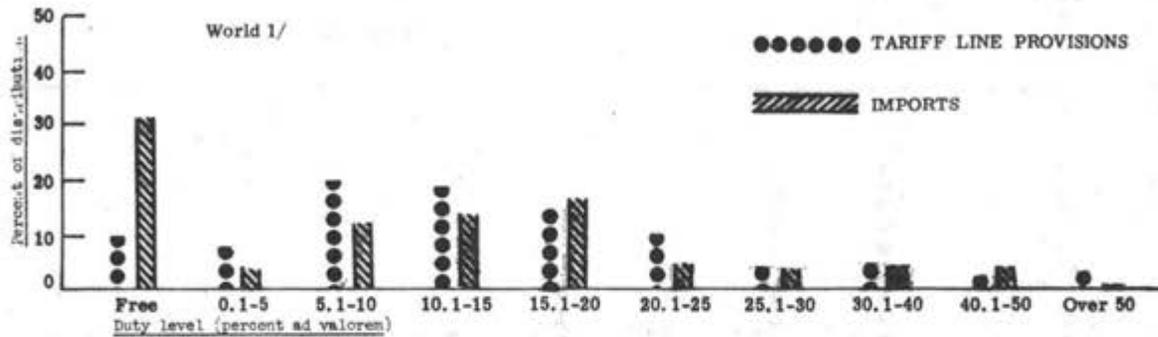


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-5. --Textiles

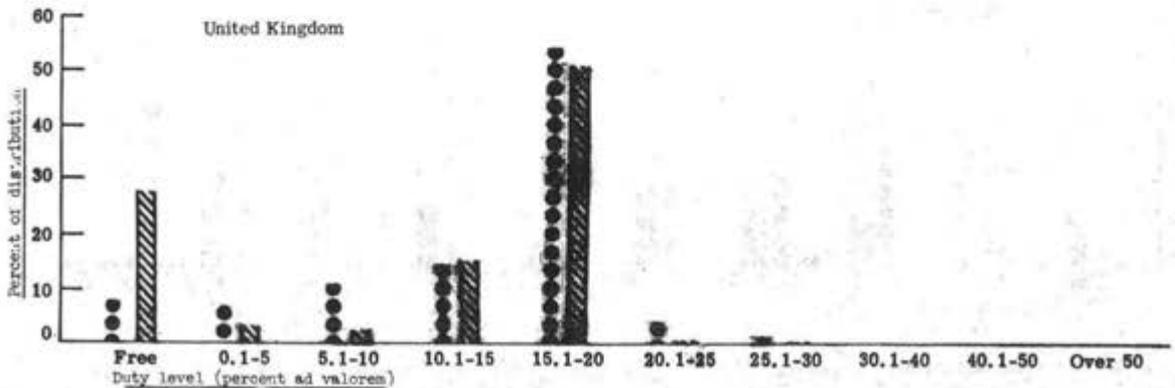
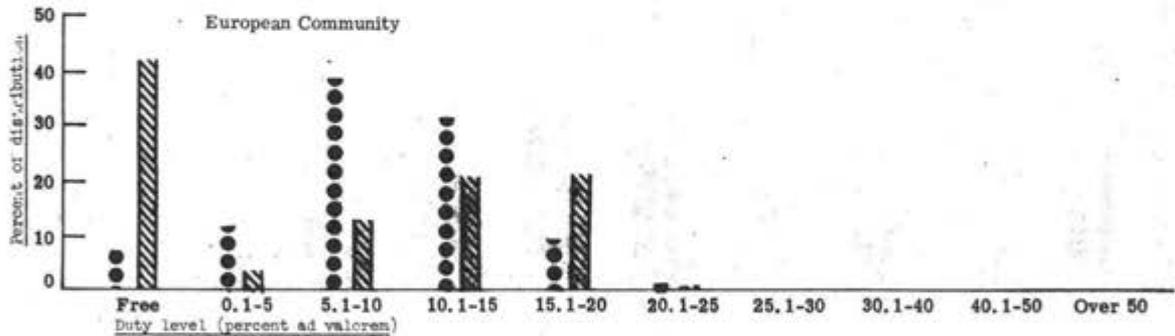
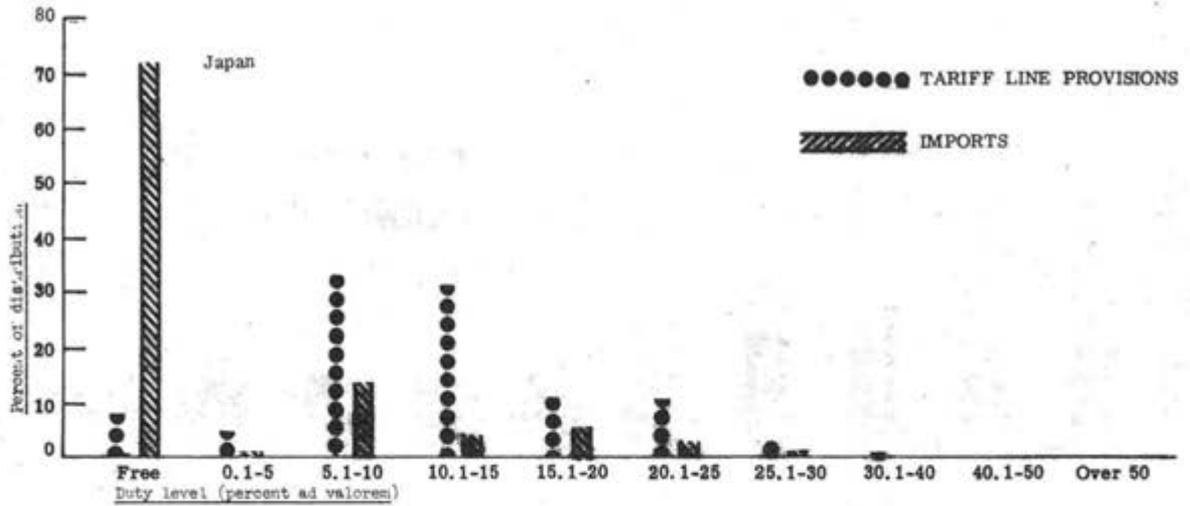


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES
Industrial Sector I-5. --Textiles--Continued

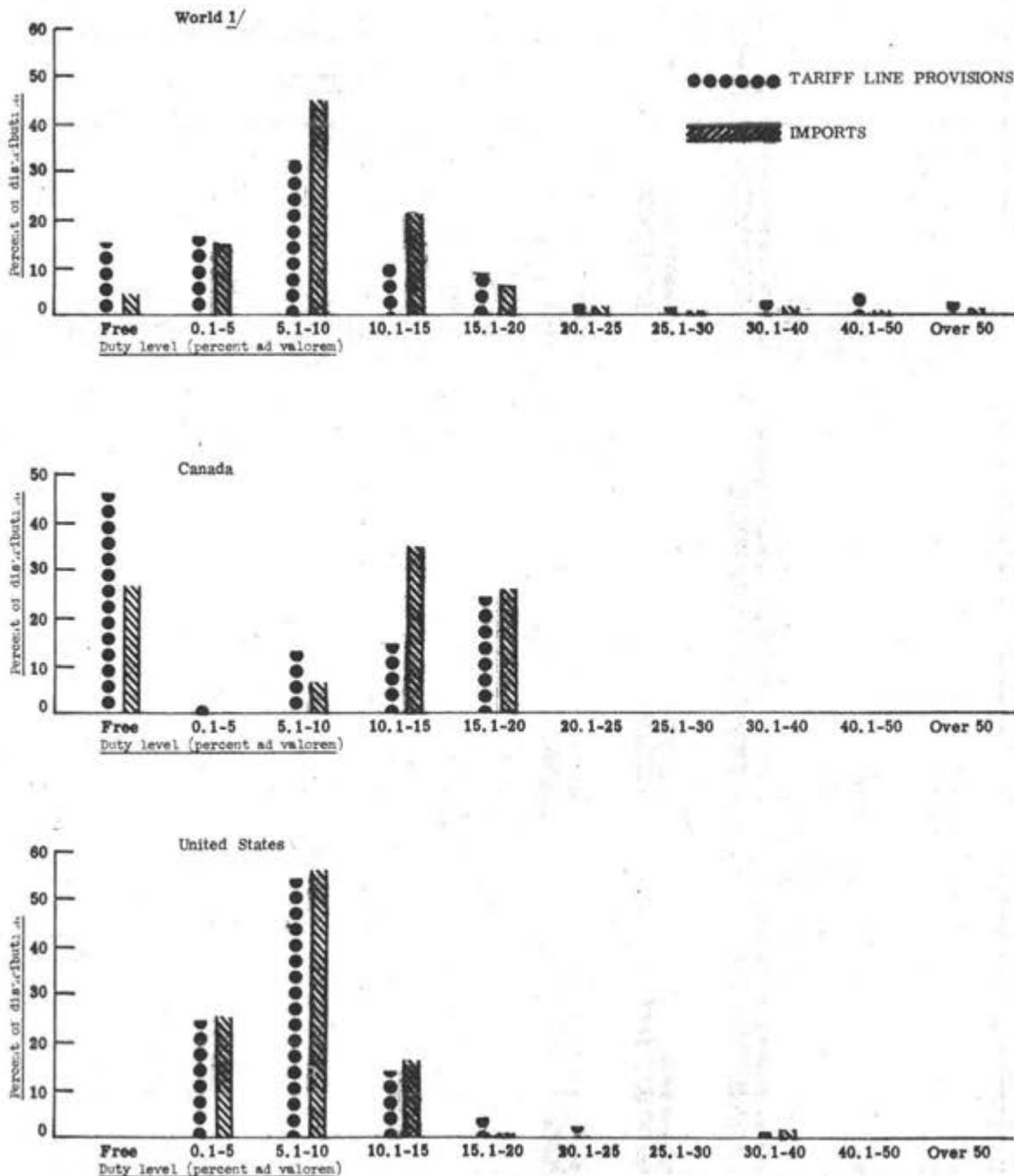


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-6, --Electrical Machines and Apparatus



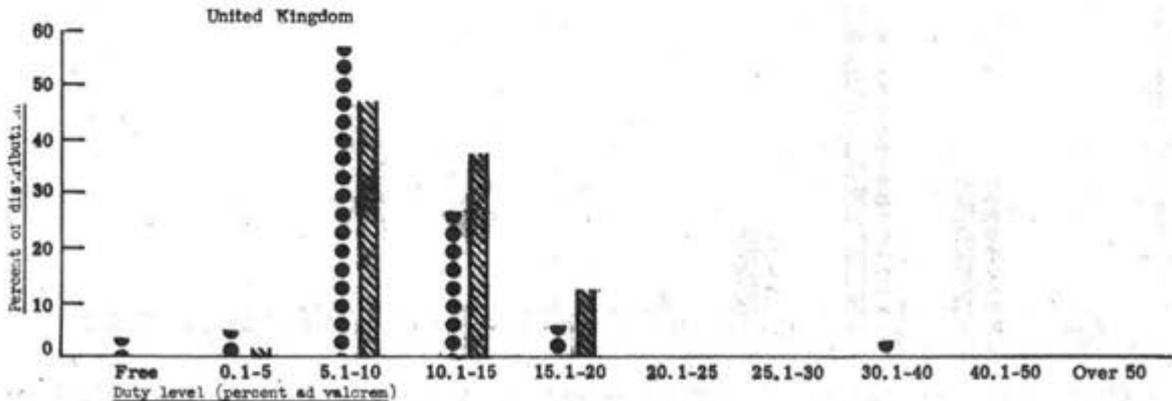
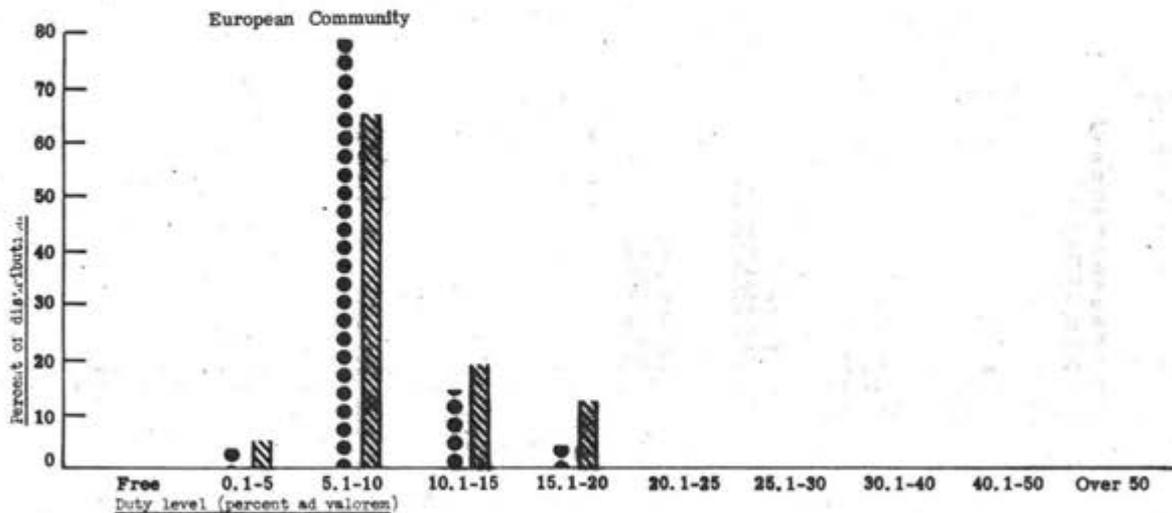
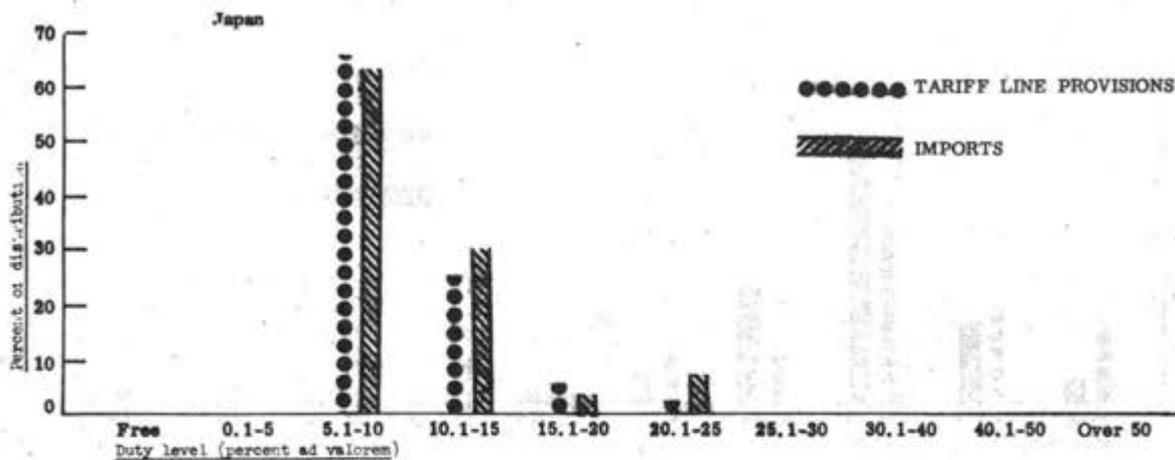
^{1/} "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-6.--Electrical Machines and Apparatus--Continued

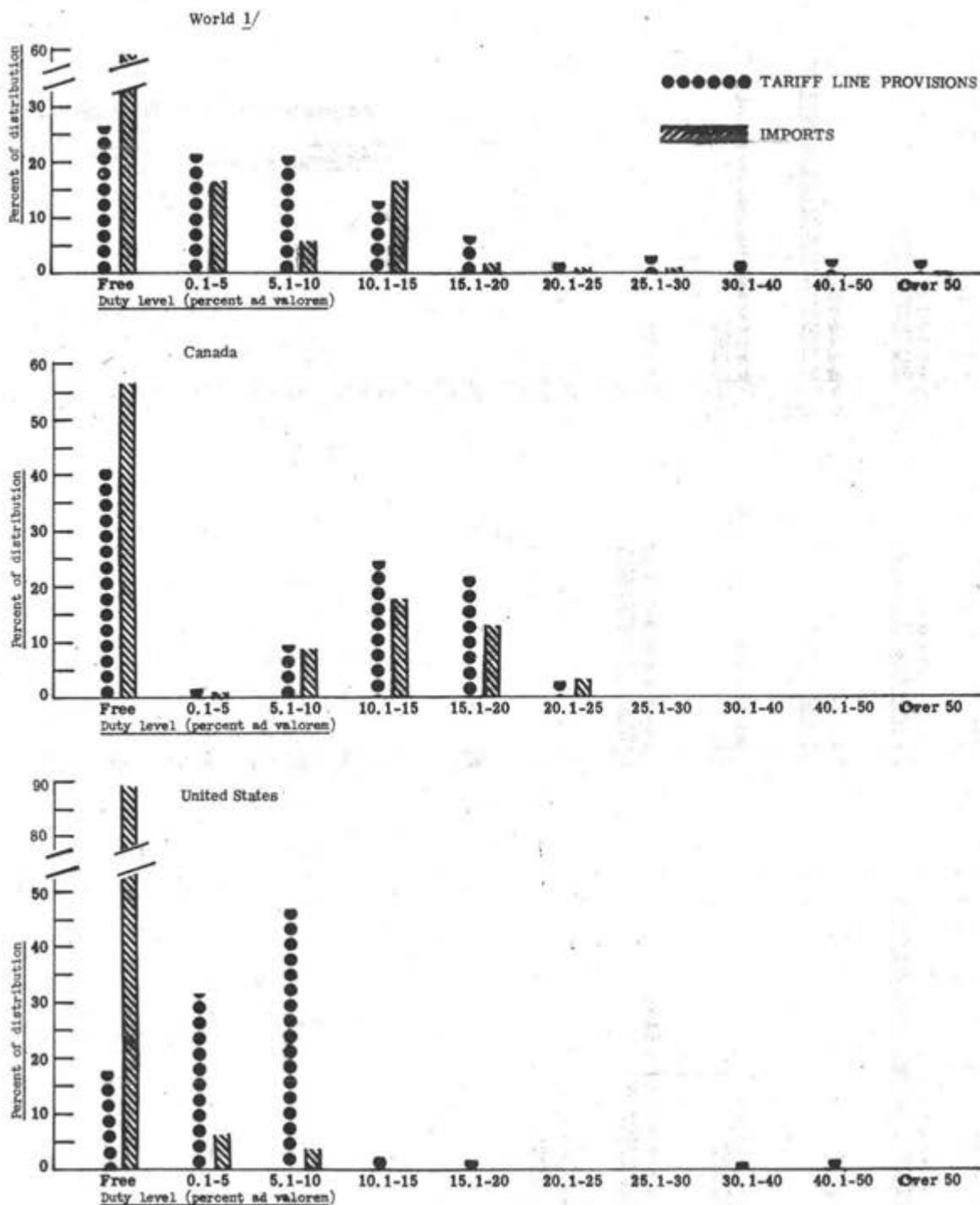


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-7. --Pulp, Paper and Paperboard, and Manufactures

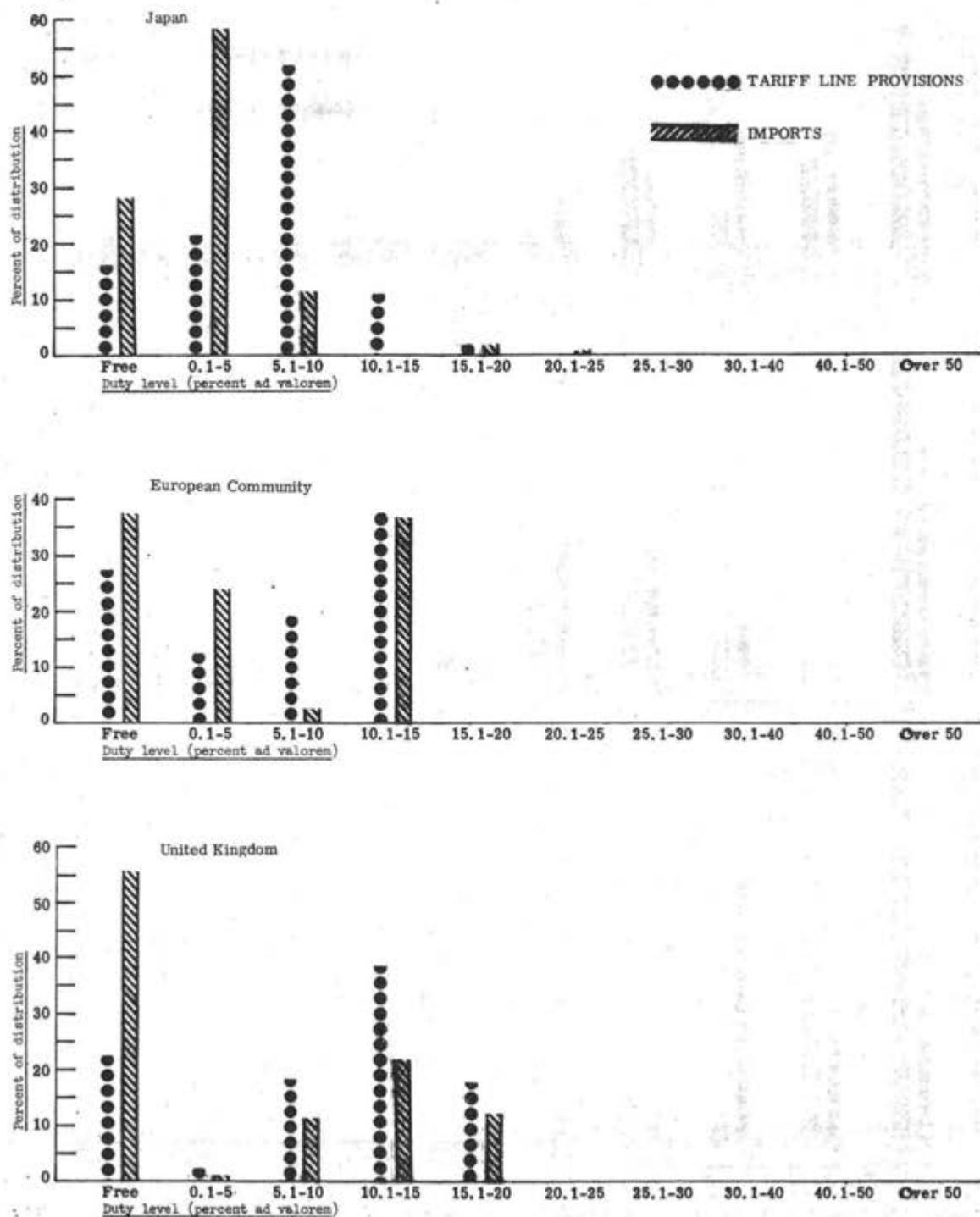


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-7. --Pulp, Paper and Paperboard, and Manufactures--Continued

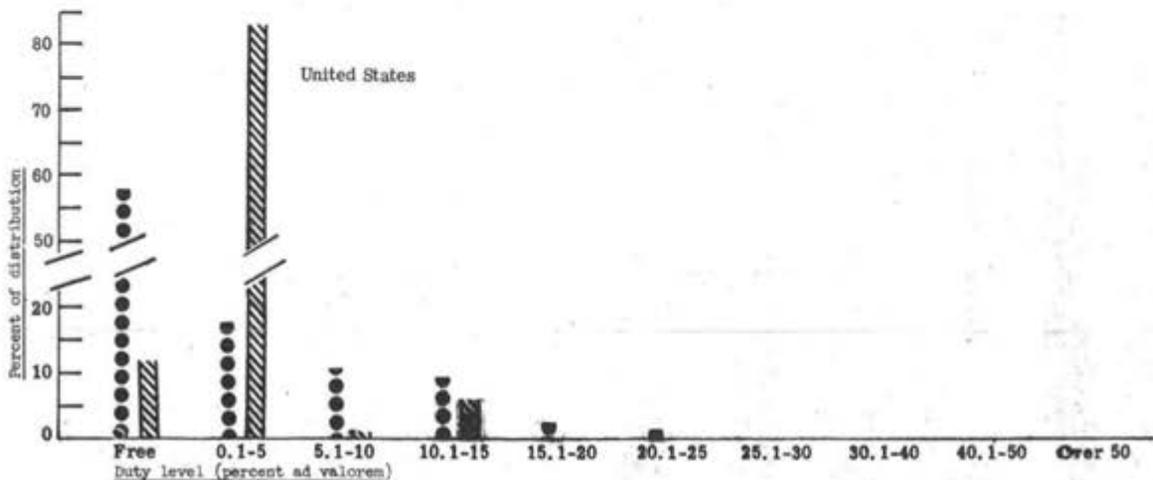
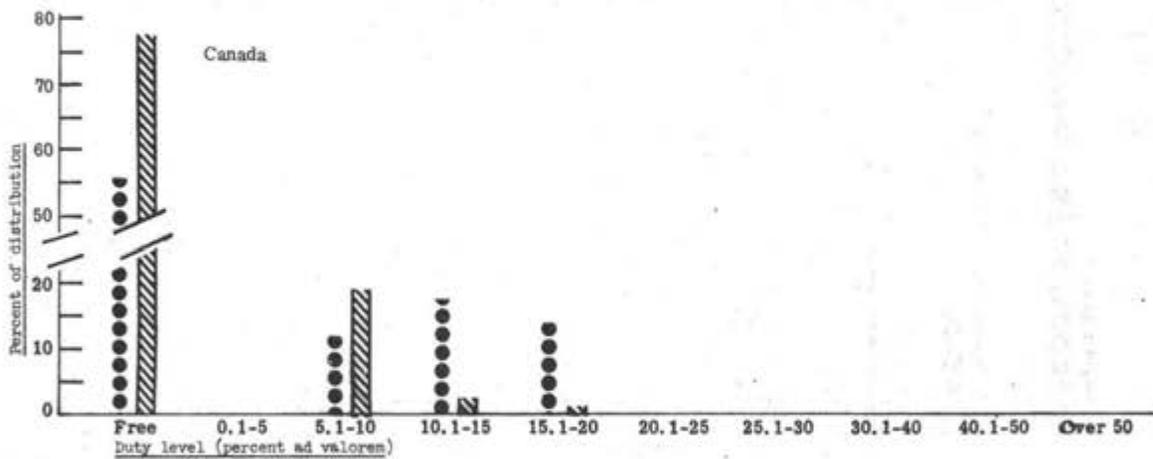
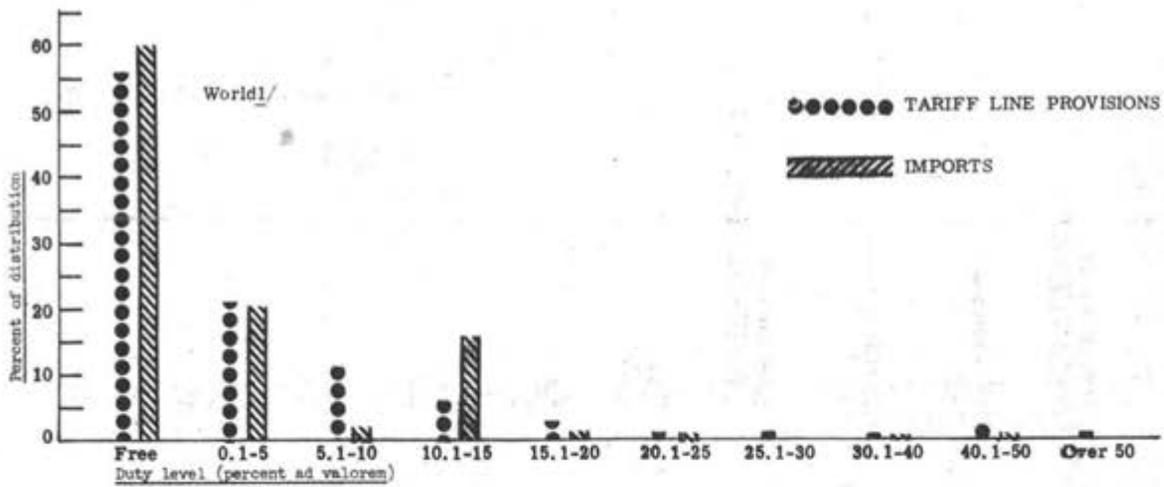


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-8. --Coal, Petroleum, Natural Gas

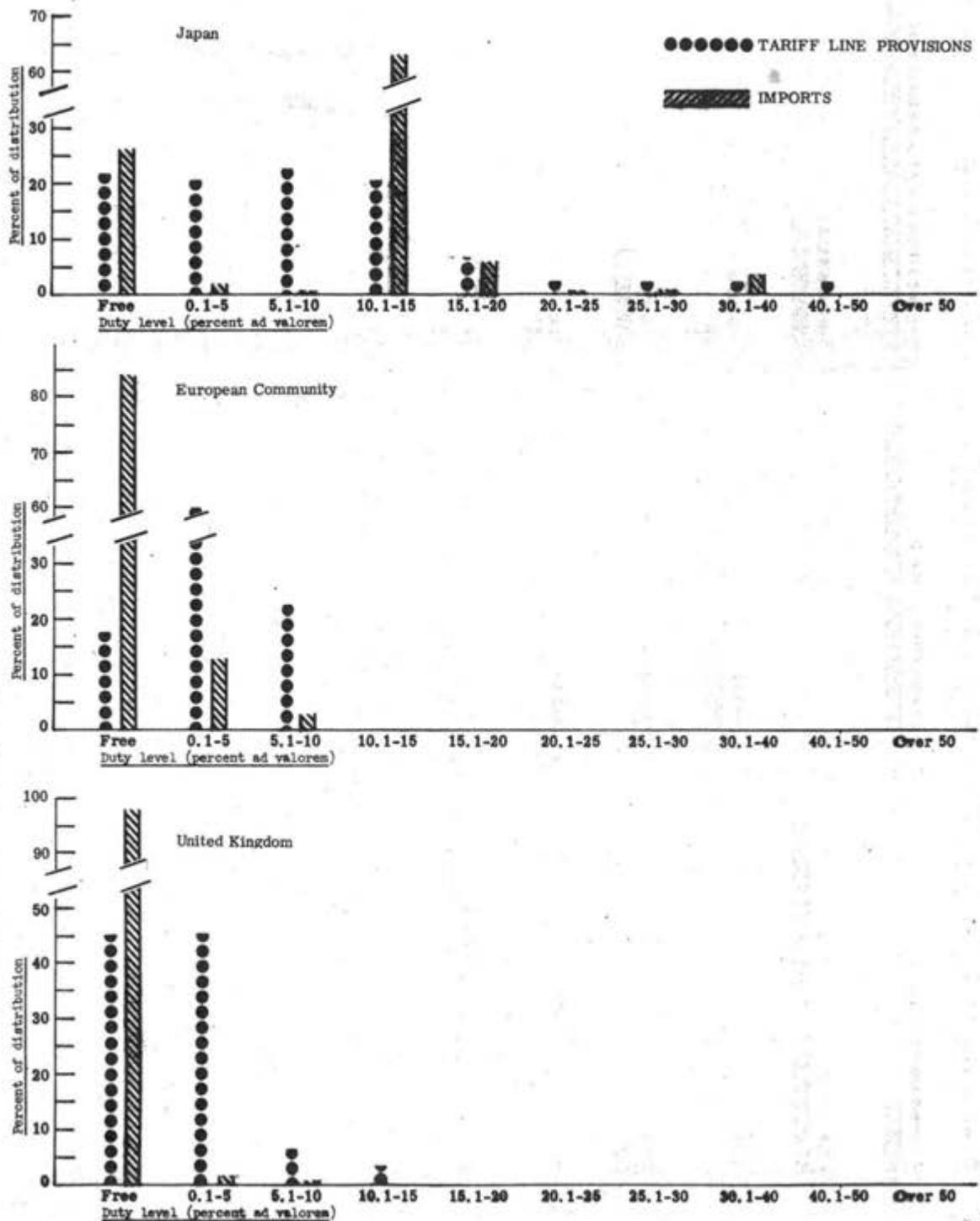


^{1/} "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

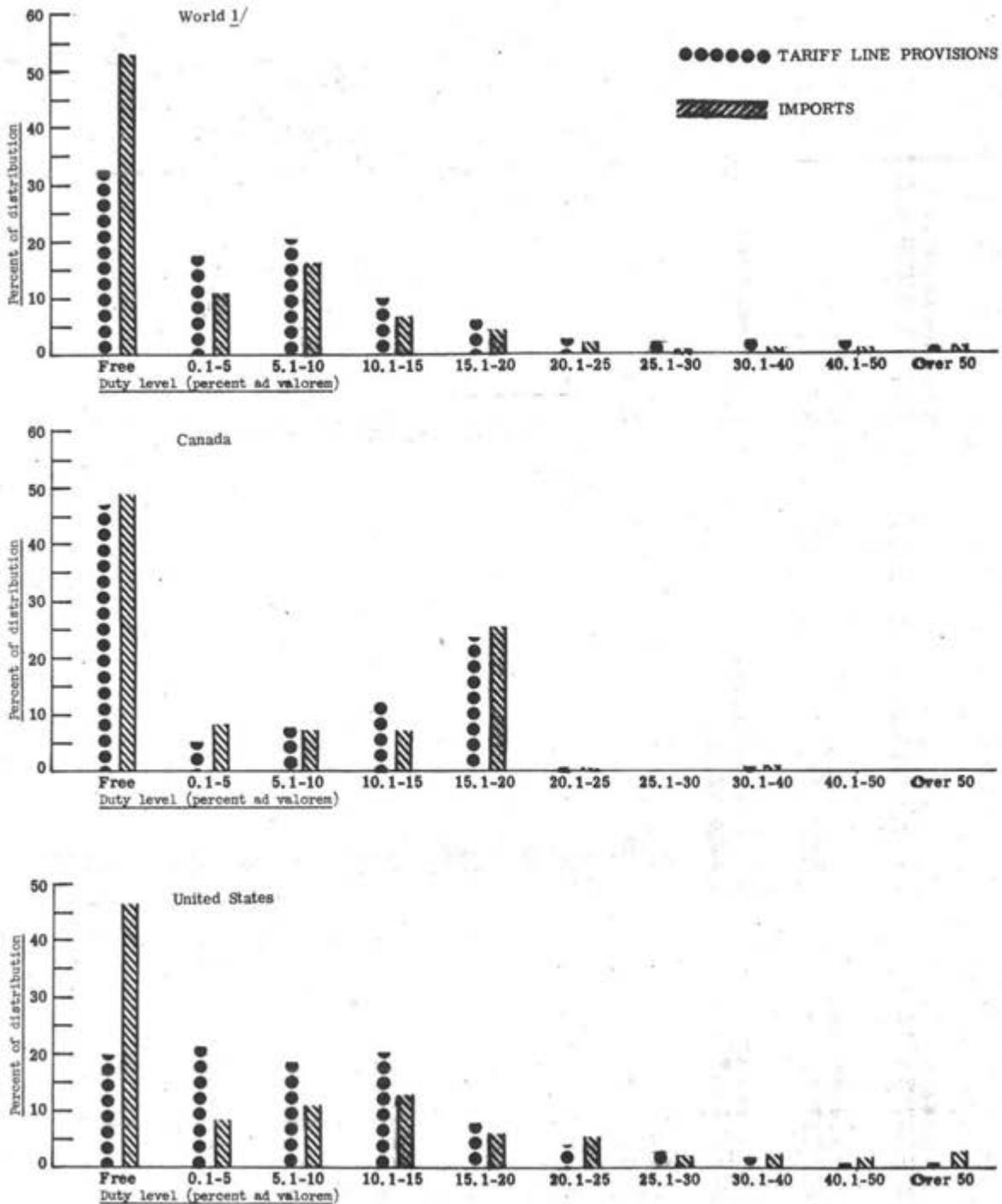
Industrial Sector I-8. --Coal, Petroleum, Natural Gas--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

TARIFF AND TRADE PROFILES

Industrial Sector 1-9. --Mineral Products and Fertilizers, Ceramic Products and Glass

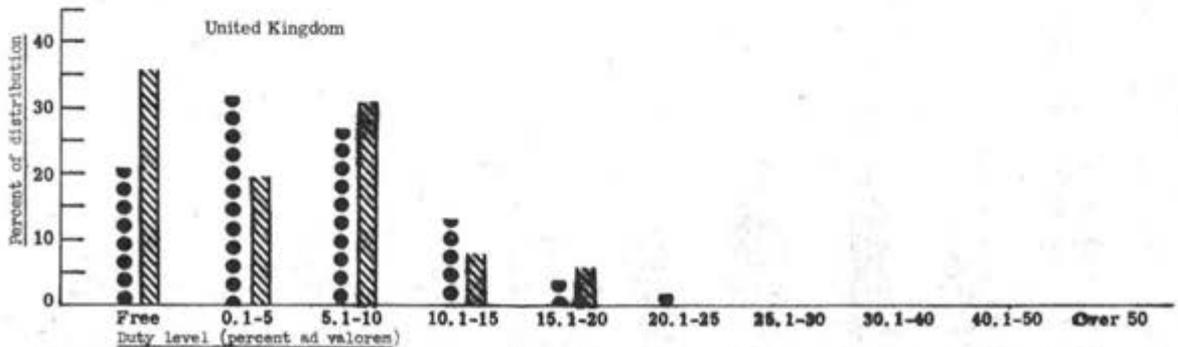
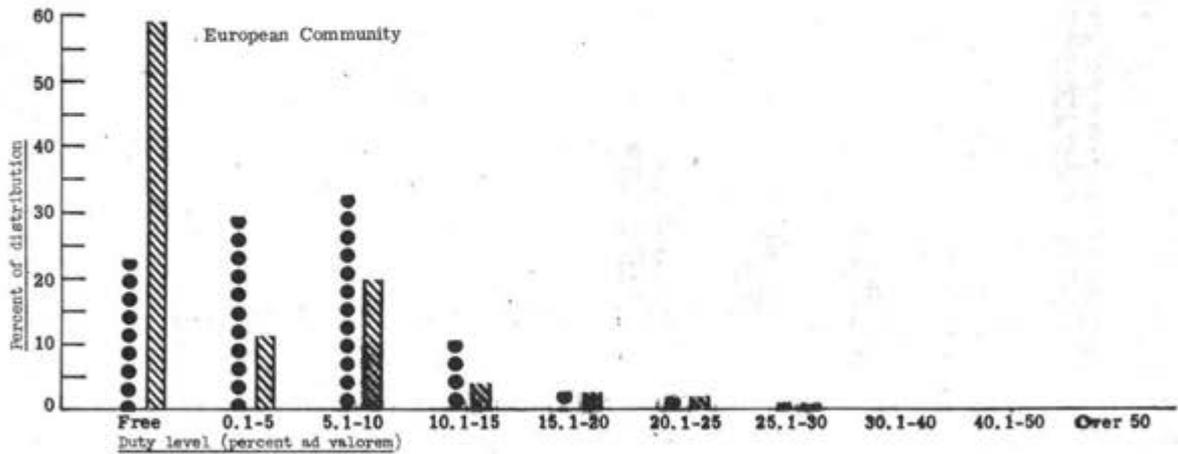
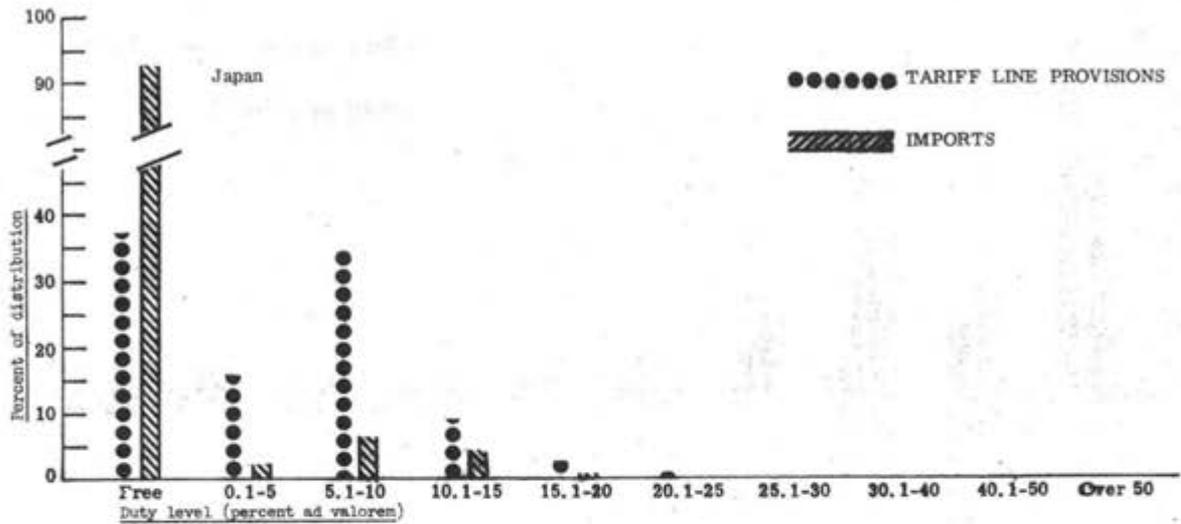


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector 1-9. --Mineral Products and Fertilizers, Ceramic Products and Glass--Continued

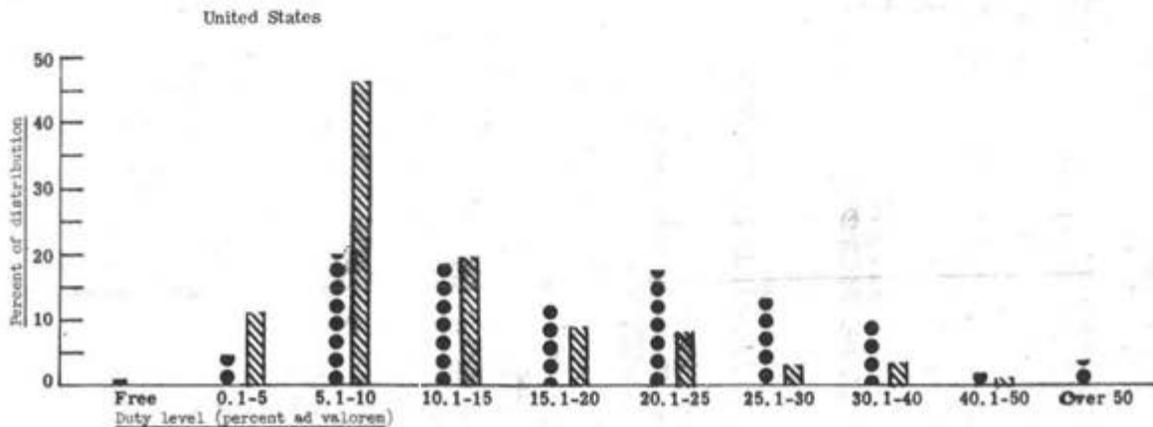
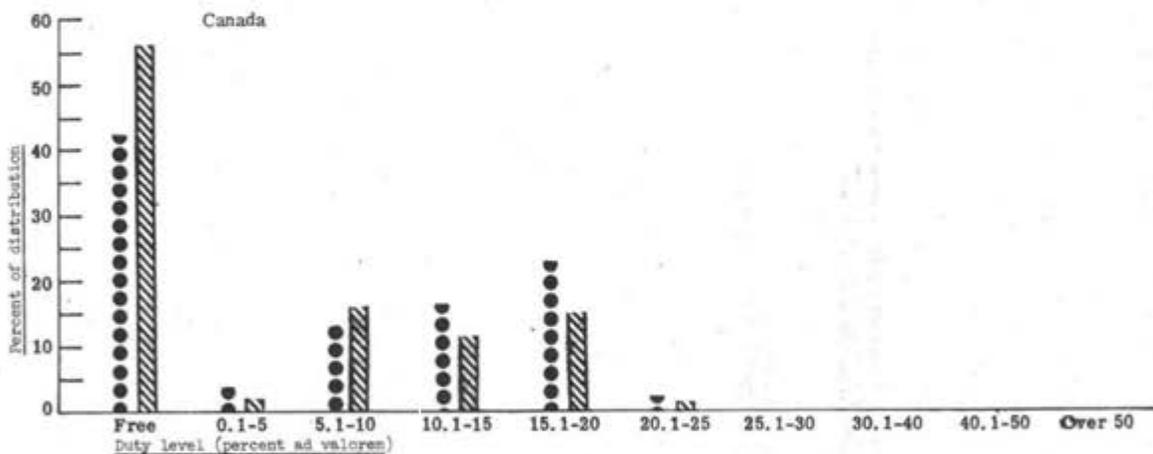
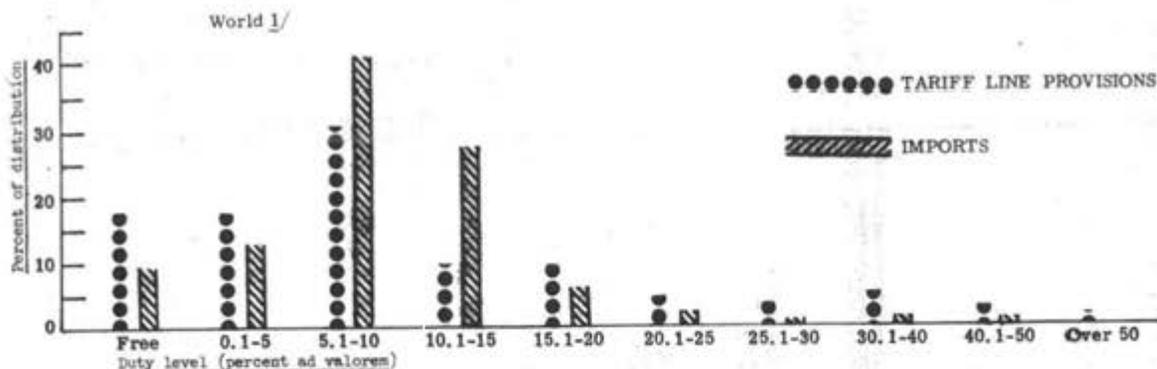


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-10. --Professional, Scientific and Controlling Instruments, Photographic Apparatus, Clocks and Watches

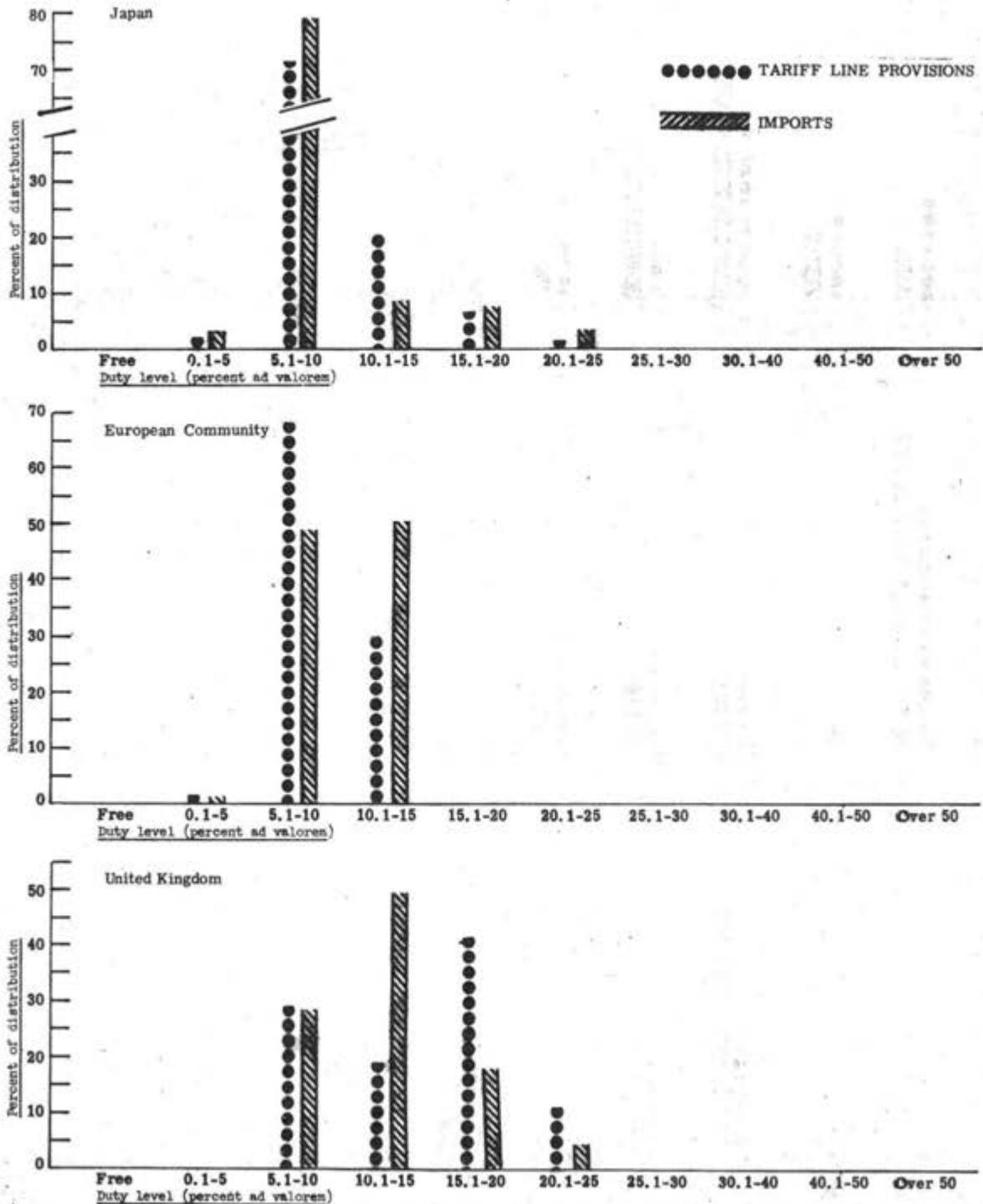


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-10. --Professional, Scientific and Controlling Instruments, Photographic Apparatus, Clocks and Watches--Continued

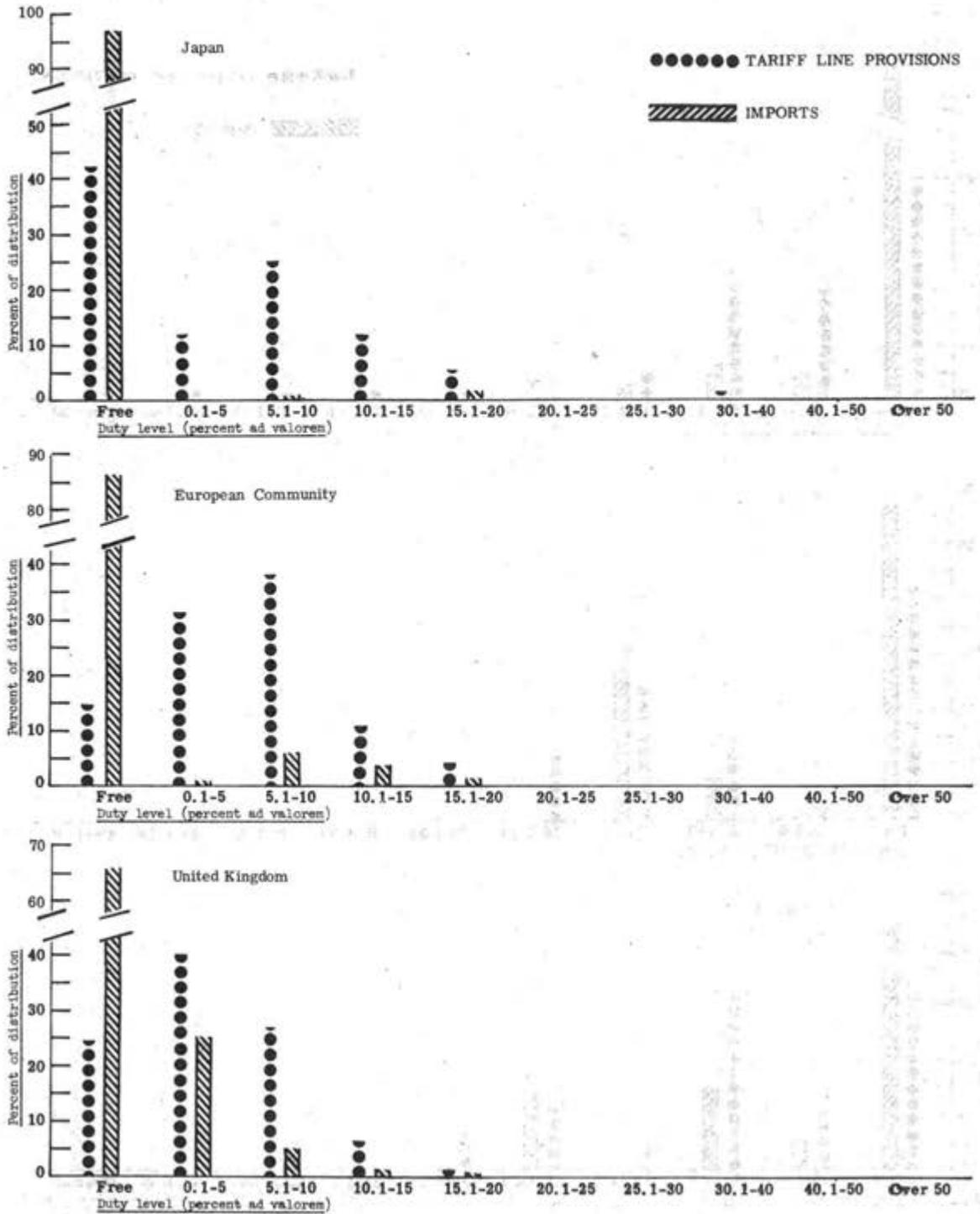


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-11. --Wood and Cork and Manufactures--Continued

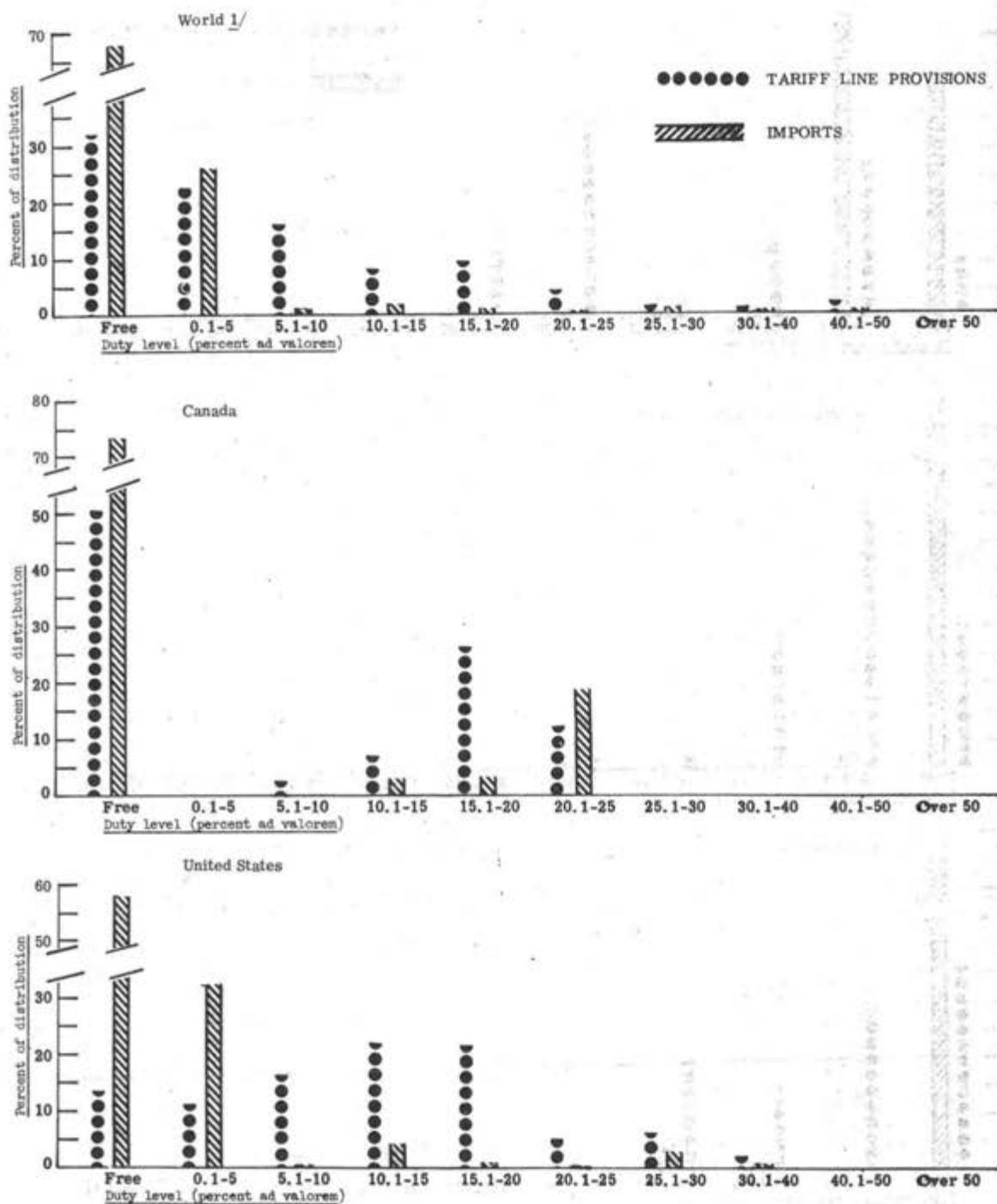


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-12. --Precious Stones, Precious Metals and Manufactures

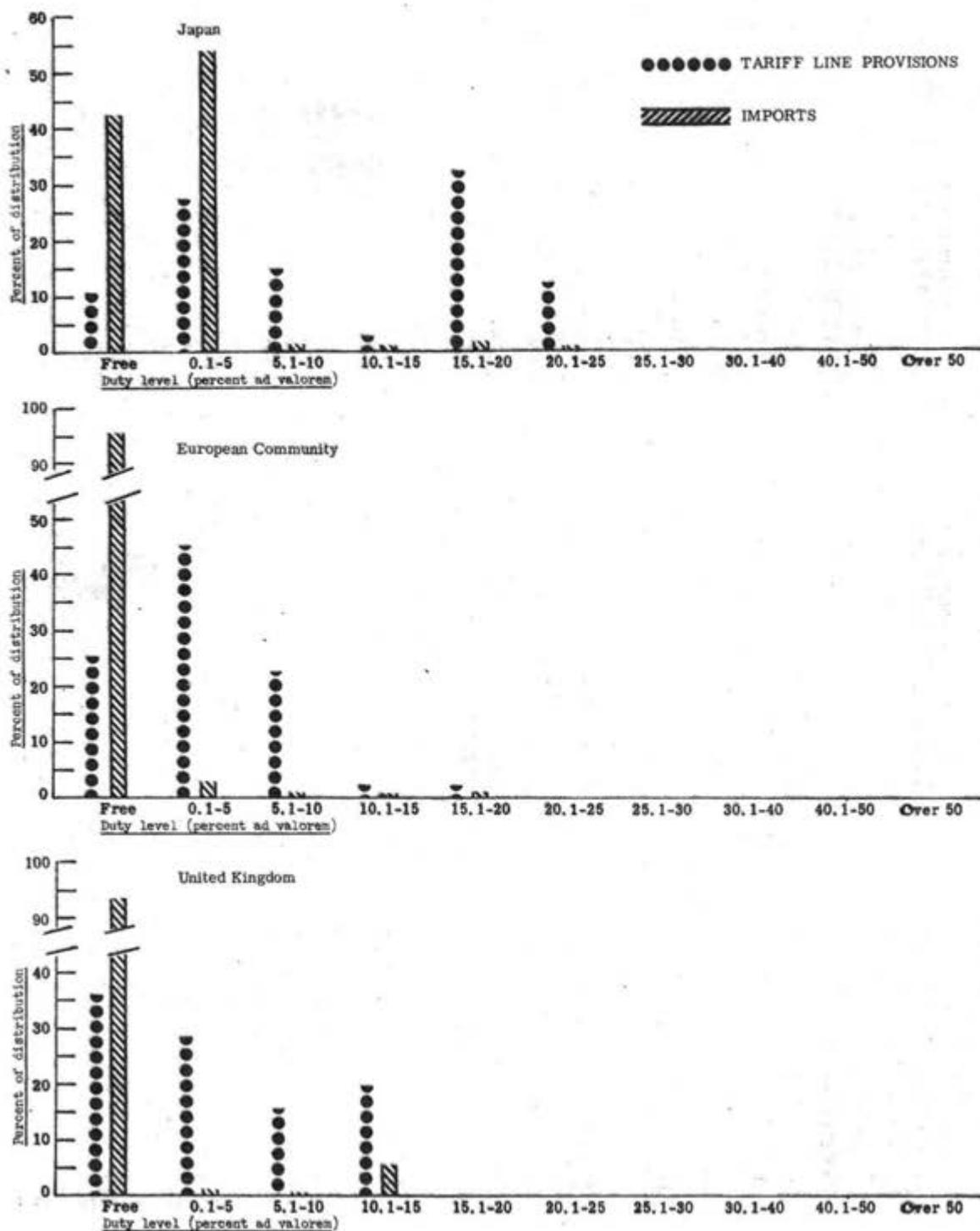


^{1/} "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector 1-12. --Precious Stones, Precious Metals and Manufactures--Continued

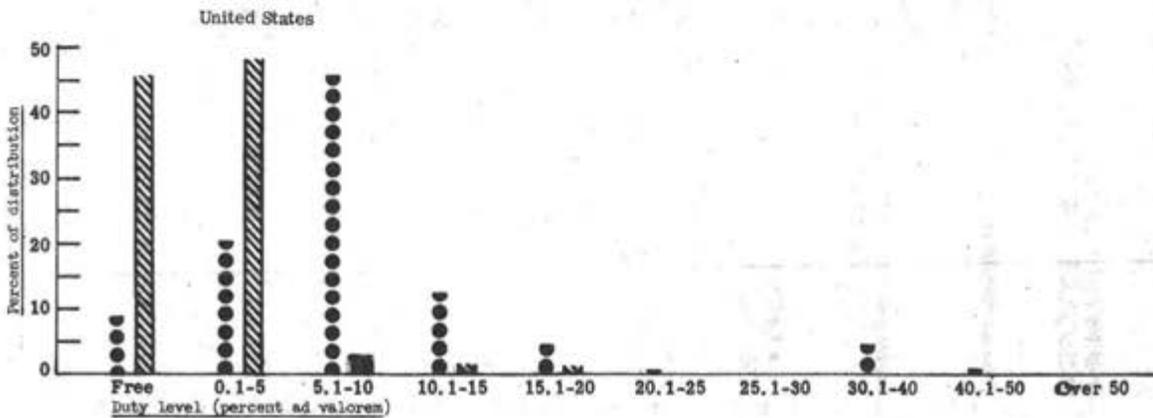
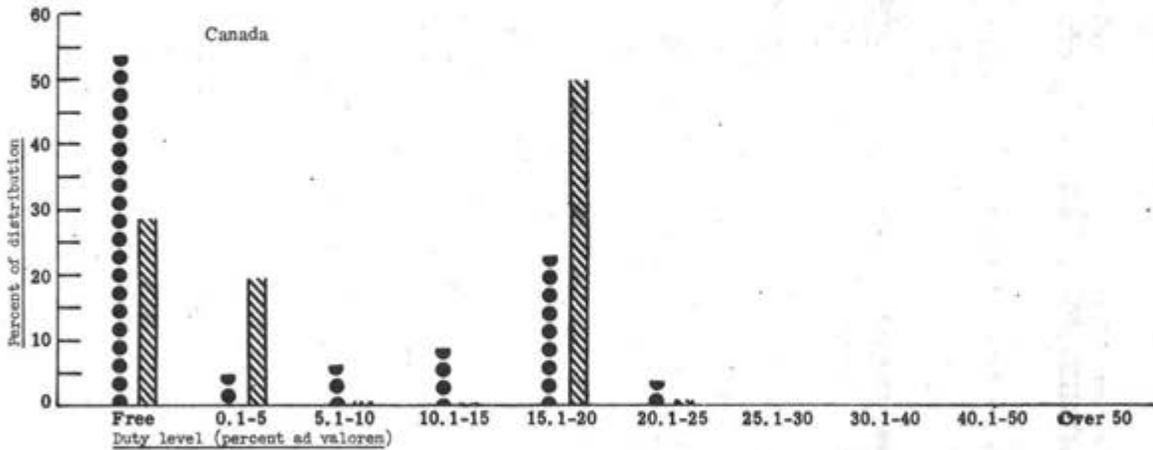
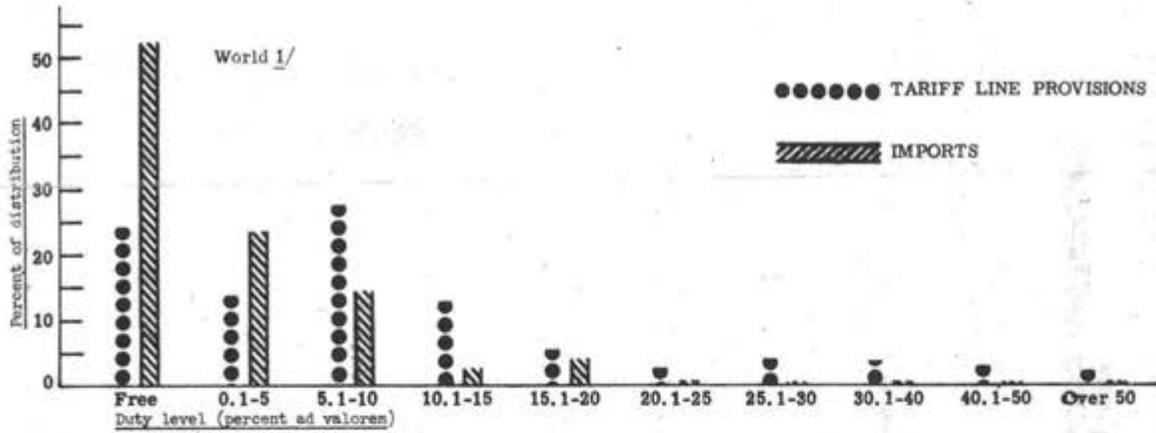


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-13. --Rubber and Rubber Manufactures

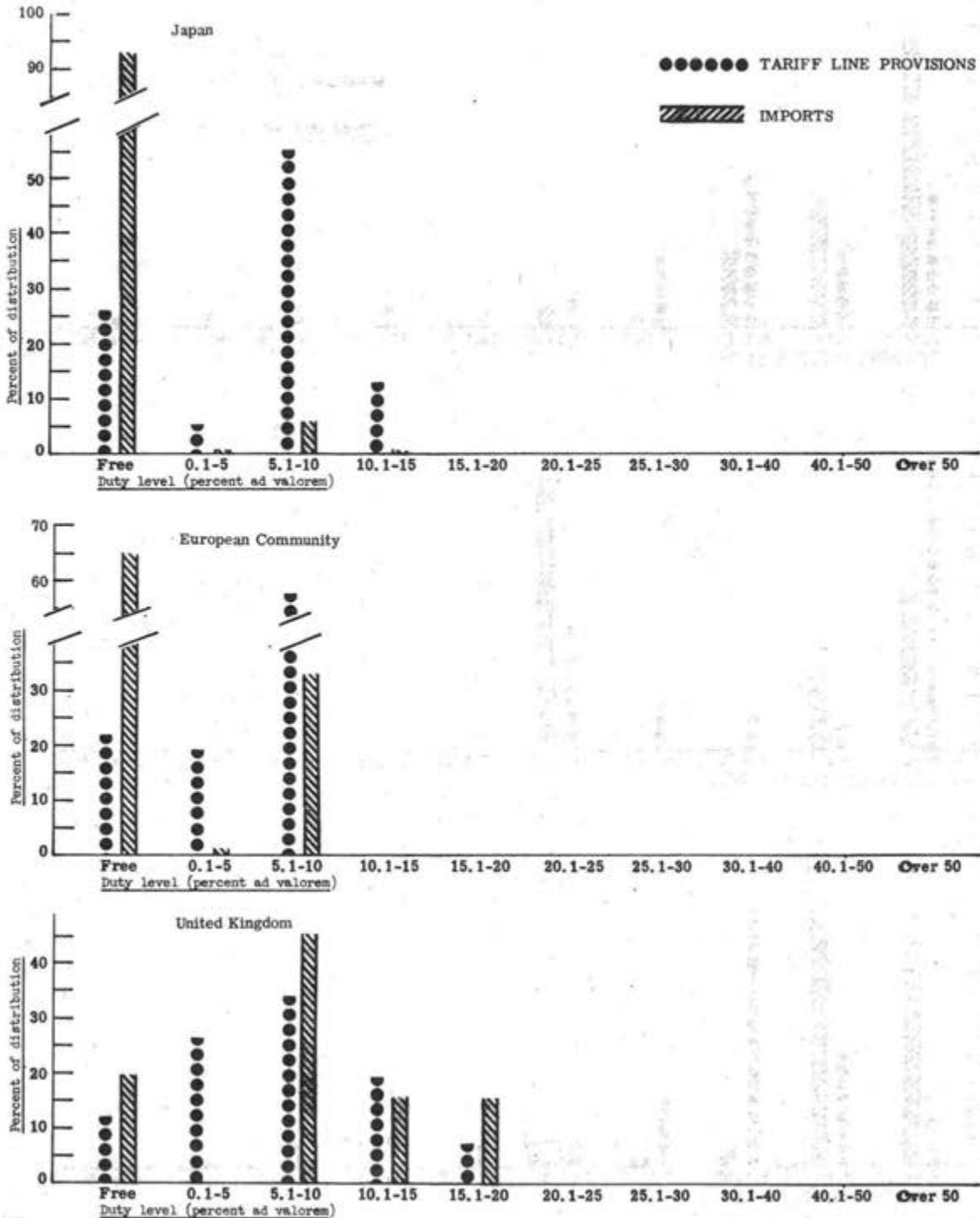


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-13, --Rubber and Rubber Manufactures--Continued

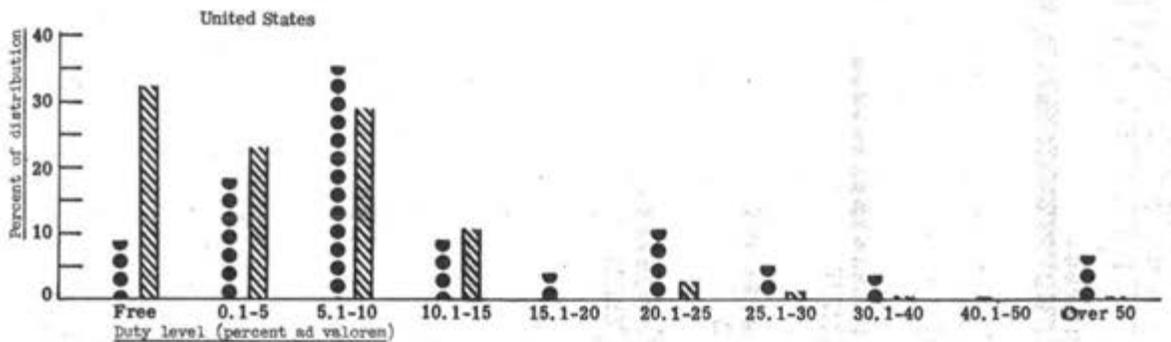
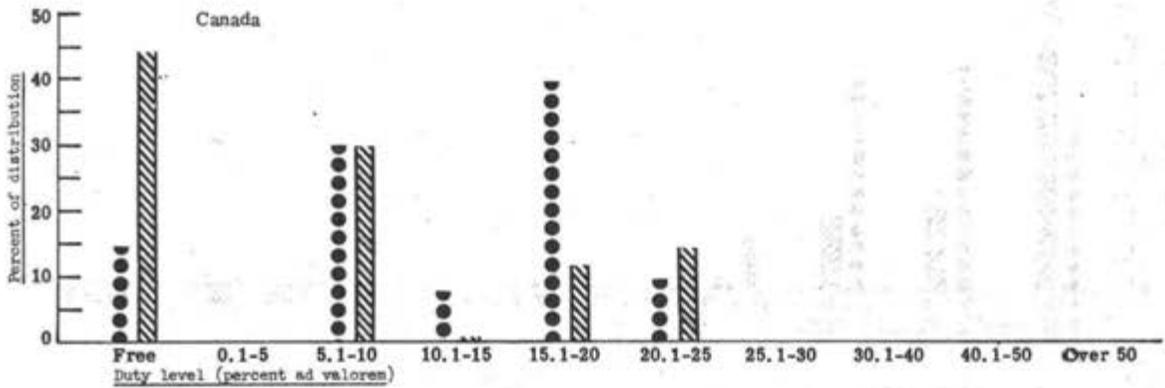
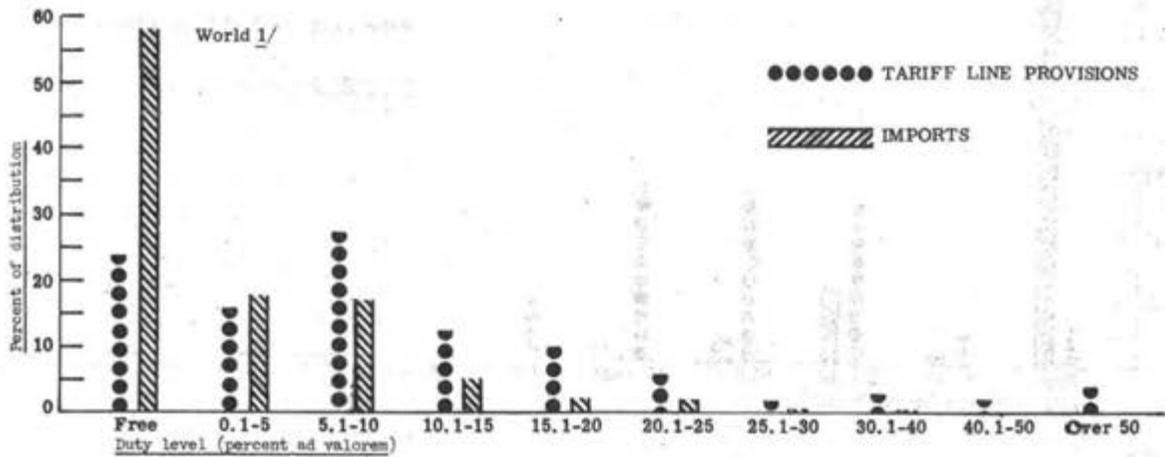


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-14. --Raw Hides and Skins, Leather and Furskins and Manufactures

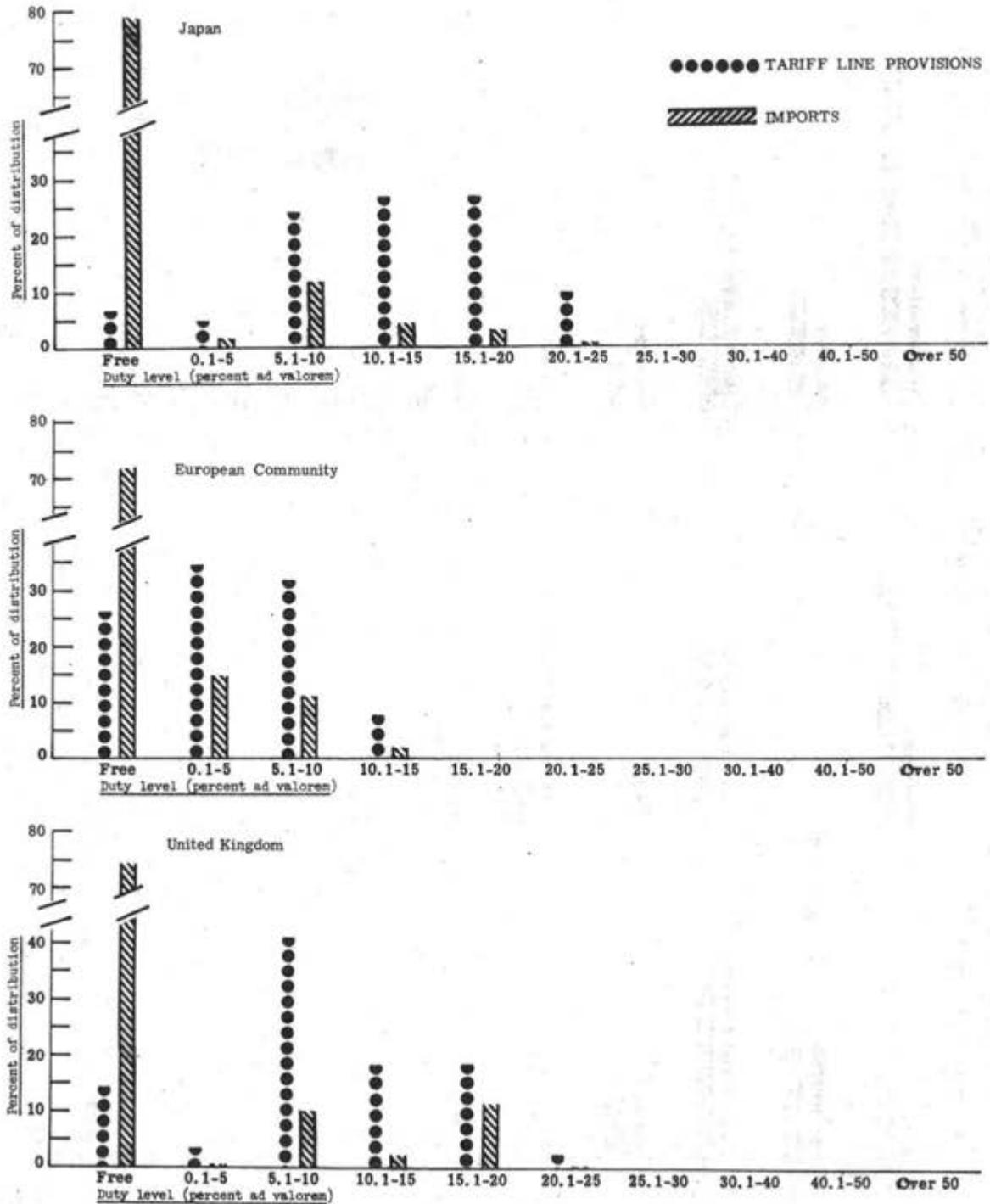


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-14. --Raw Hides and Skins, Leather and Furskins and Manufactures--Continued

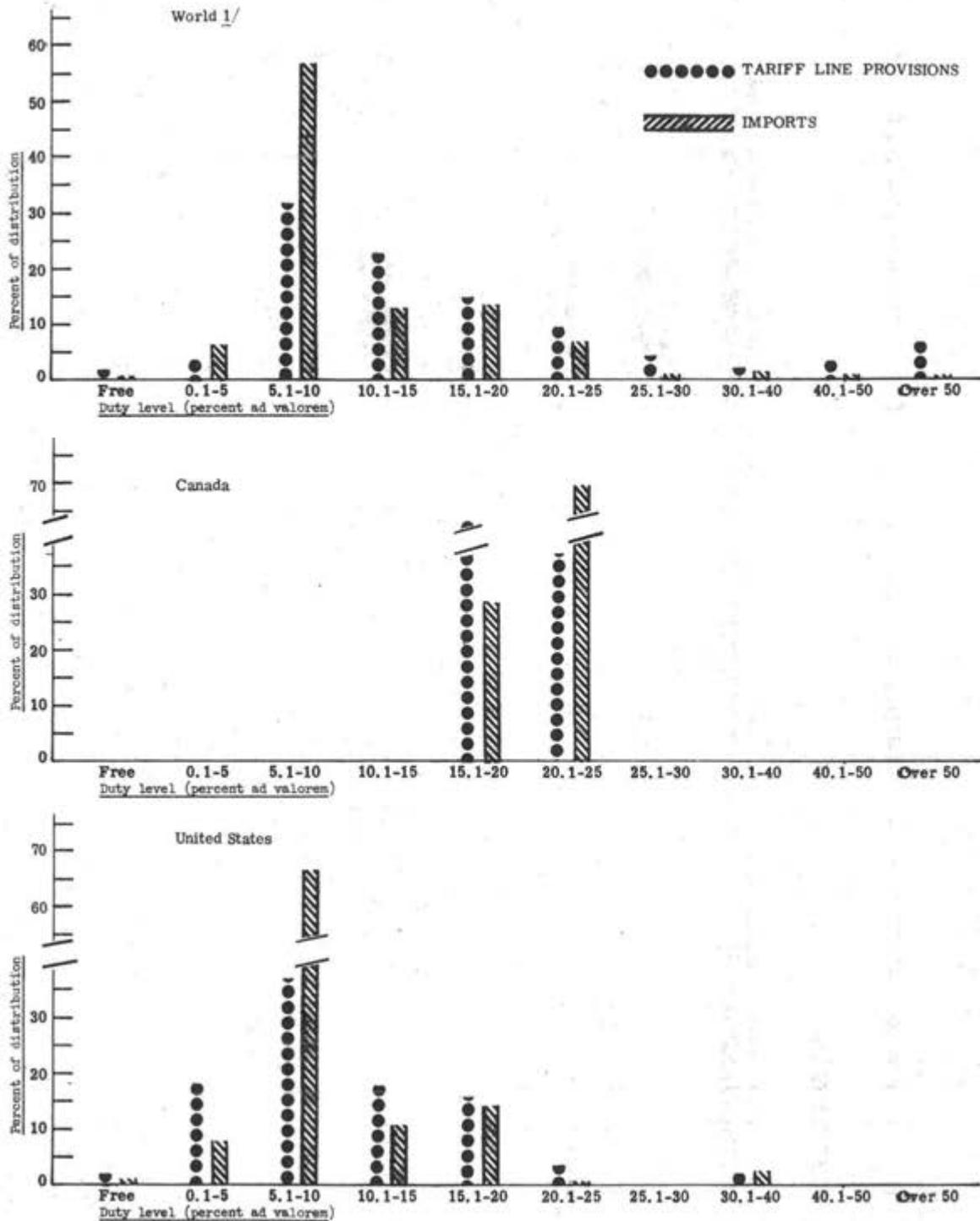


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-15, --Footwear and Travel Goods



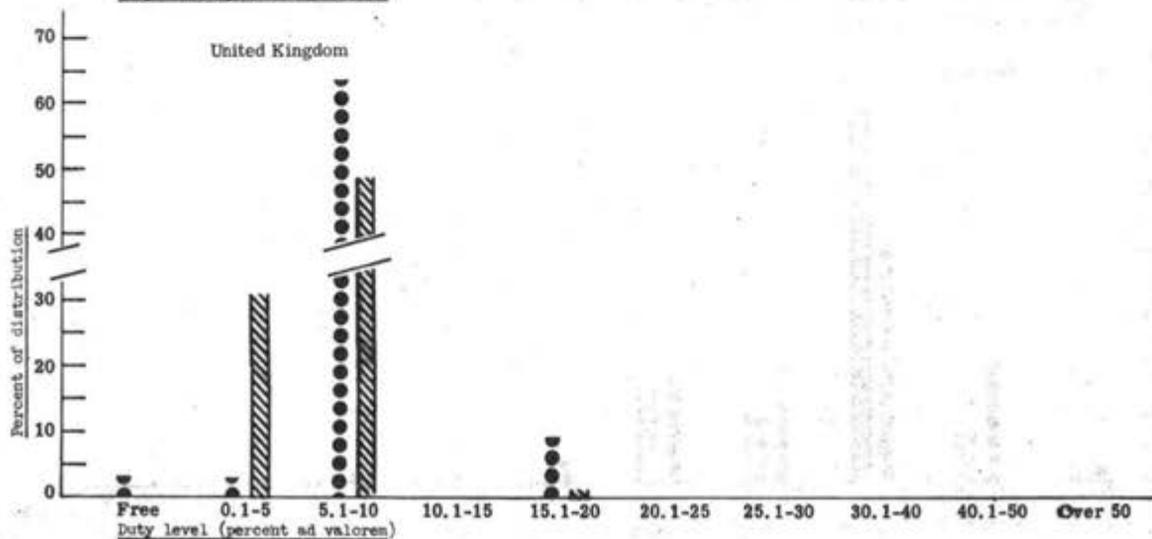
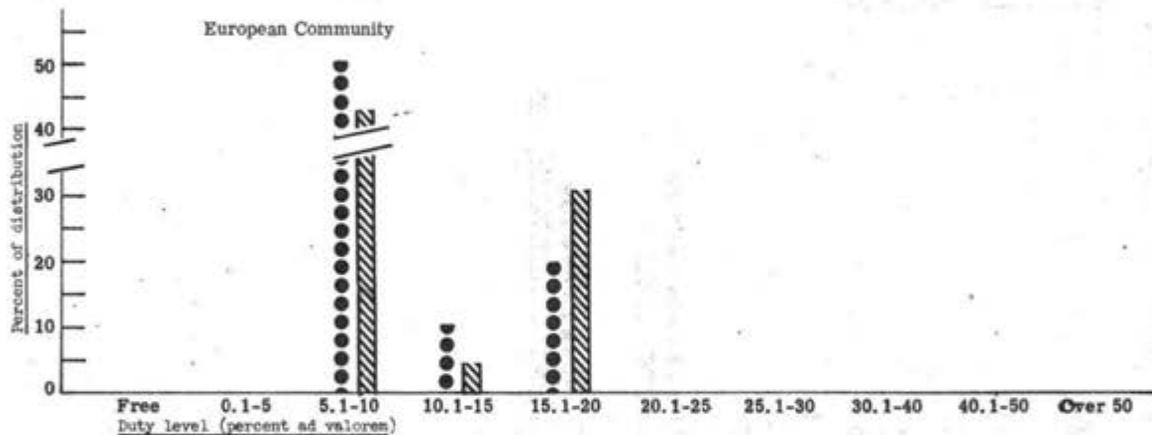
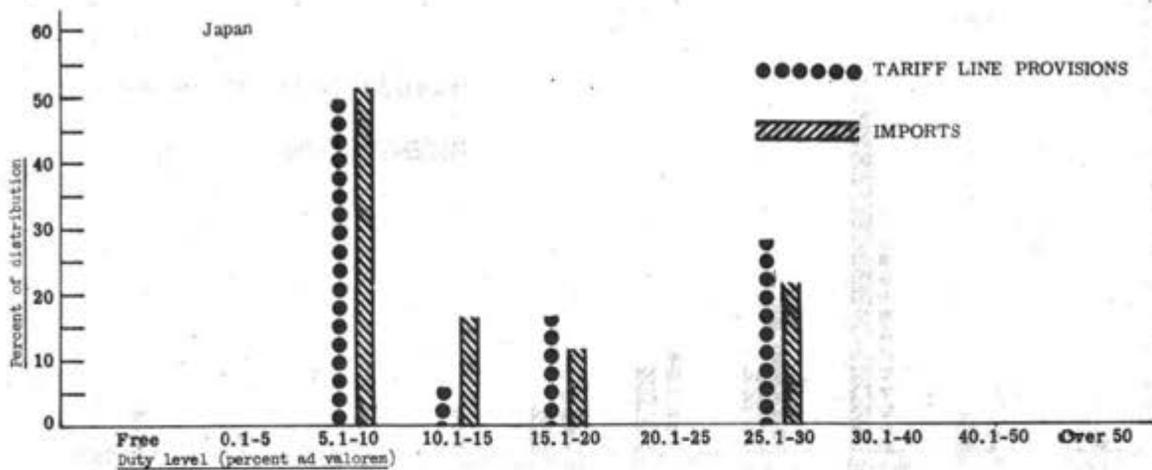
1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

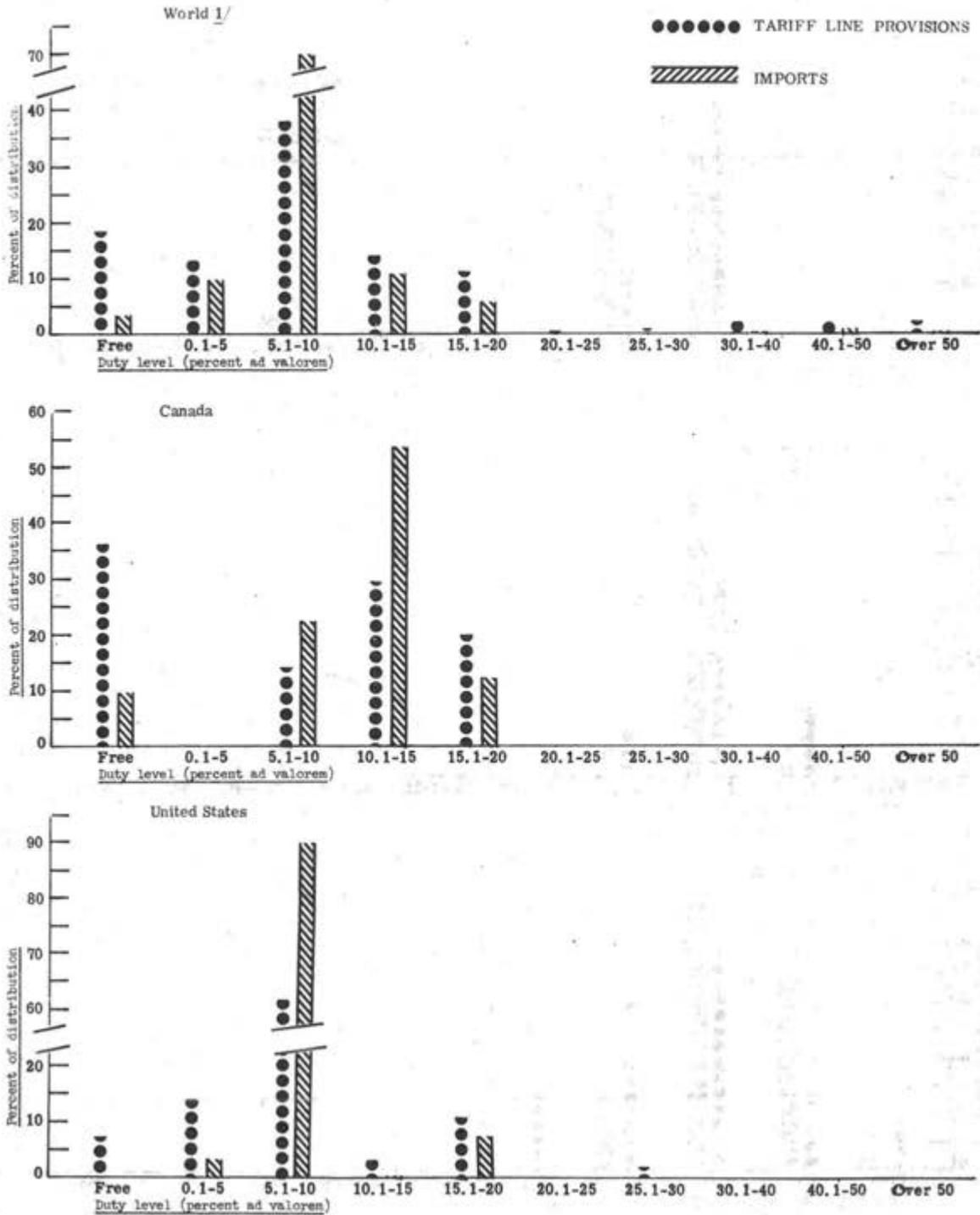
Industrial Sector 1-15. --Footwear and Travel Goods--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

TARIFF AND TRADE PROFILES

Industrial Sector 1-16. --Musical Instruments, Sound Recording or Reproduction Apparatus

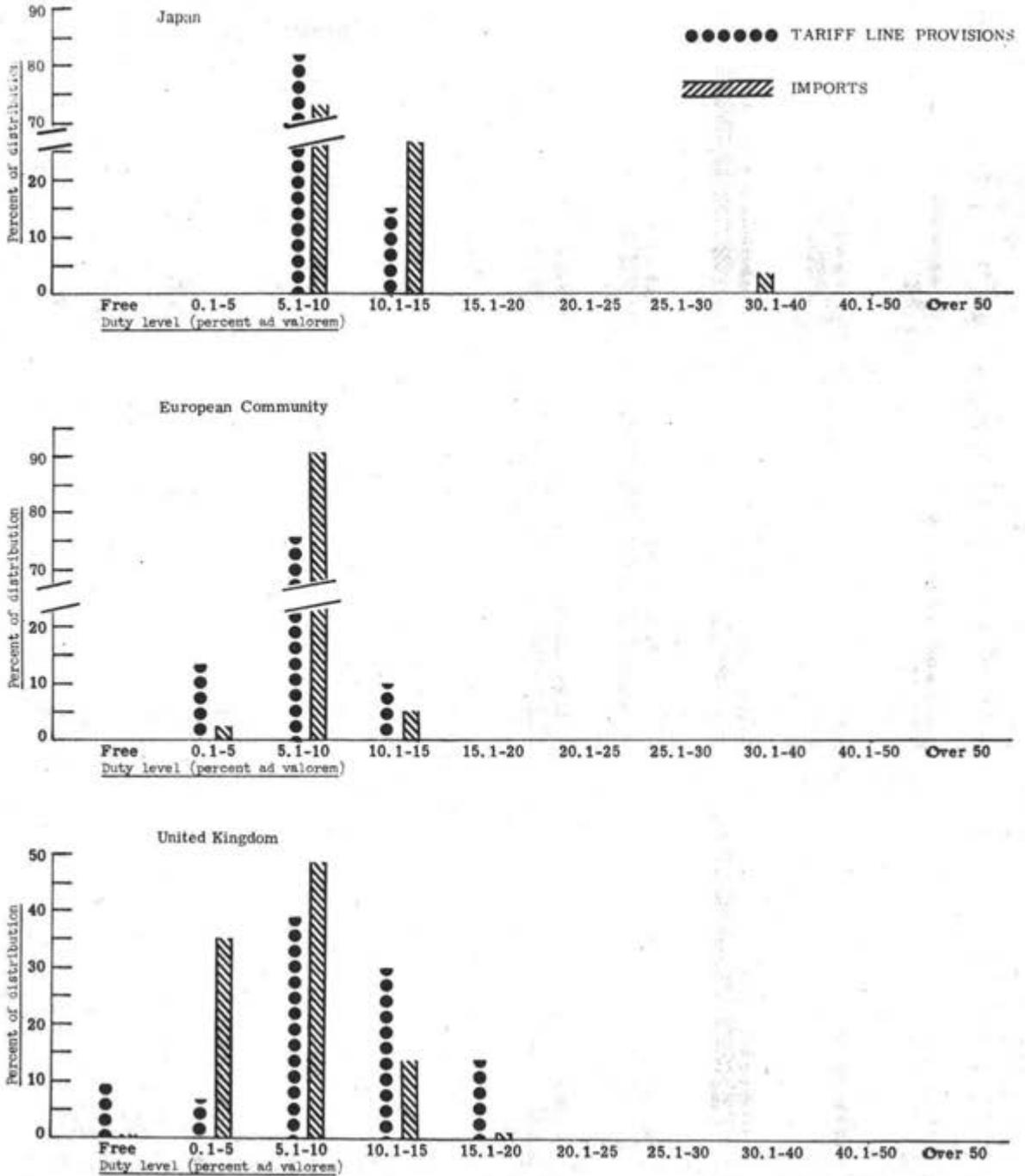


1/1 "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector 1-16. --Musical Instruments, Sound Recording or
Reproduction Apparatus--Continued

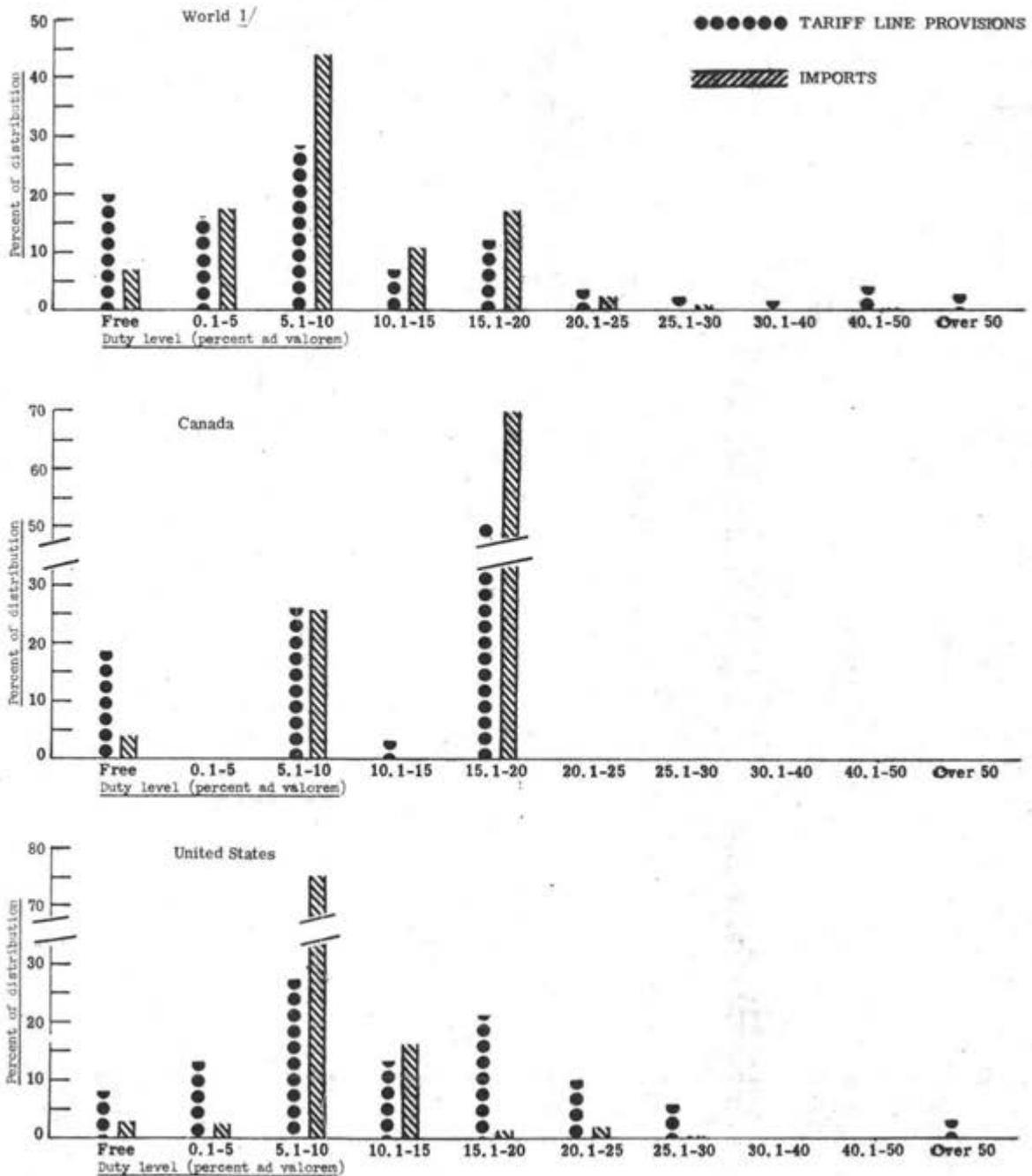


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-17. --Firearms, Ammunition, Tanks and Other Armored Fighting Vehicles

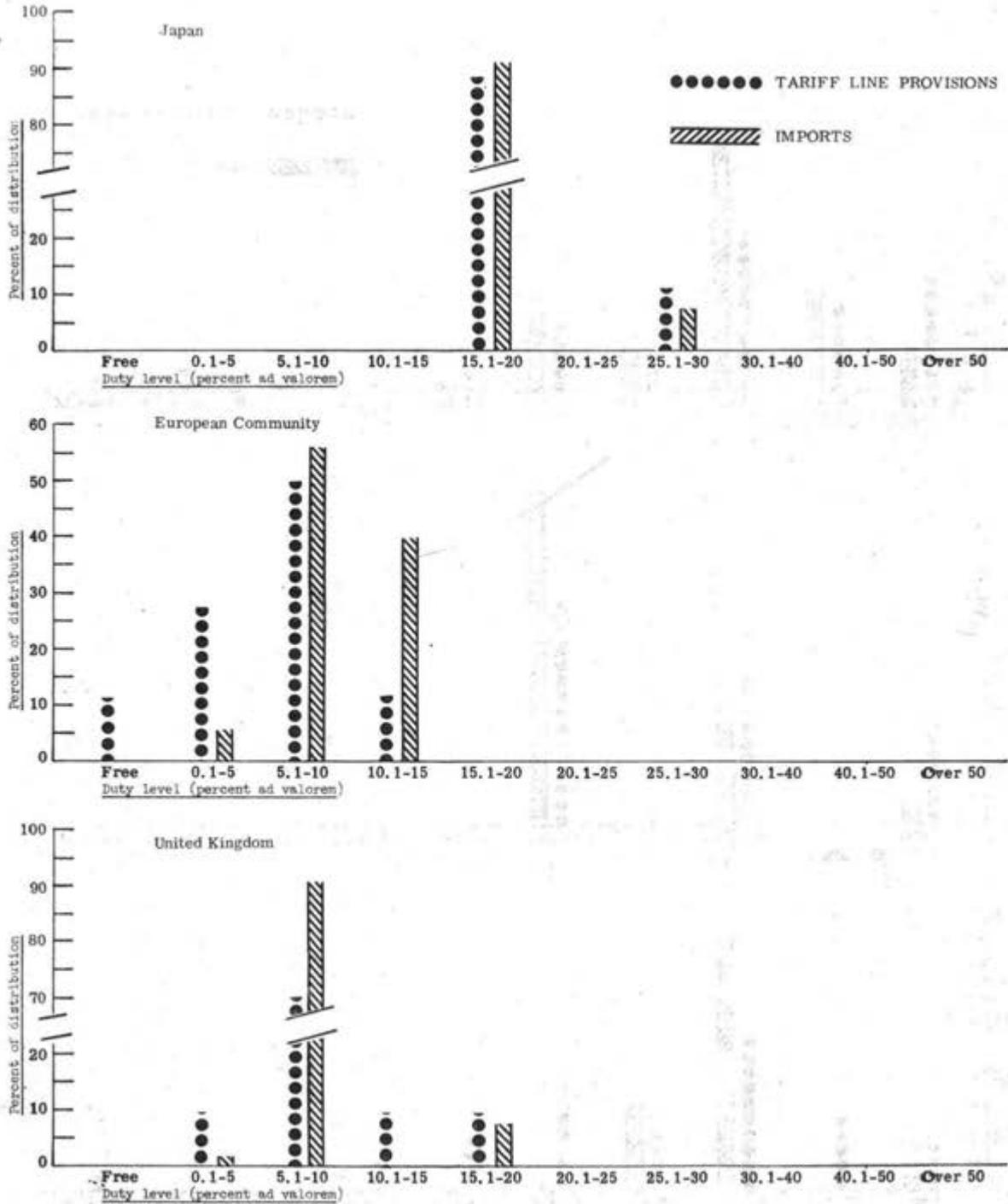


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

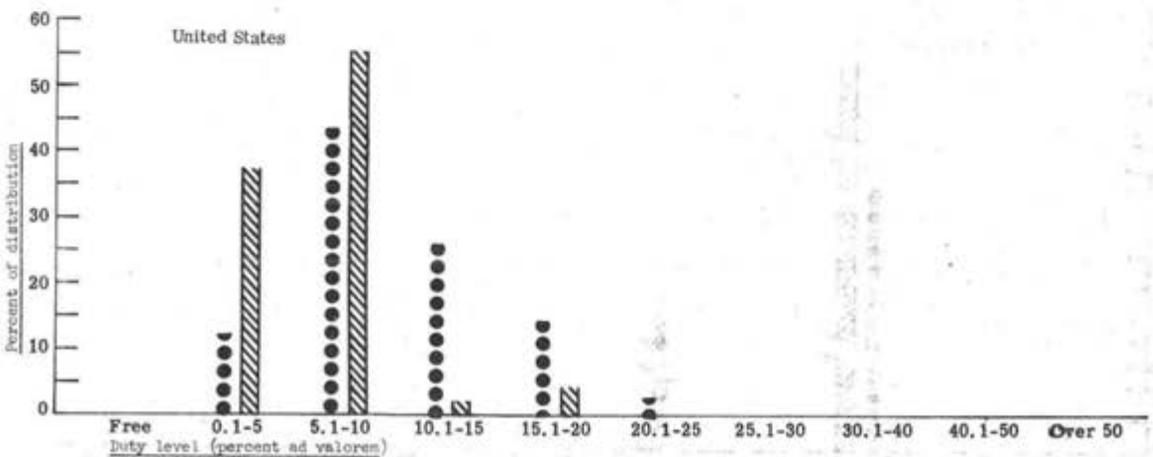
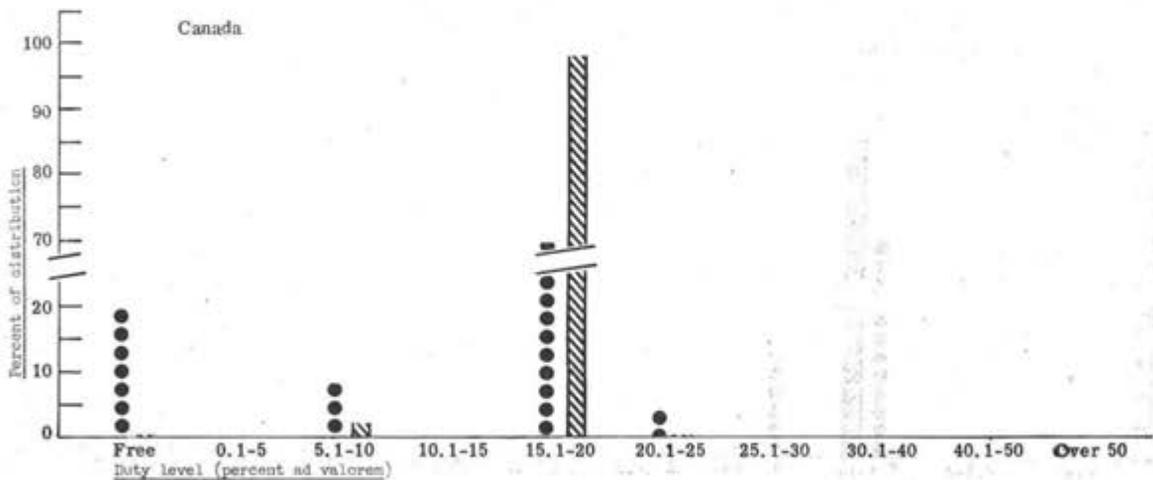
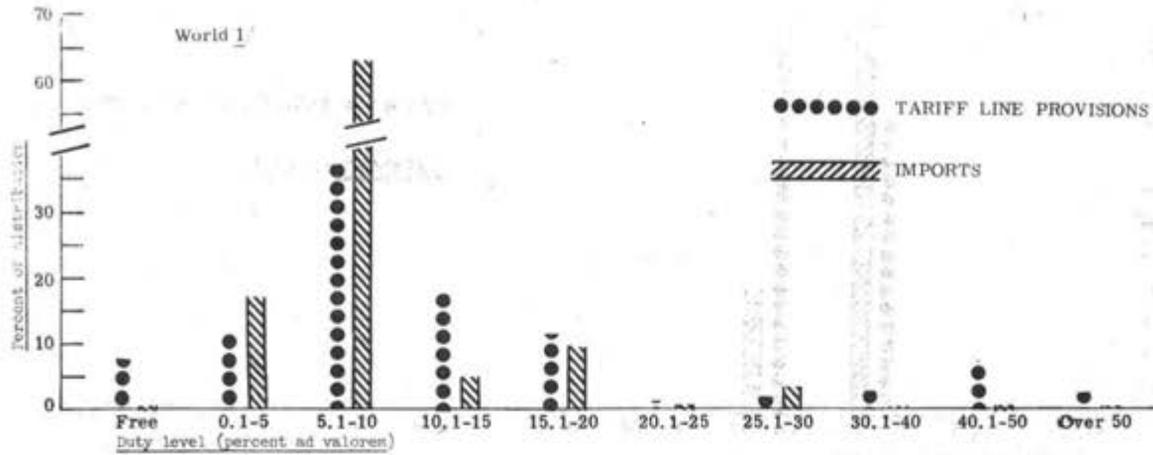
TARIFF AND TRADE PROFILES

Industrial Sector I-17. --Firearms, Ammunition, Tanks and Other Armored Fighting Vehicles--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

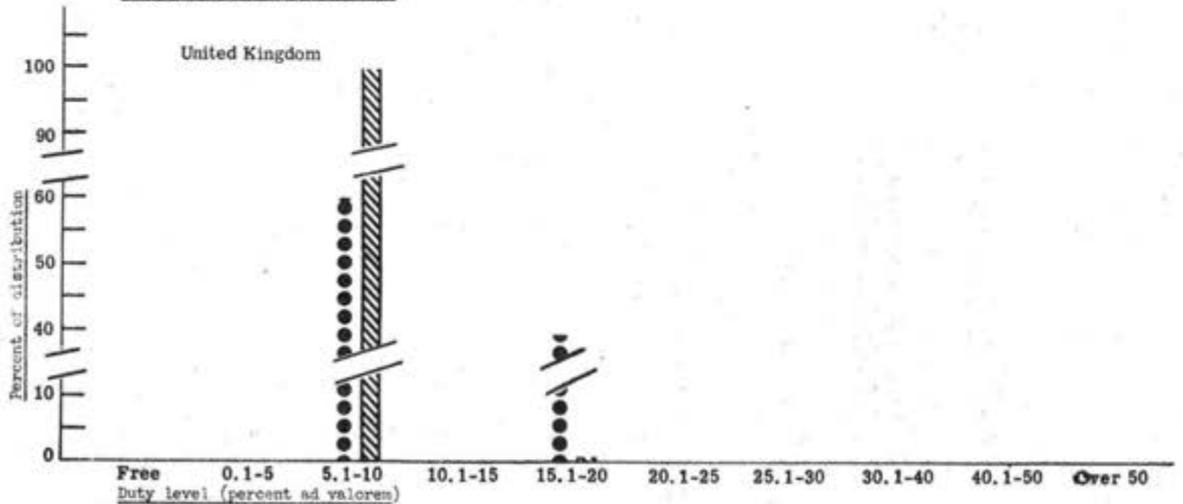
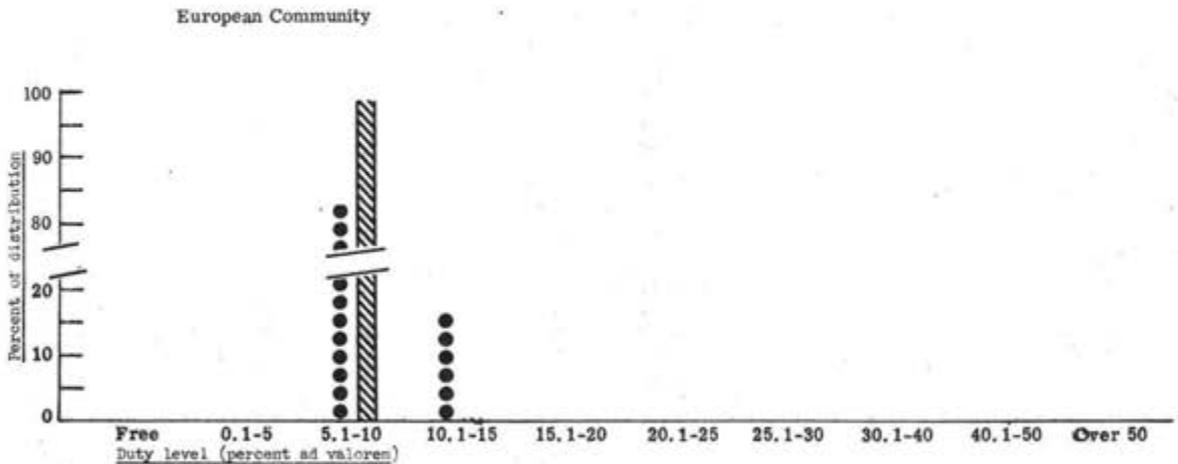
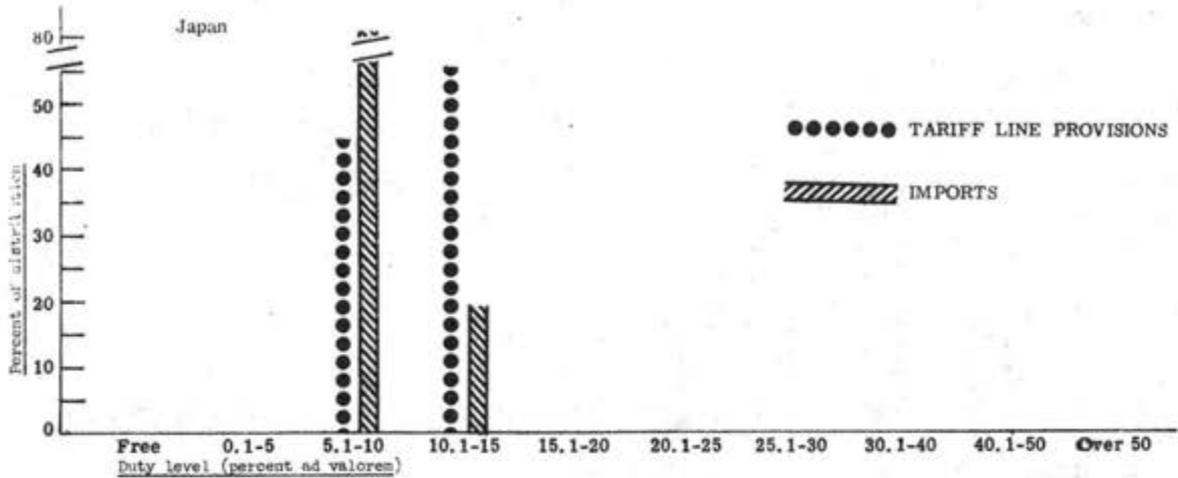
TARIFF AND TRADE PROFILES
Industrial Sector 1-18, -- Furniture

1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

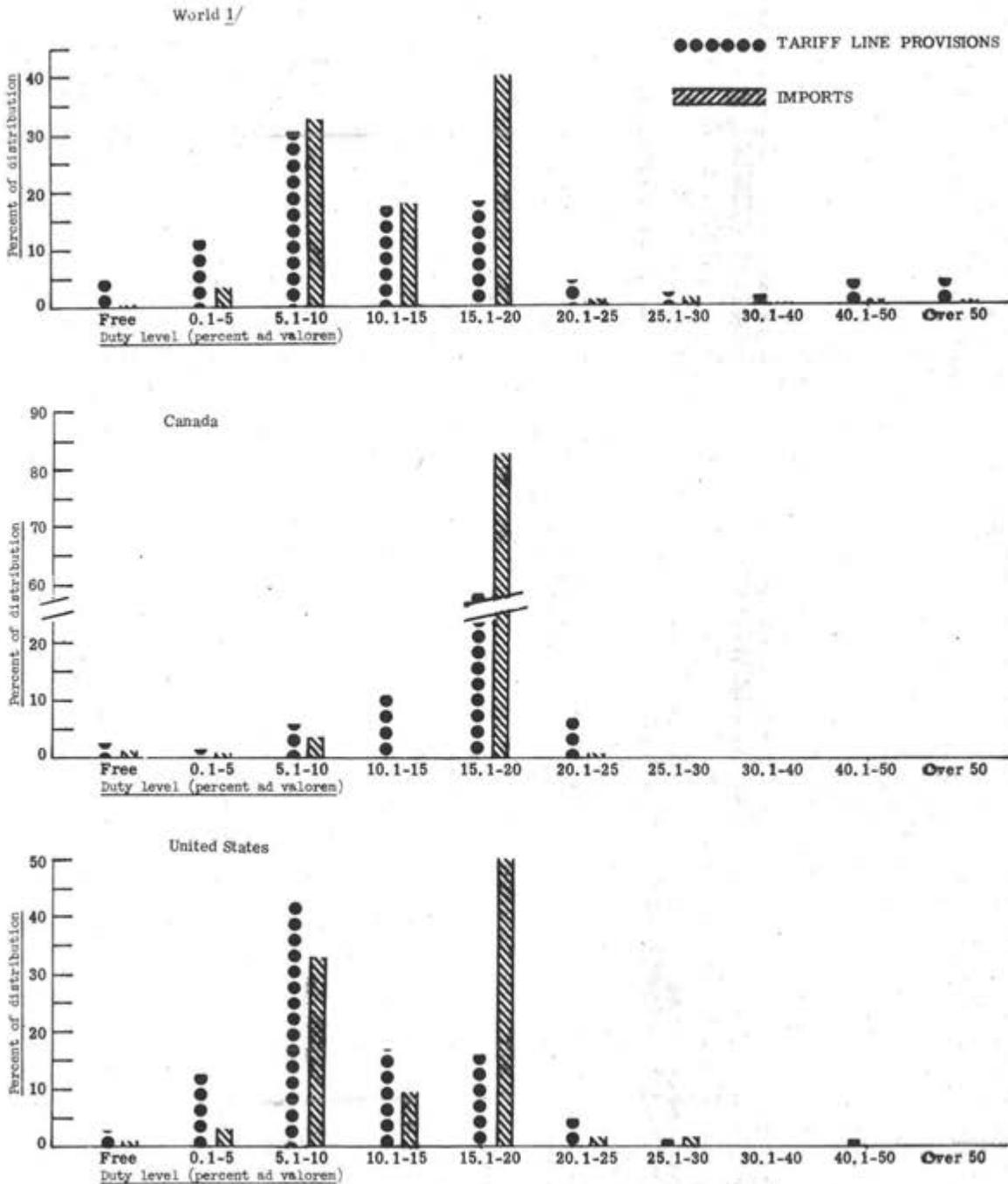
Industrial Sector I-18.-- Furniture-- Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

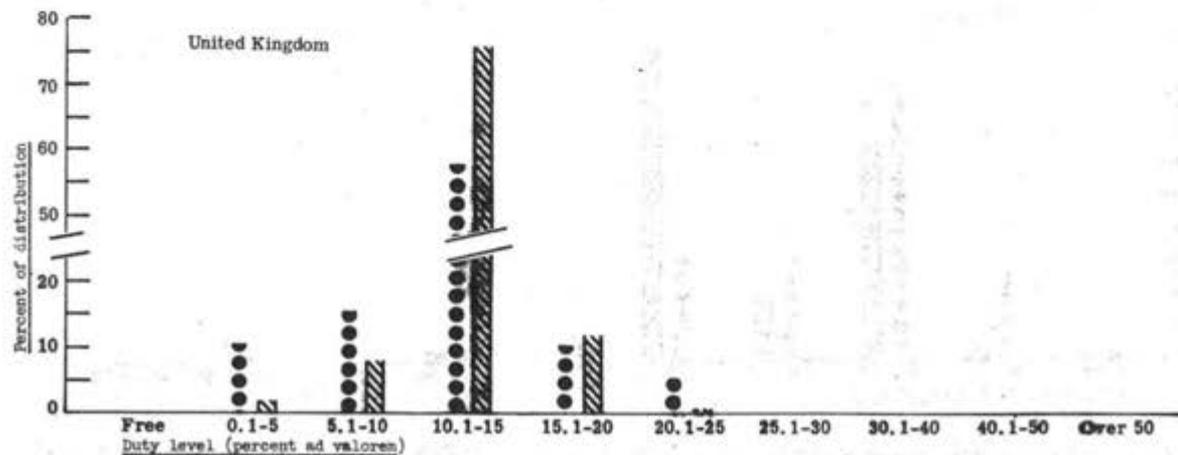
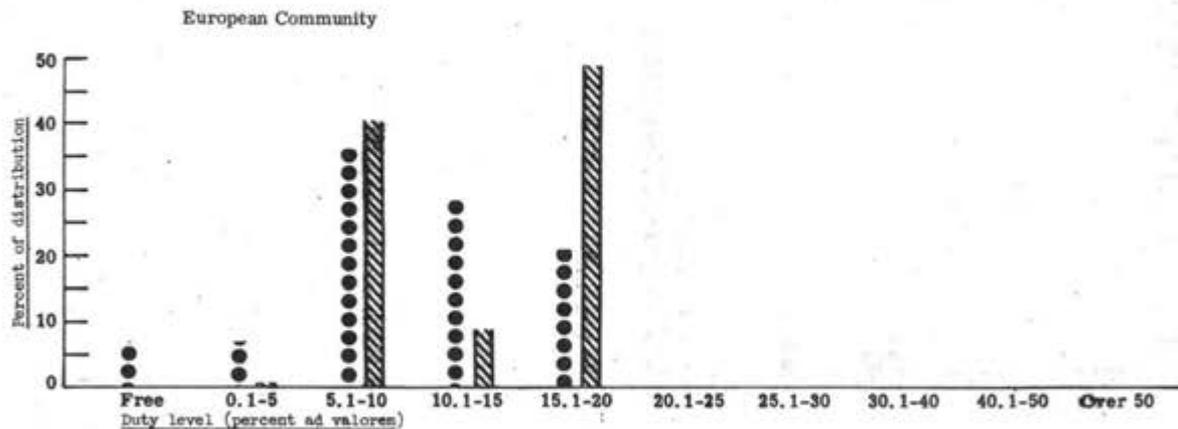
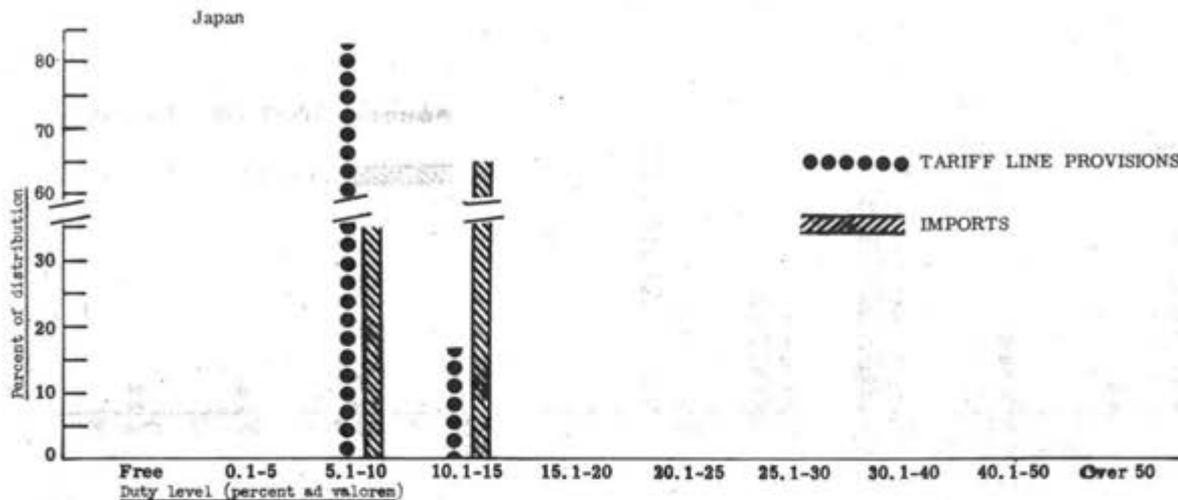
TARIFF AND TRADE PROFILES
Industrial Sector I-19. --Toys and Sporting Goods



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

TARIFF AND TRADE PROFILES

Industrial Sector 1-19.--Toys and Sporting Goods--Continued

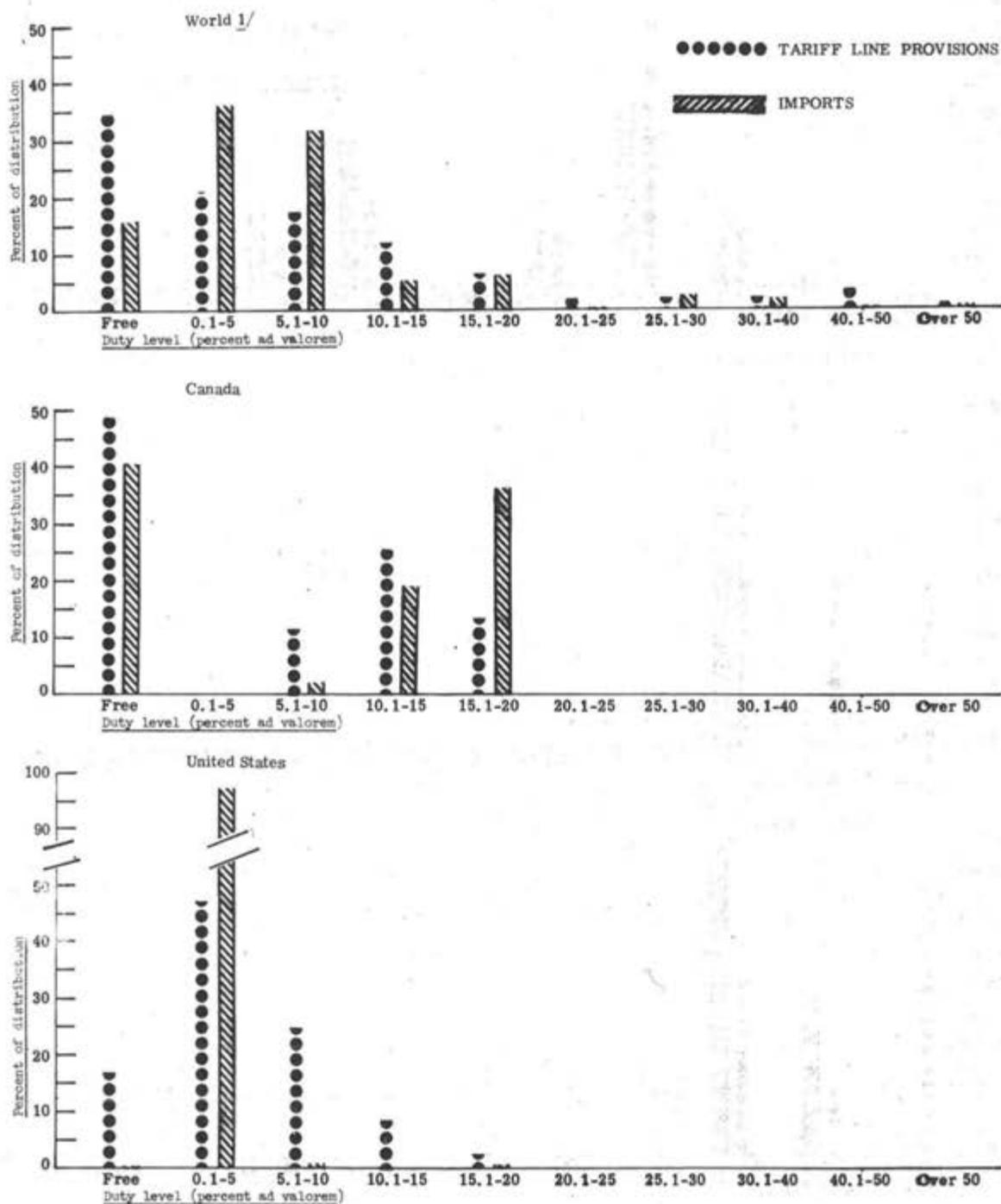


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector 1-20, --Photographic and Cinematographic Supplies

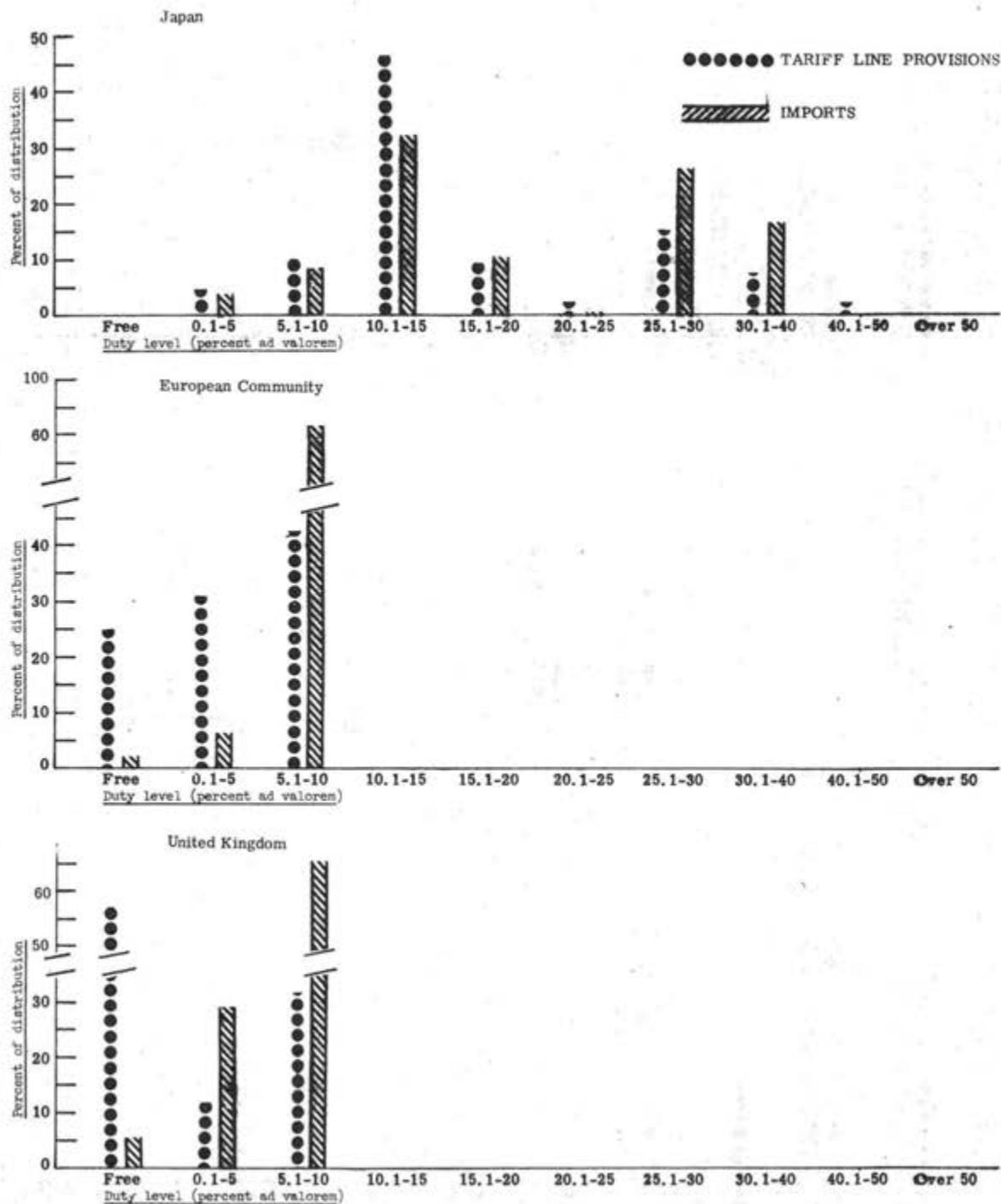


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-20. --Photographic and Cinematographic Supplies--Continued

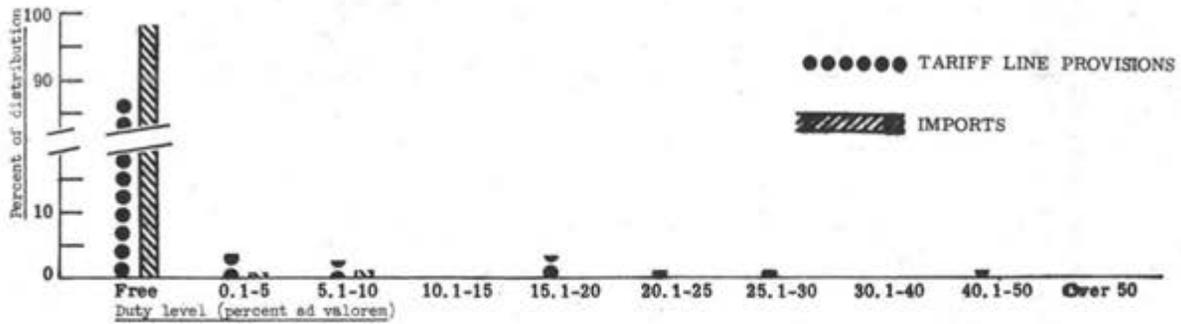


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

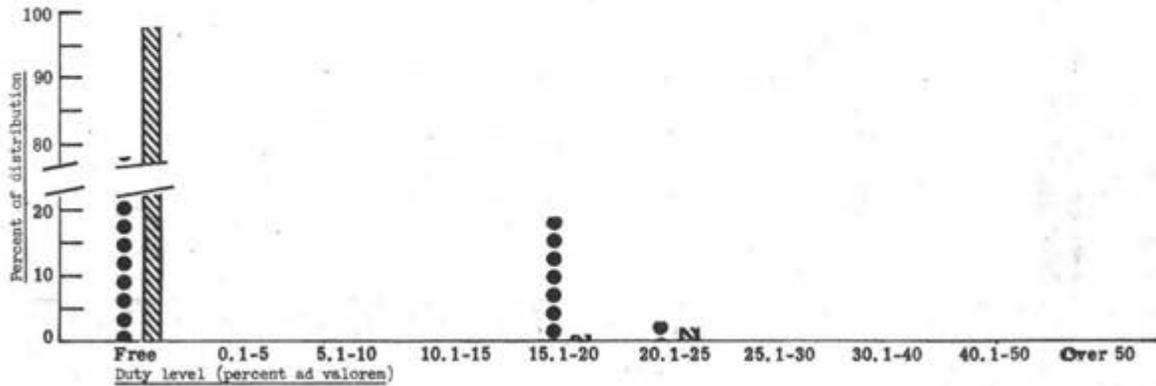
APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES
Industrial Sector I-21, --Works of Art and Collectors' Pieces

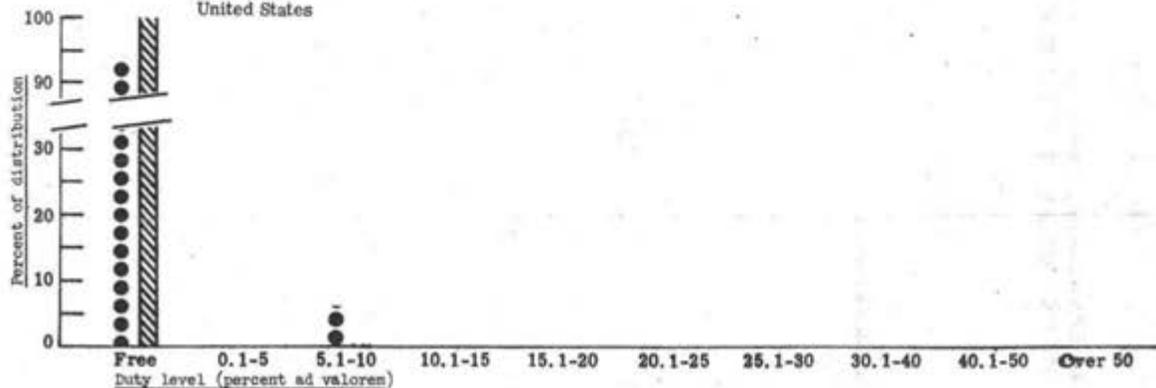
World 1/



Canada



United States

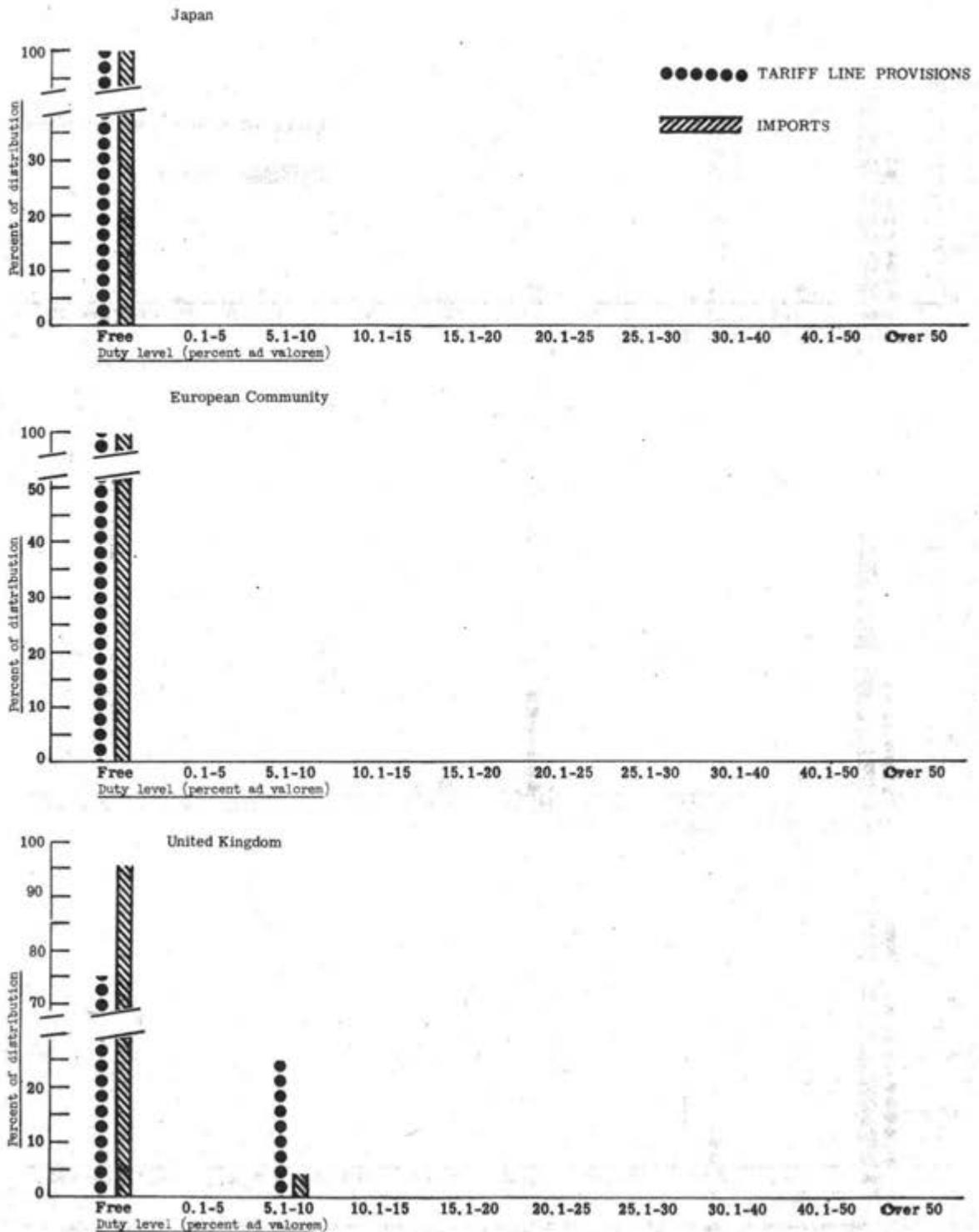


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-21, --Works of Art and Collectors' Pieces--Continued

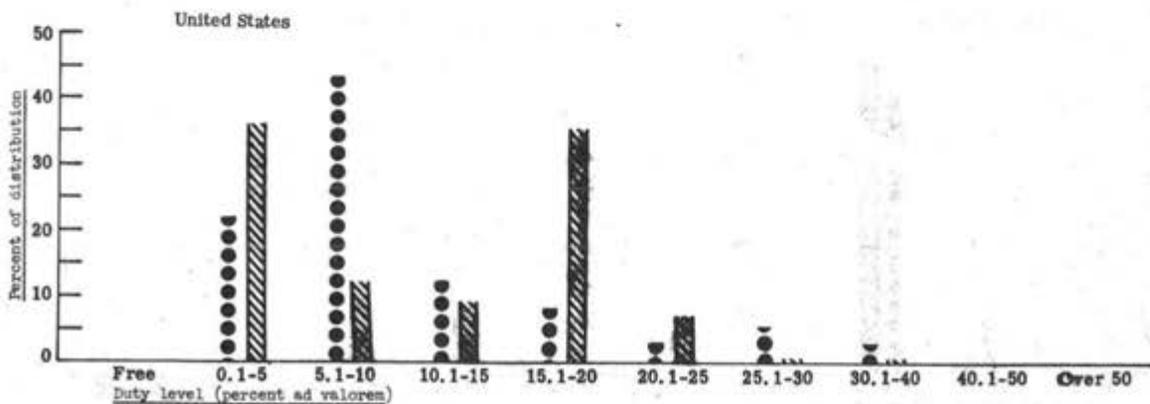
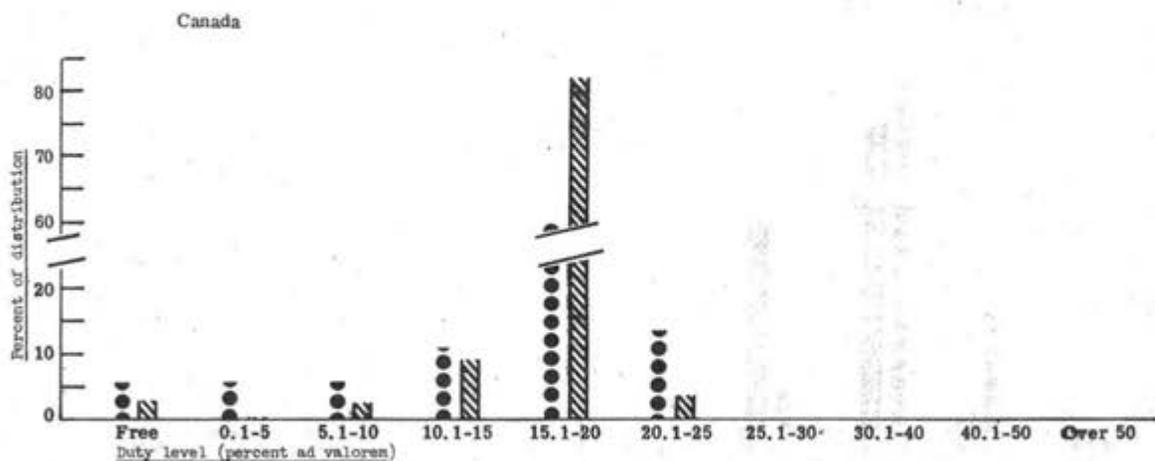
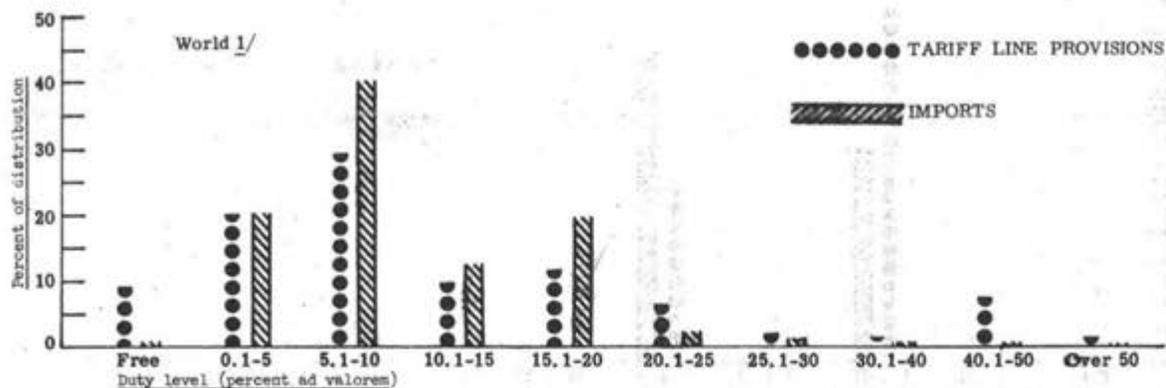


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

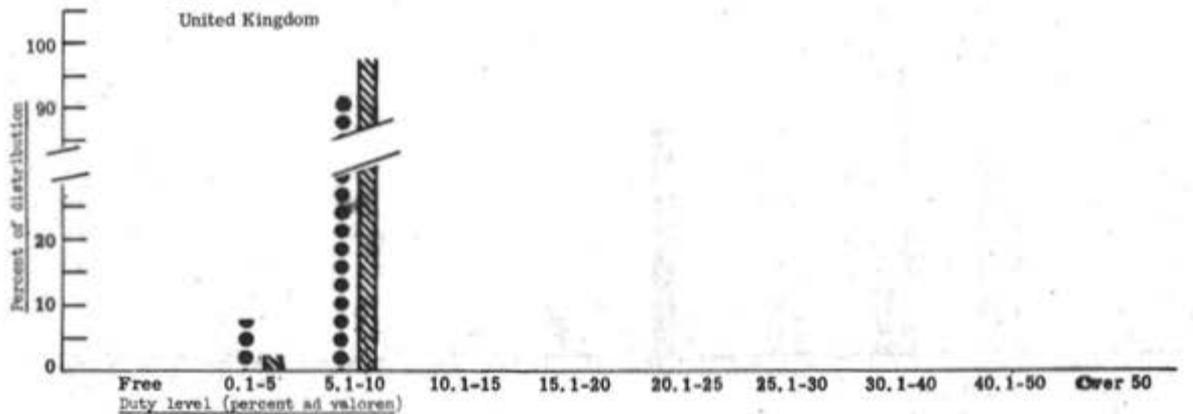
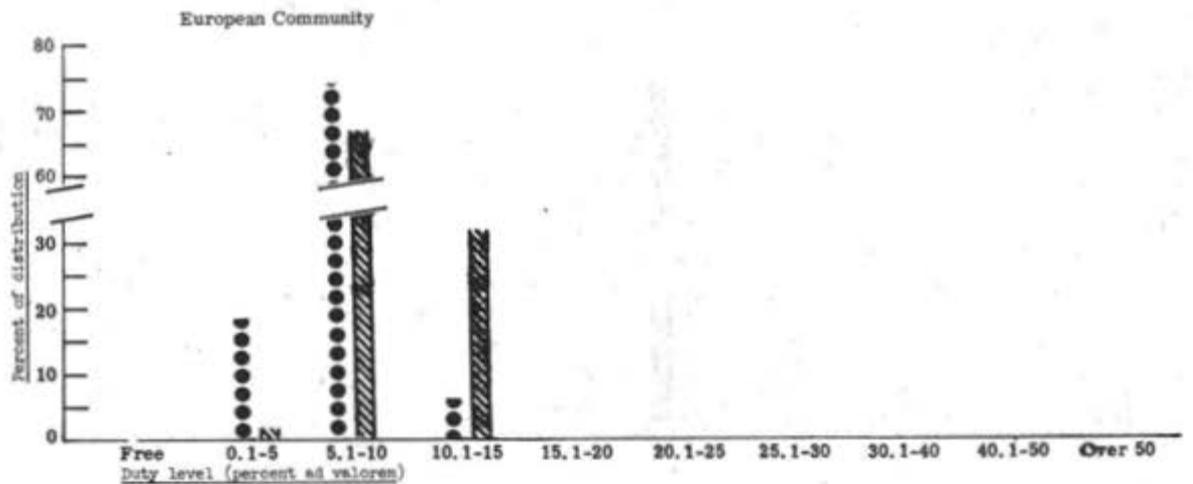
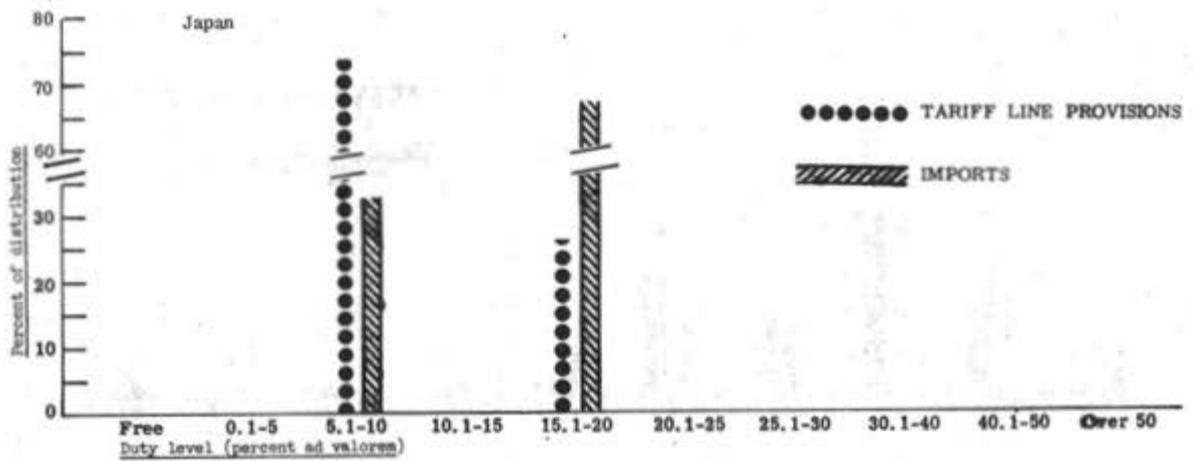
Industrial Sector I-22. --Office and Stationery Supplies



^{1/} "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

TARIFF AND TRADE PROFILES

Industrial Sector I-22. --Office and Stationery Supplies--Continued

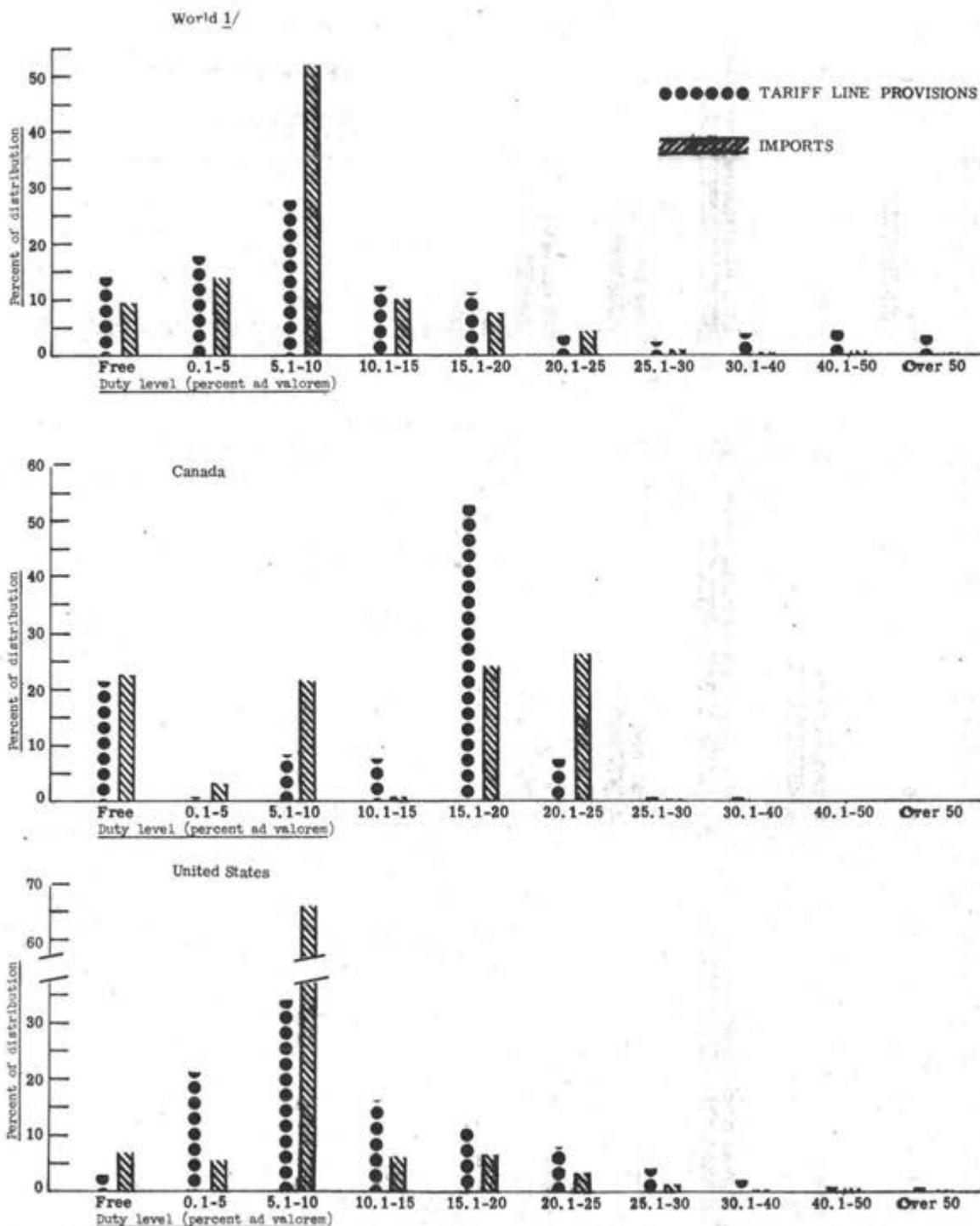


Source: Compiled from Basic Documentation for the Tariff Study, GATT.

APPENDIX CHART 4-A (Continued)

TARIFF AND TRADE PROFILES

Industrial Sector I-23.--Manufactured Articles Not Elsewhere Specified

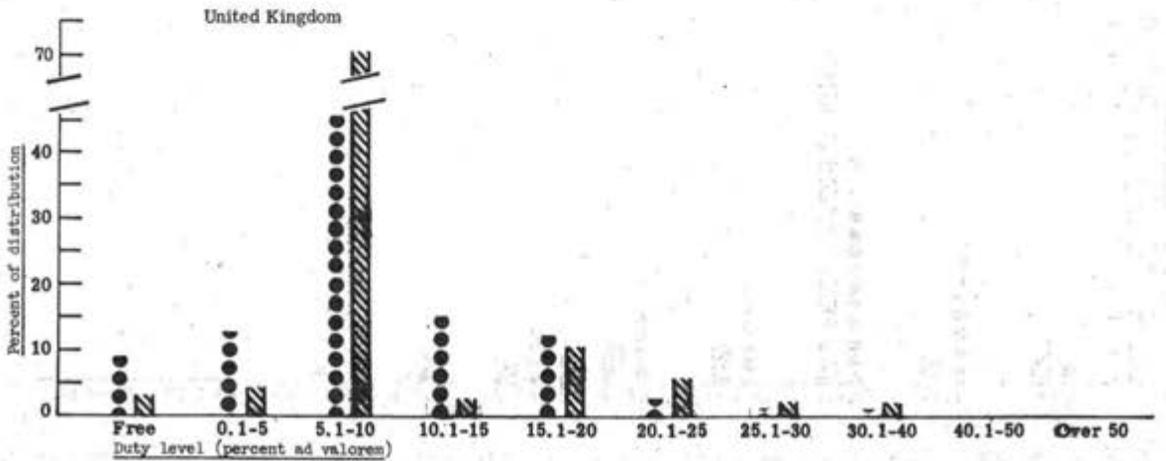
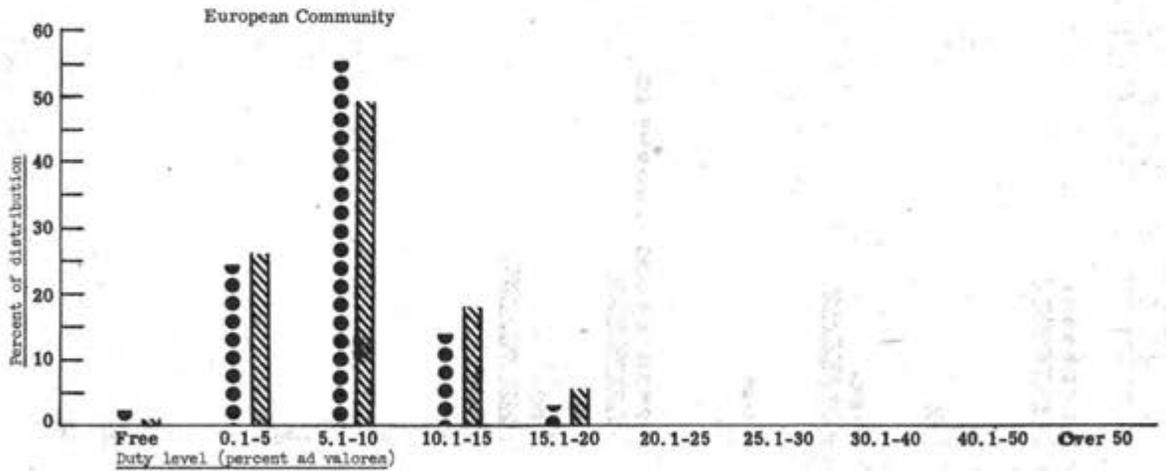
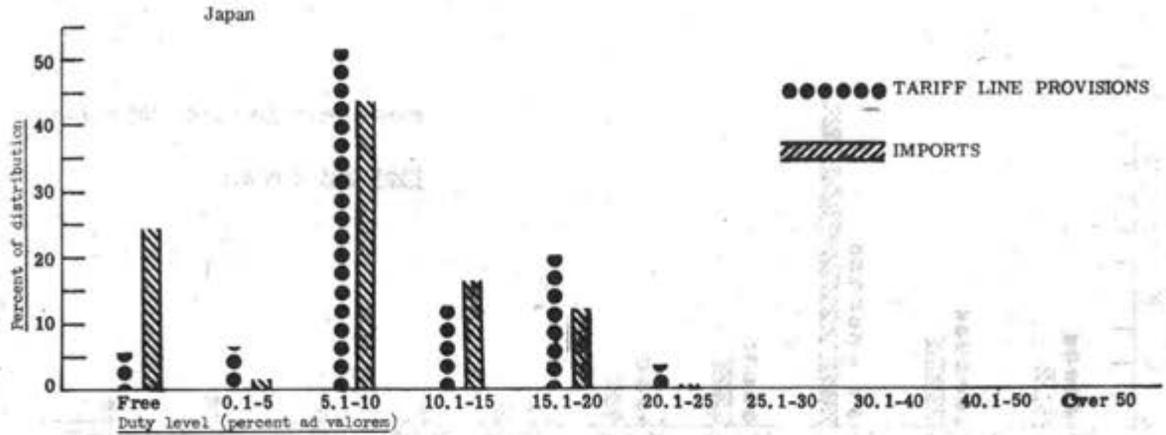


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

TARIFF AND TRADE PROFILES

Industrial Sector I-23.--Manufactured Articles Not Elsewhere Specified--Continued



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Appendix Chart 4-B. -- Agricultural Sectors:
Tariff and trade profiles

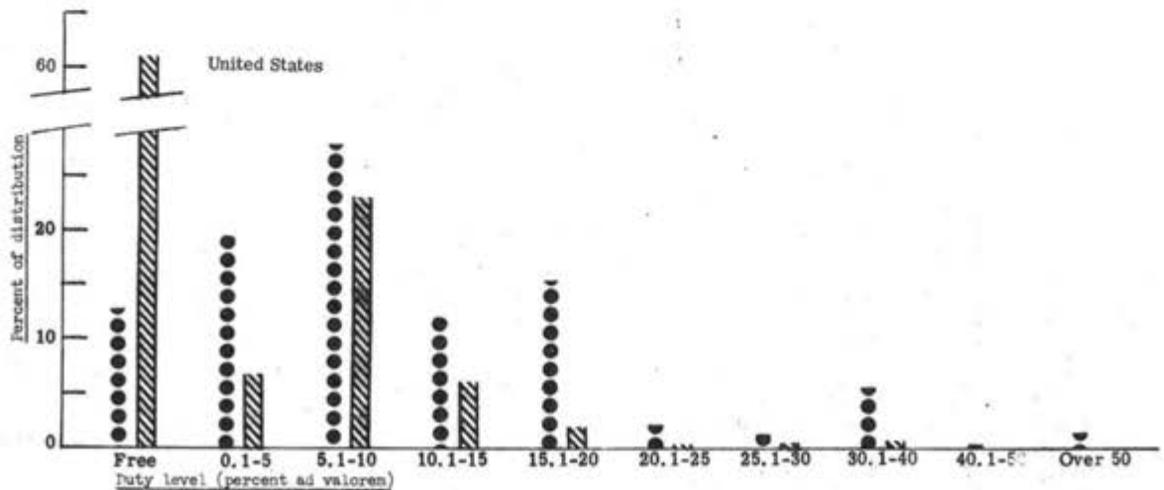
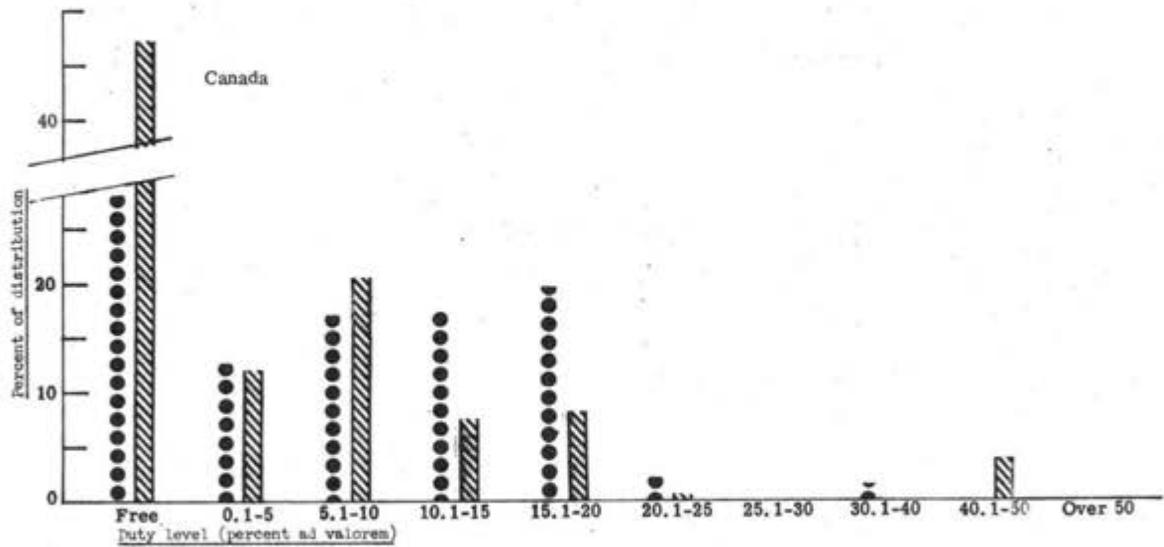
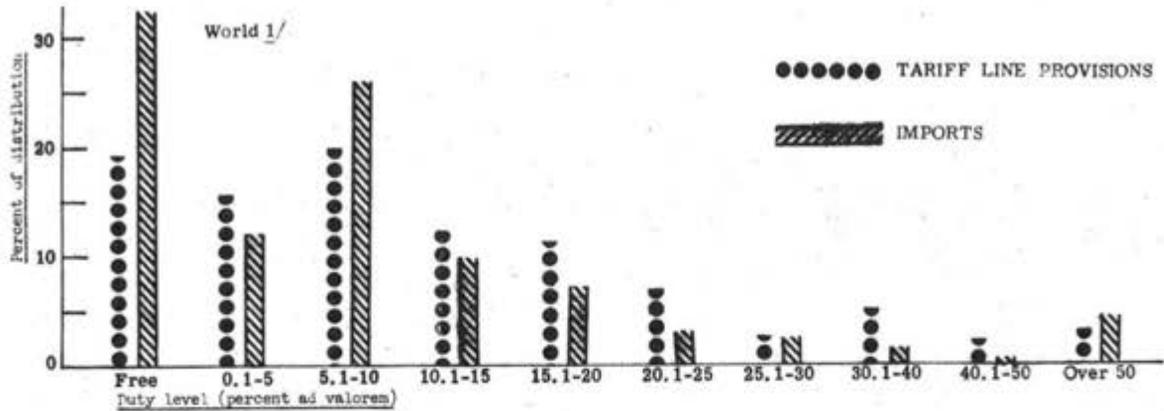
Distribution by duty level, of MFN tariff provisions and imports of
Canada, United States, Japan, the European Community and the United
Kingdom.

Agricultural Sectors

- A-1 Foodstuffs
- A-2 Grains
- A-3 Animals and products thereof
- A-4 Oil seeds, fats and oils, and their products
- A-5 Beverages and spirits
- A-6 Dairy products
- A-7 Fish, shellfish and products
- A-8 Tobacco
- A-9 Miscellaneous agricultural and forestry products

APPENDIX CHART 4-B (Continued)

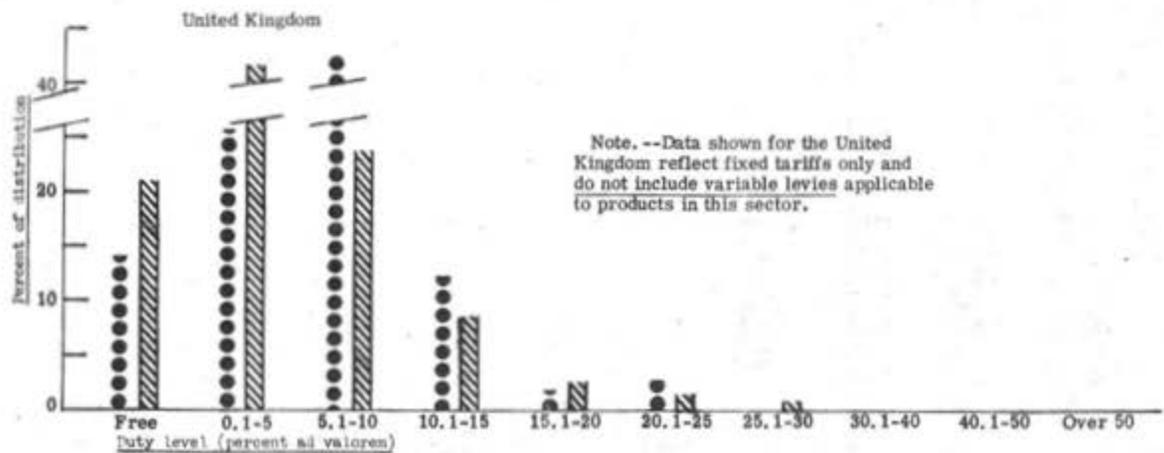
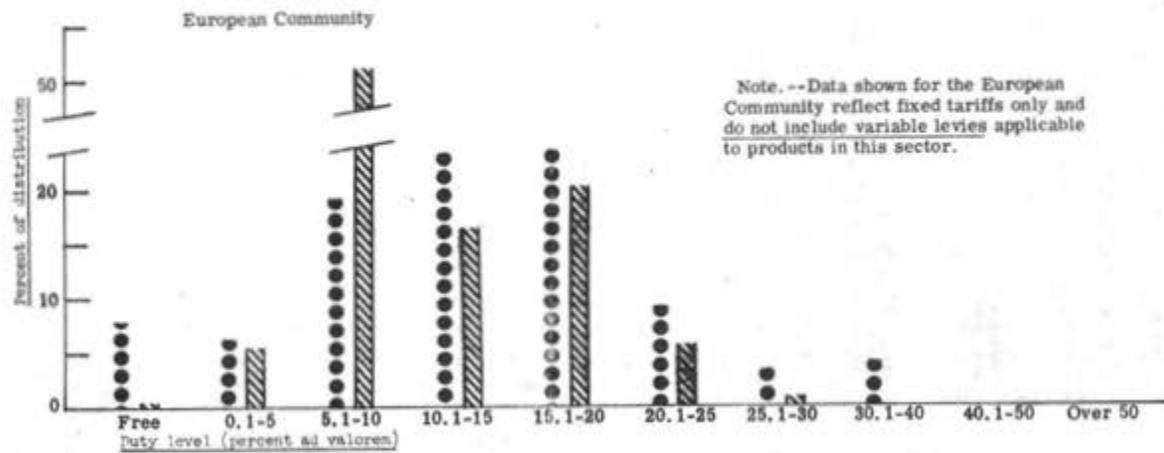
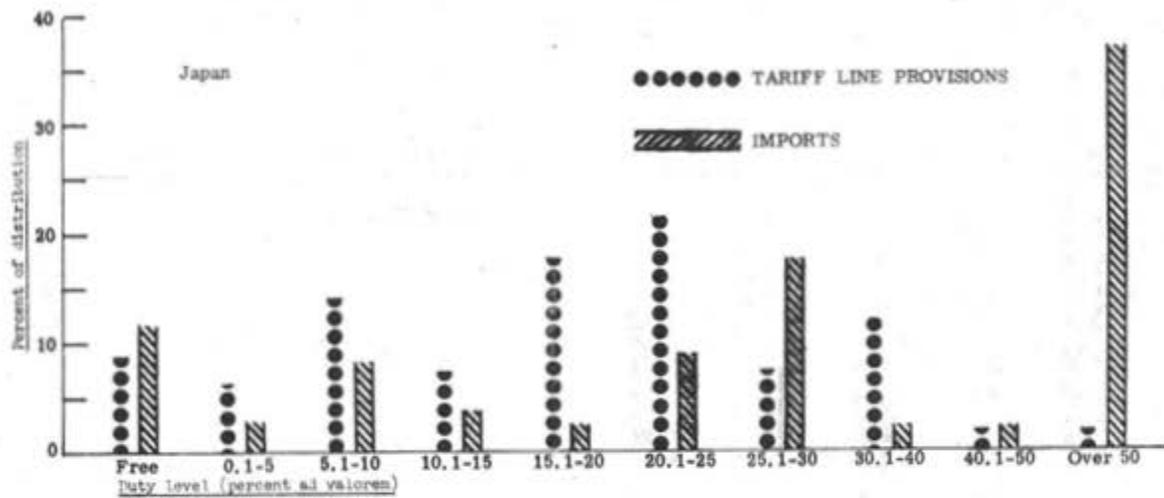
TARIFF AND TRADE PROFILES
Agricultural Sector A-1. --Foodstuffs



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES
 Agricultural Sector A-1, --Foodstuffs--Continued

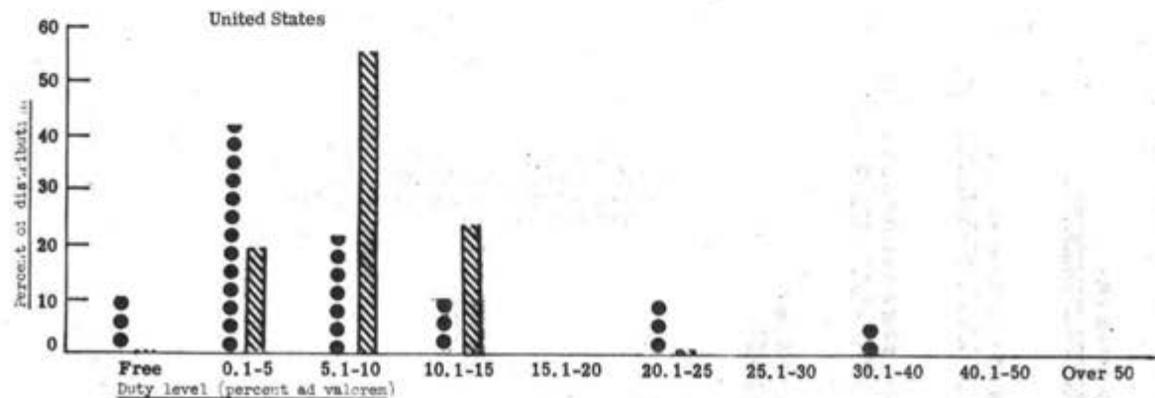
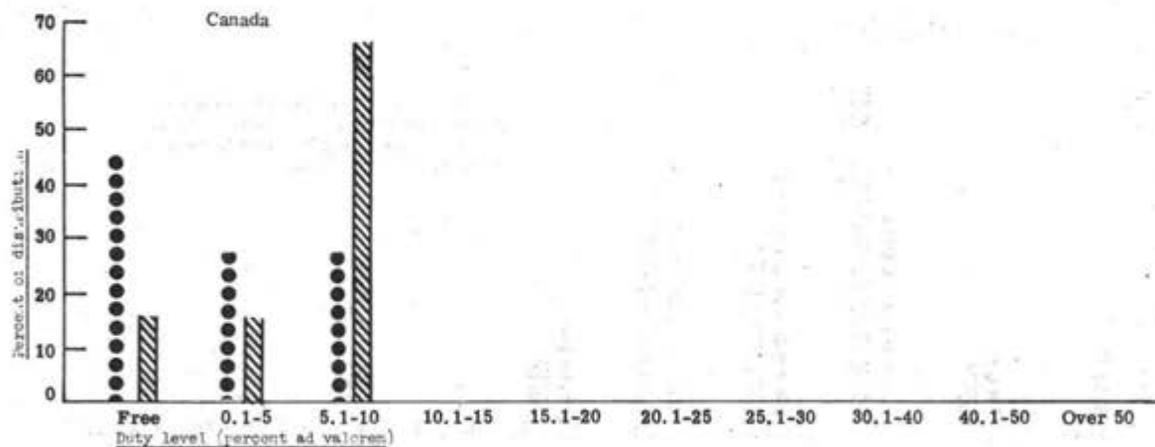
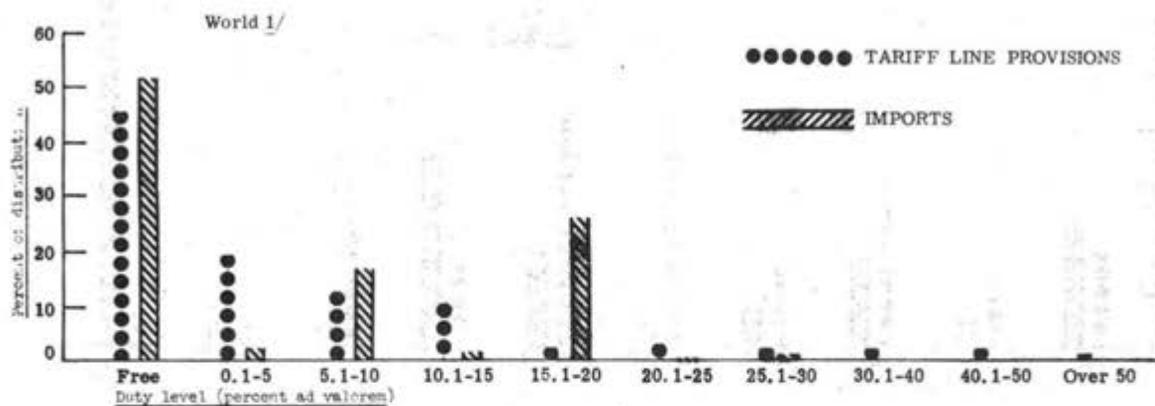


Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

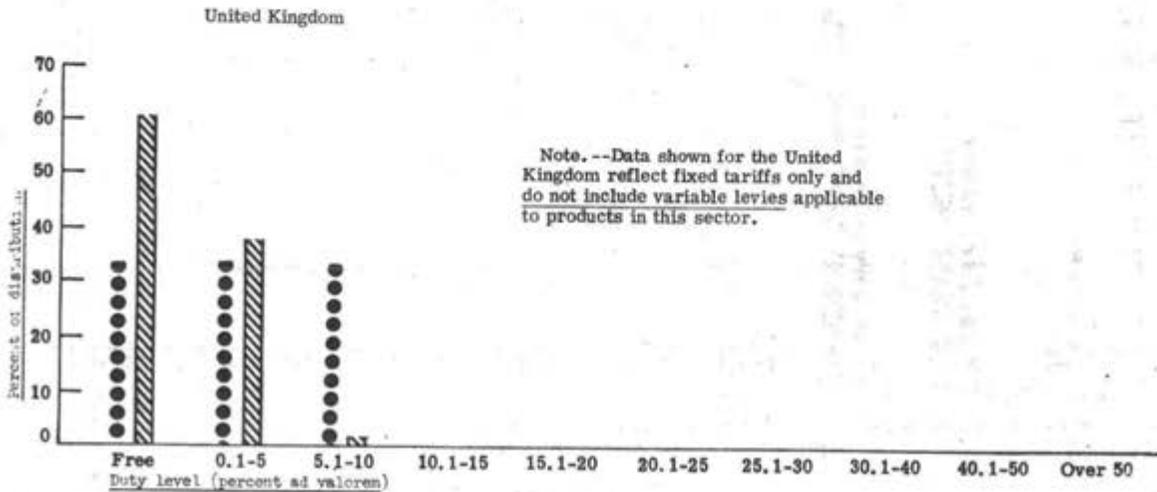
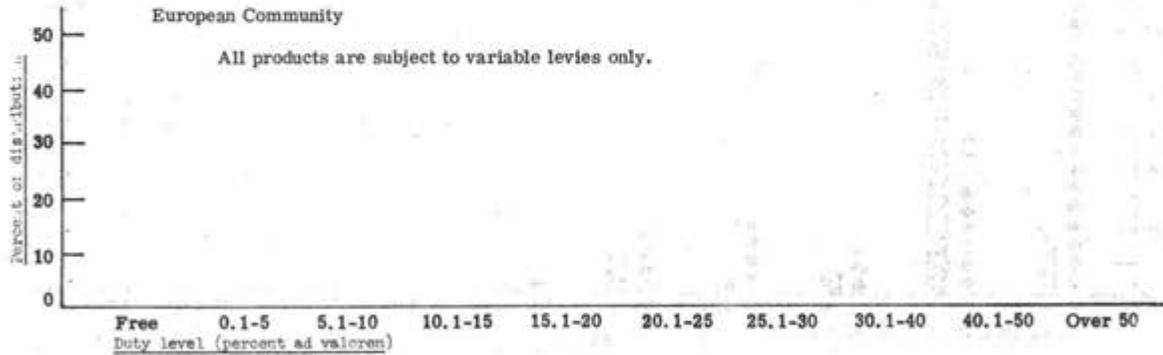
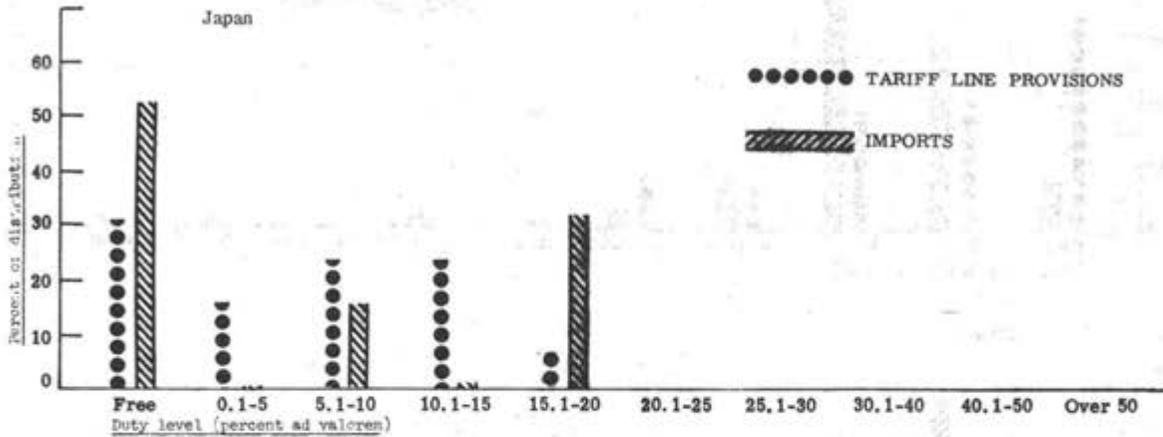
TARIFF AND TRADE PROFILES

Agricultural Sector A-2. --Grains



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

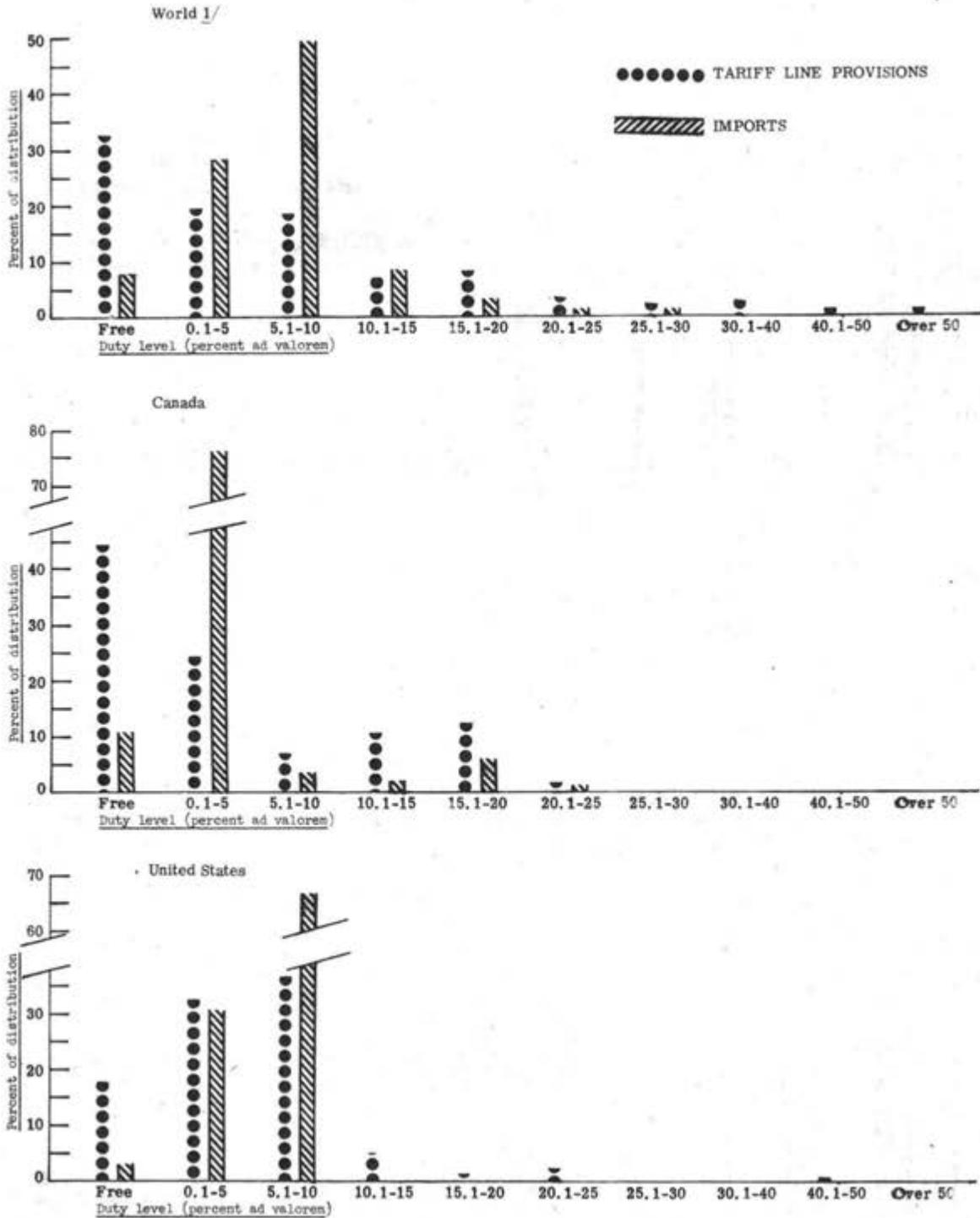
TARIFF AND TRADE PROFILES
Agricultural Sector A-2, --Grains--Continued



APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-3. --Animals and products thereof

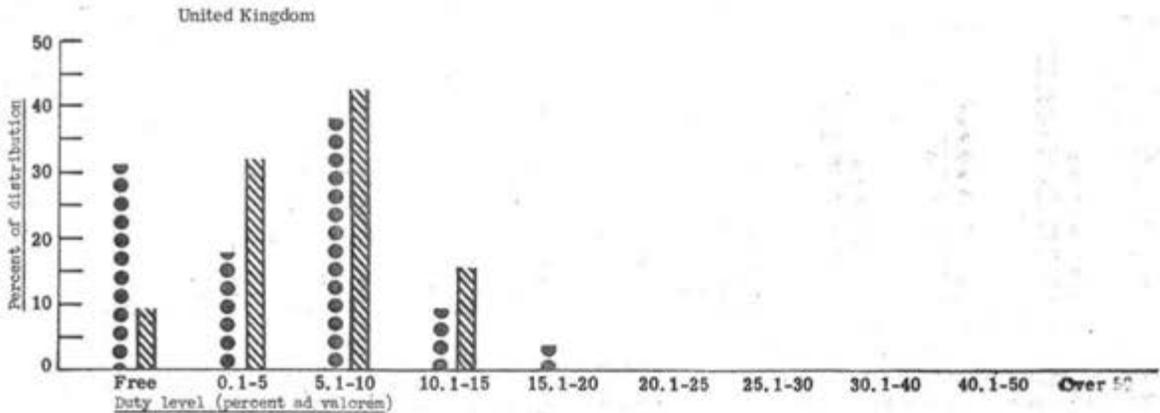
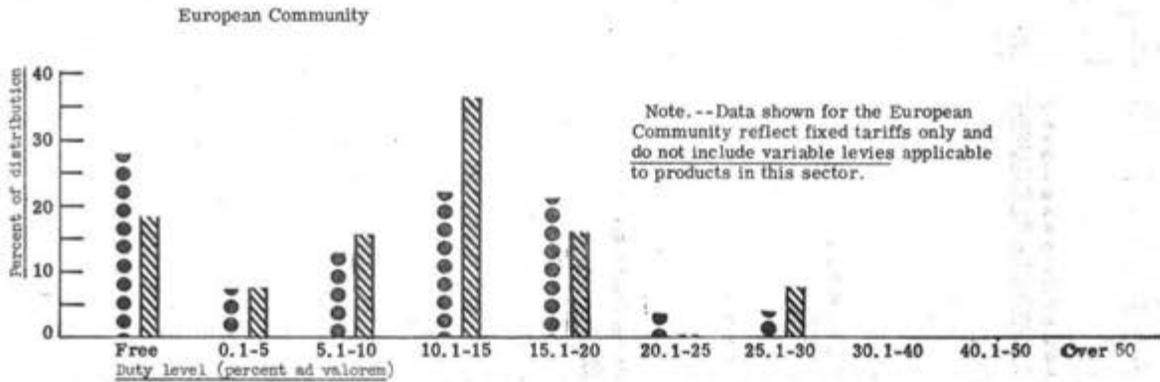
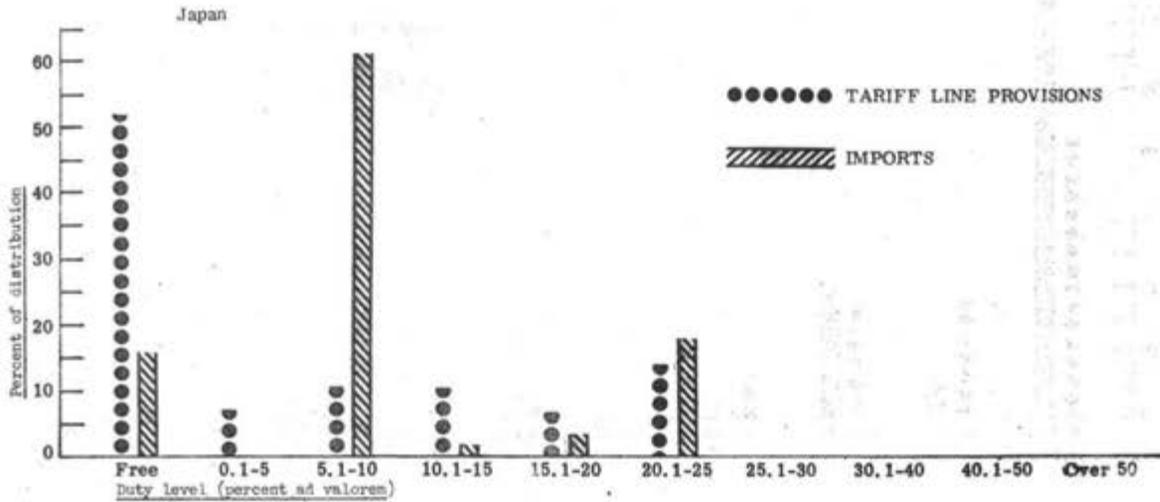


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-3. --Animals and products thereof--Continued

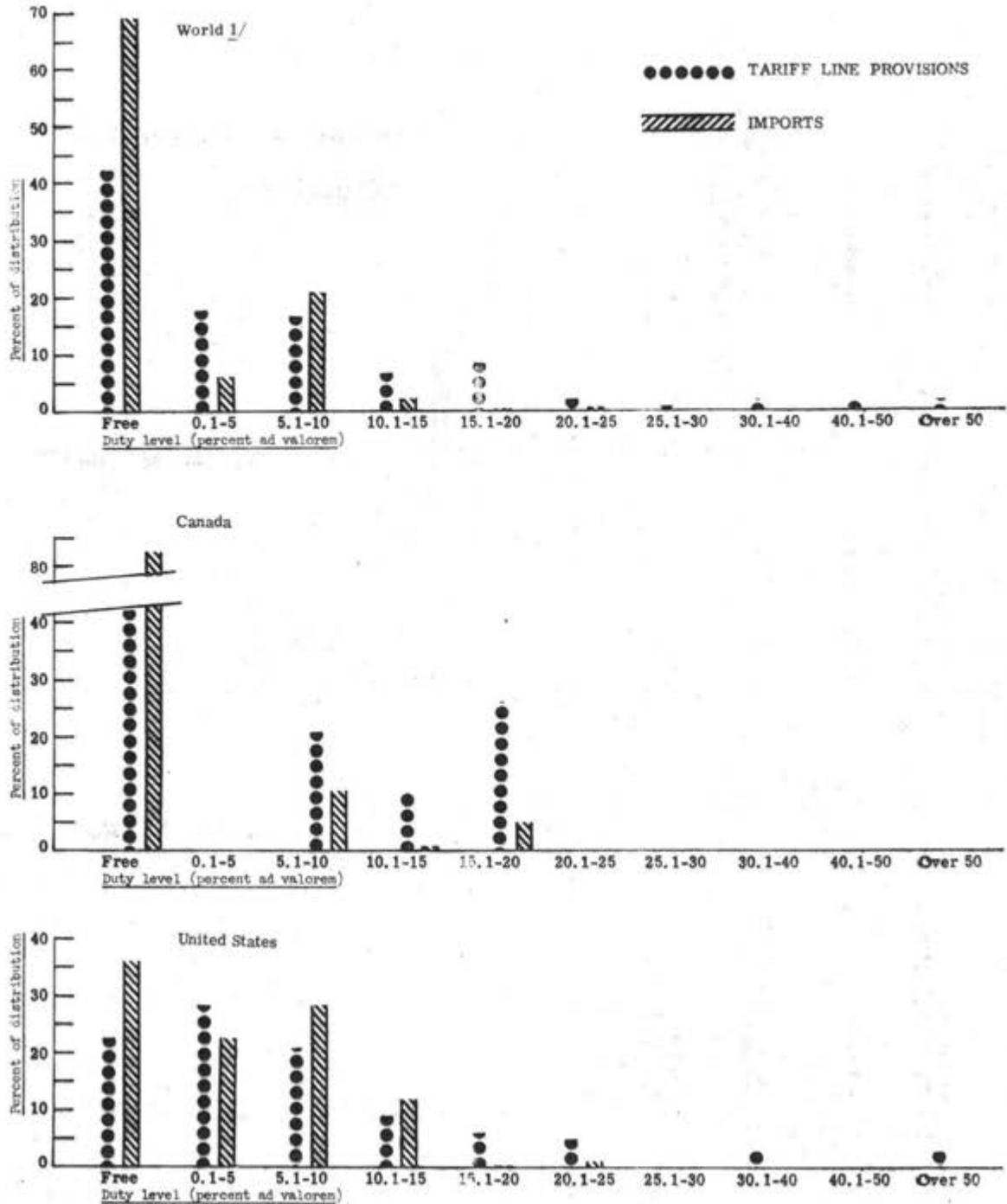


Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-4. -- Oil Seeds, Fats and Oils, and Their Products

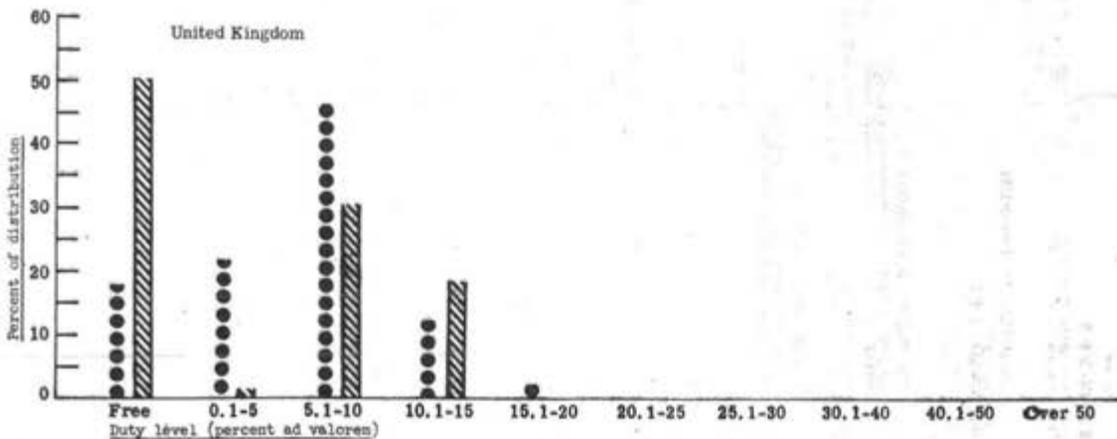
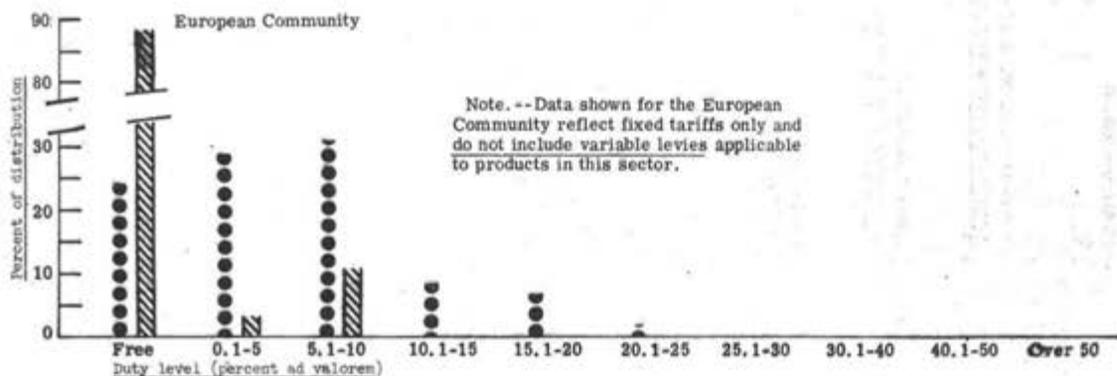
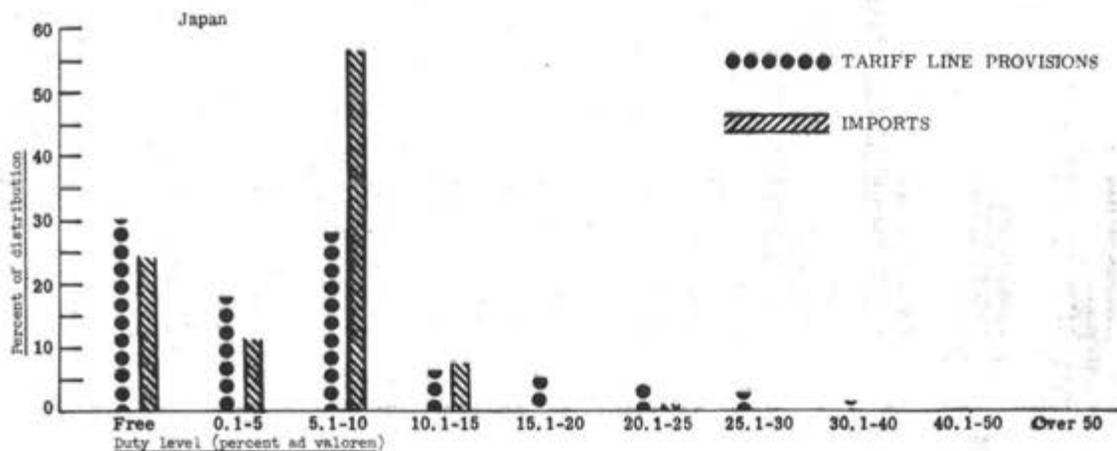


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-4. --Oil Seeds, Fats and Oils, and Their Products--Continued

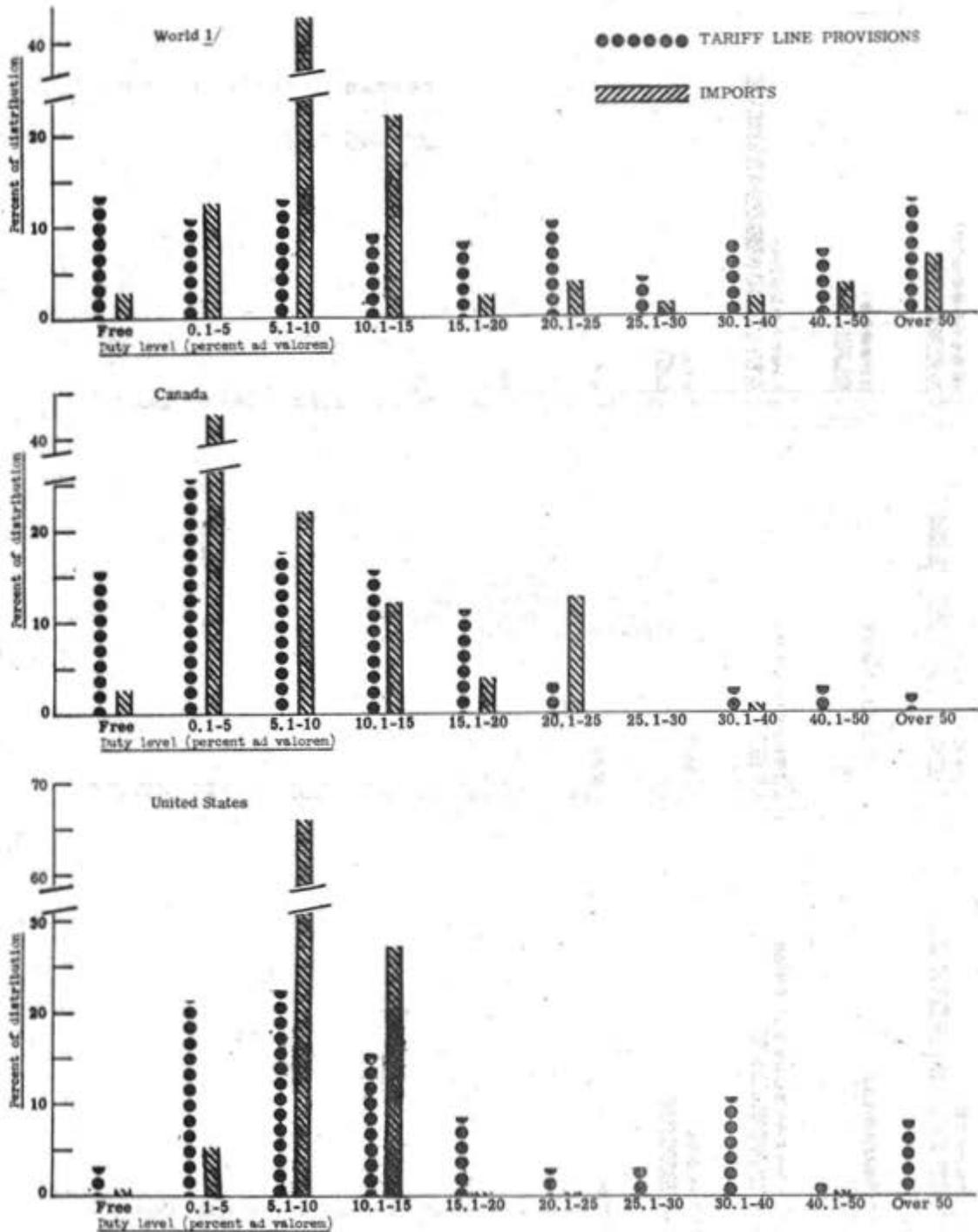


Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-5. --Beverages and Spirits



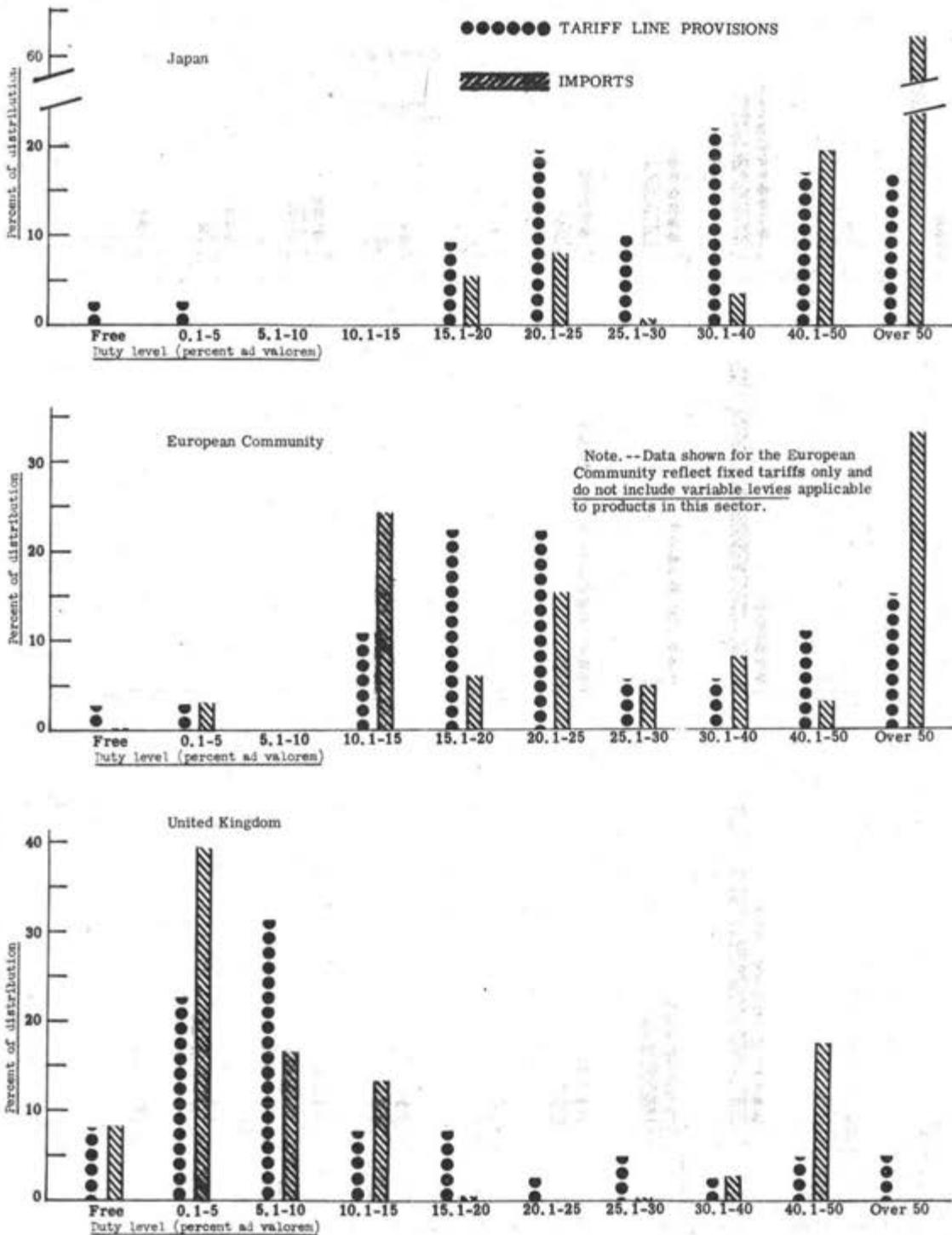
1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

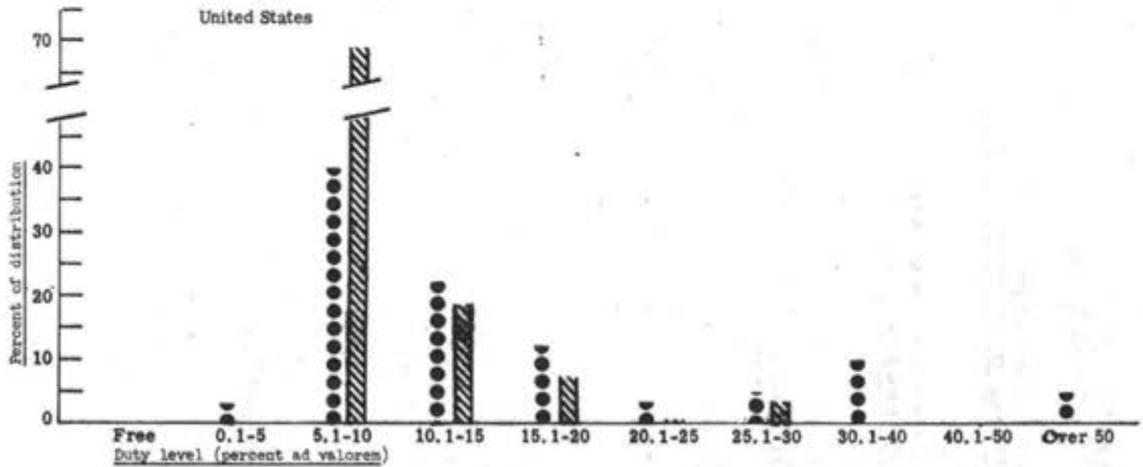
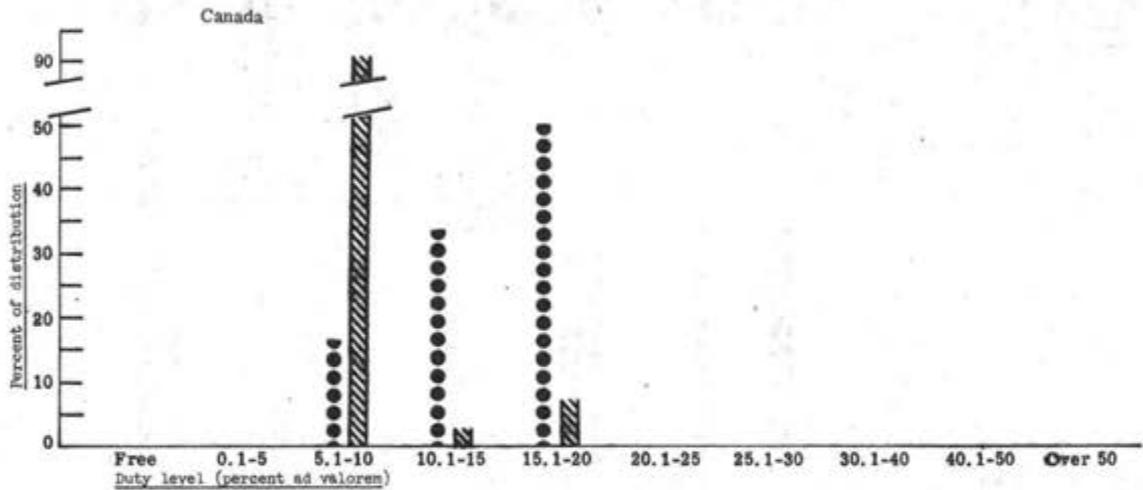
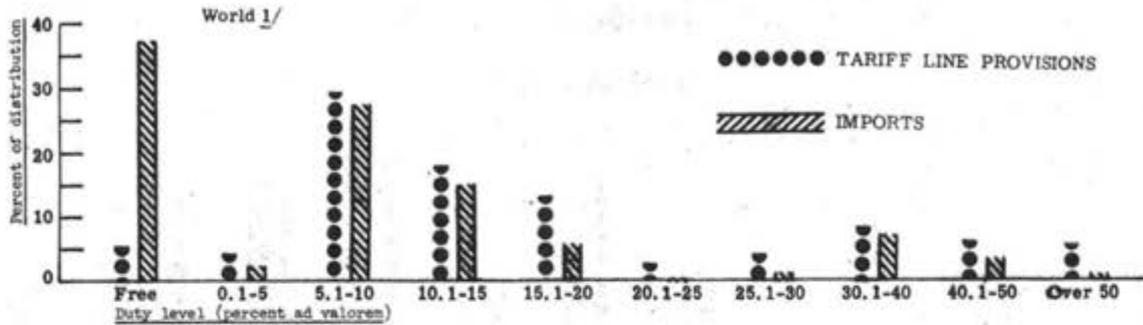
Agricultural Sector A-5. --Beverages and Spirits--Continued



Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

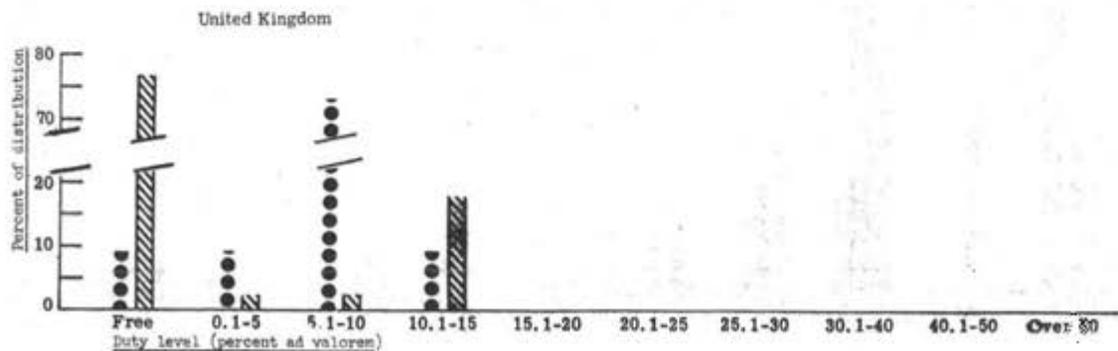
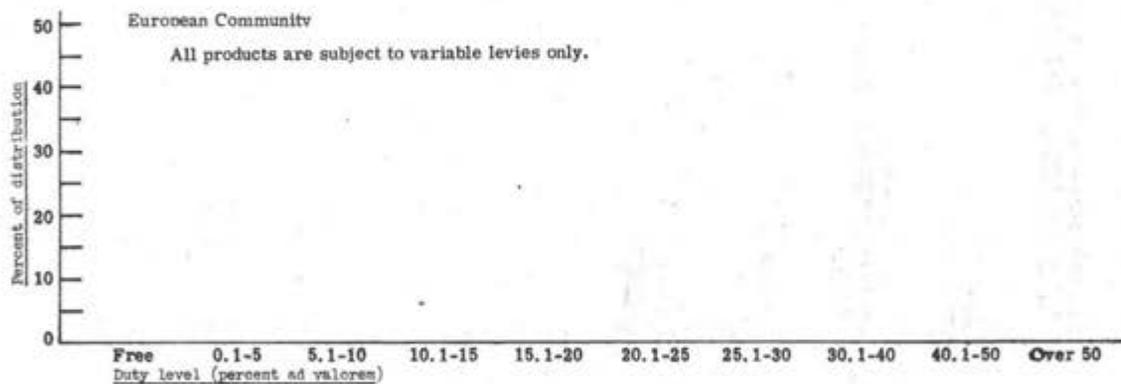
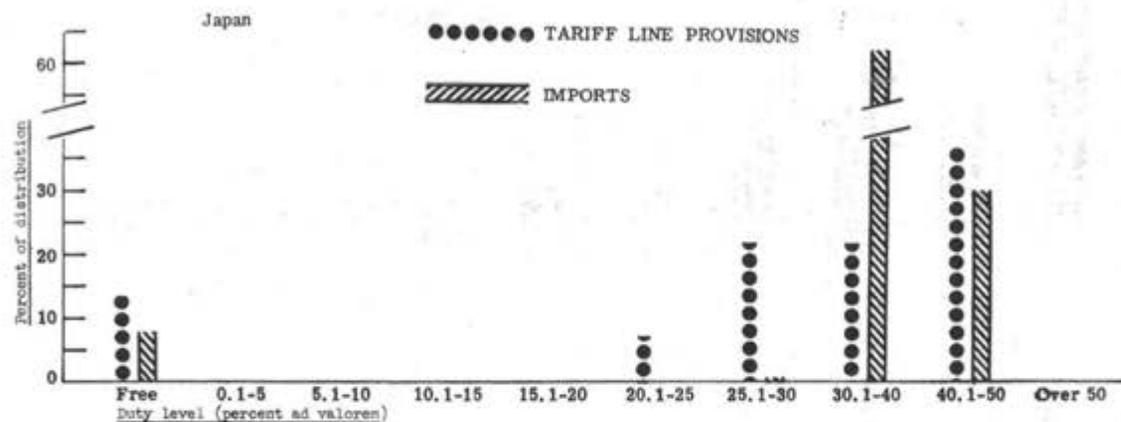
TARIFF AND TRADE PROFILES
Agricultural Sector A-6.--Dairy Products



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES
Agricultural Sector A-6.--Dairy Products--Continued

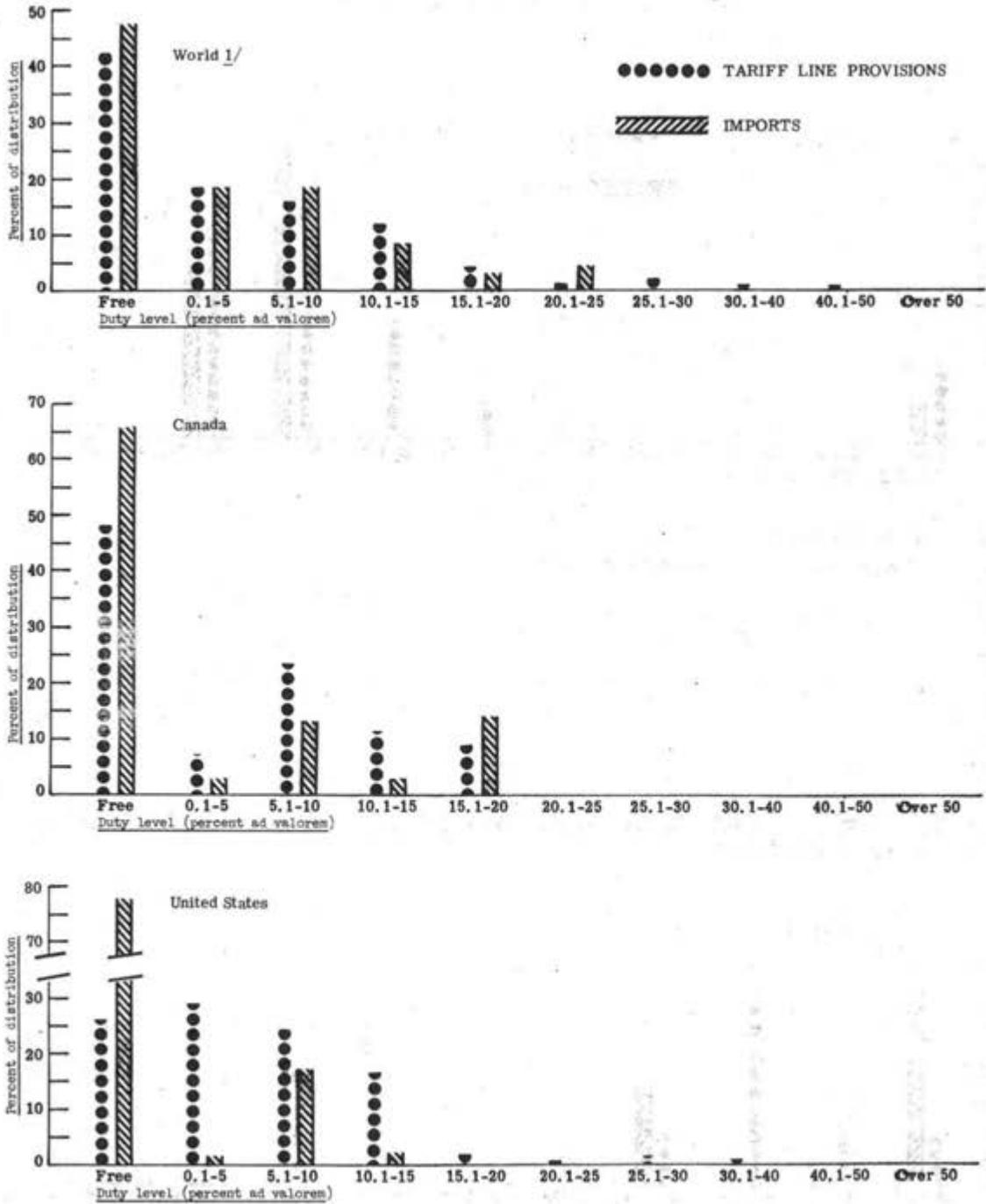


Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-7. --Fish, Shellfish and Products

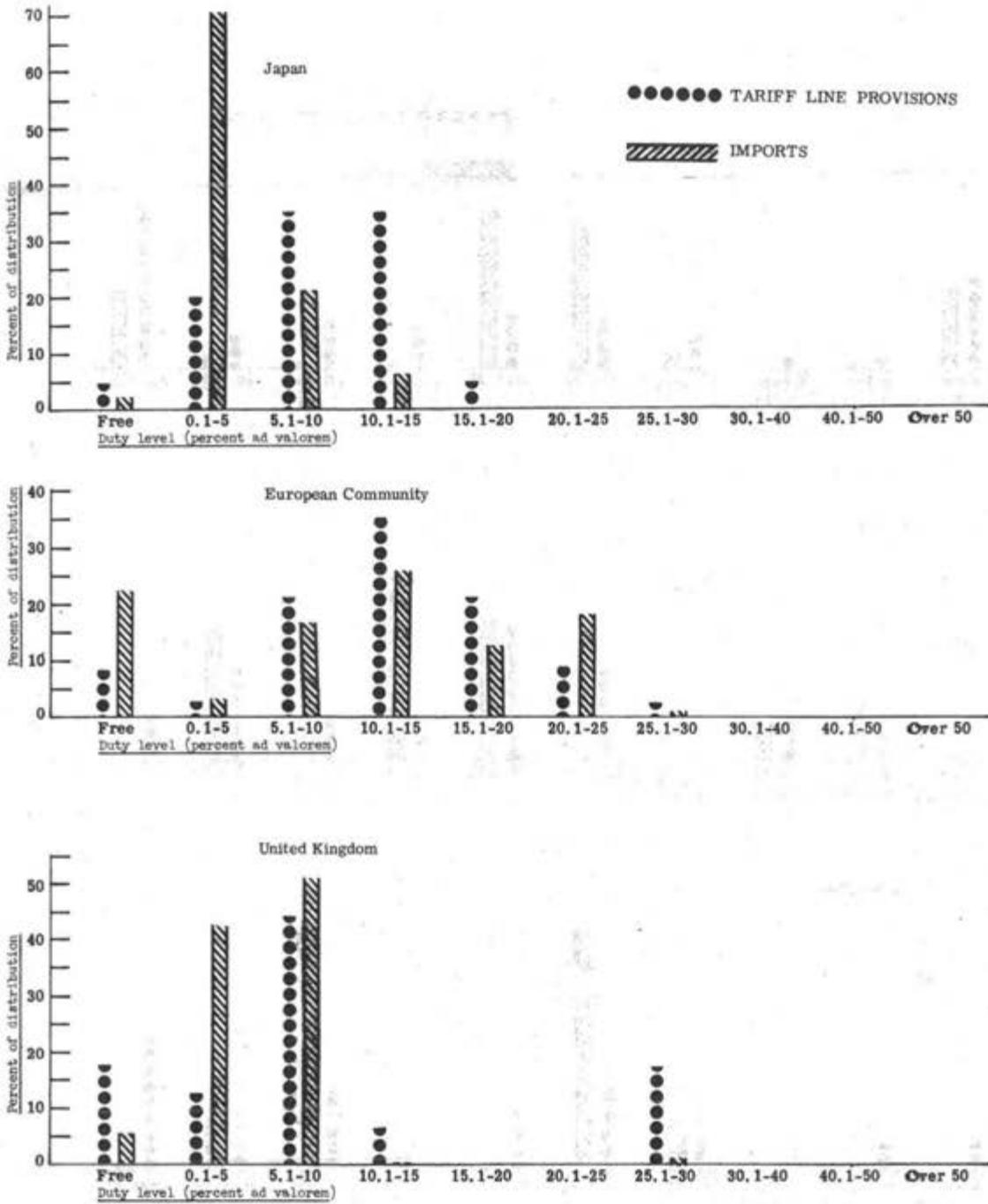


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

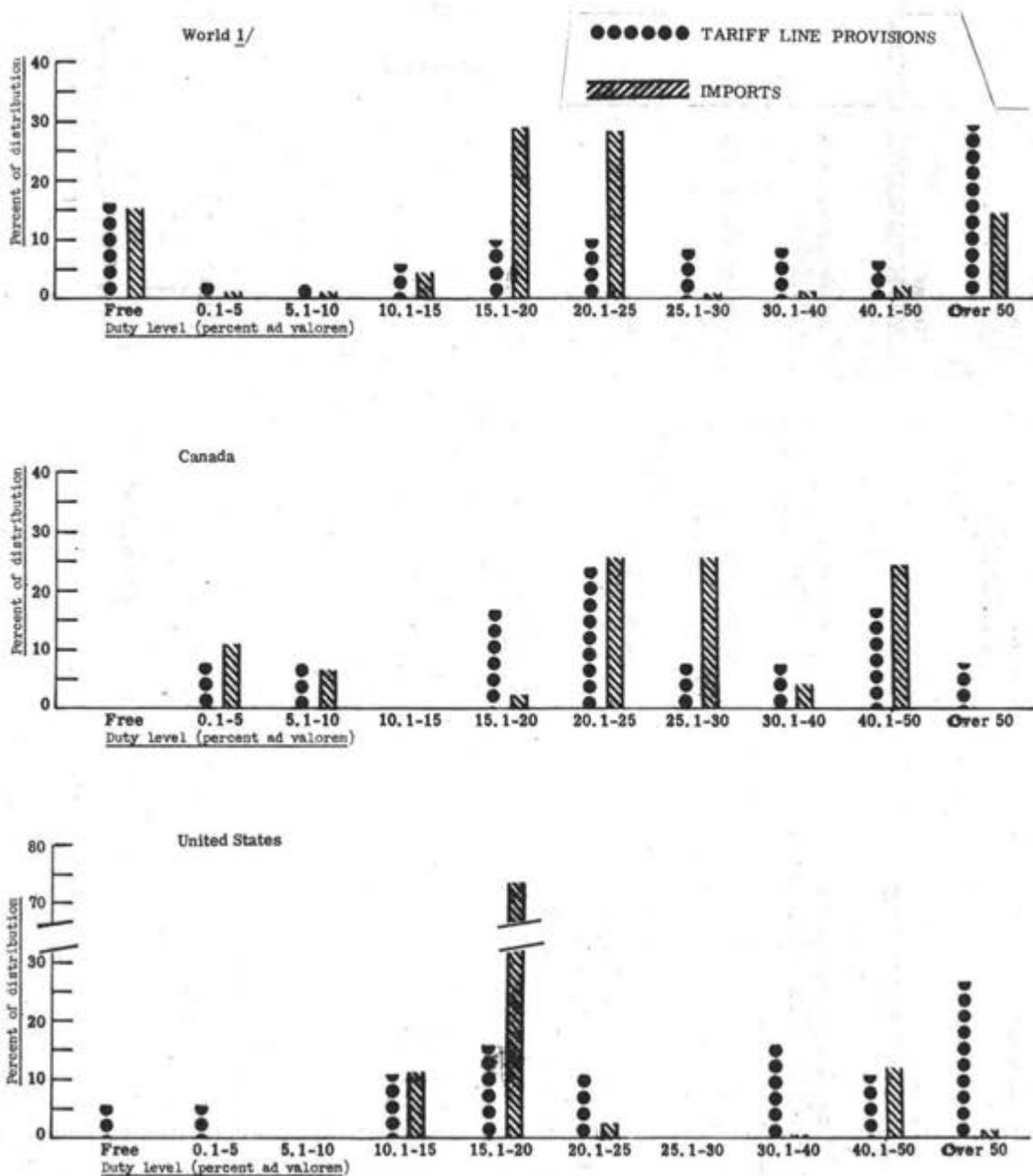
Agricultural Sector A-7. --Fish, Shellfish and Products--Continued



Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

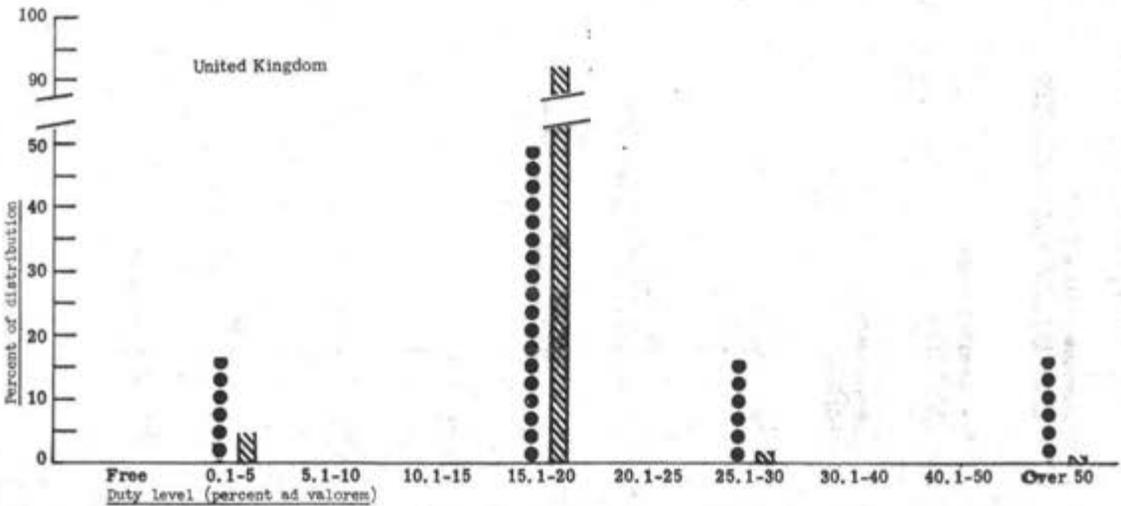
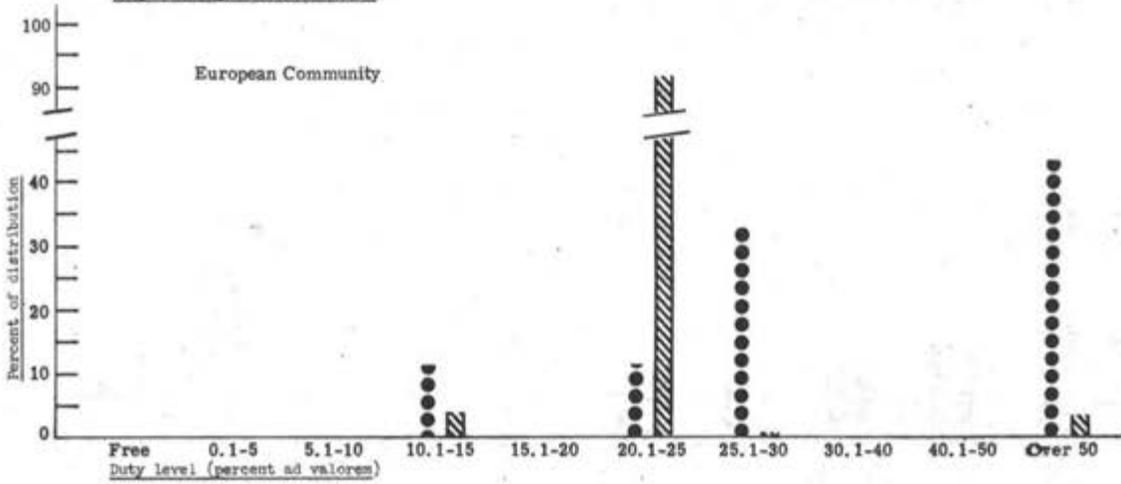
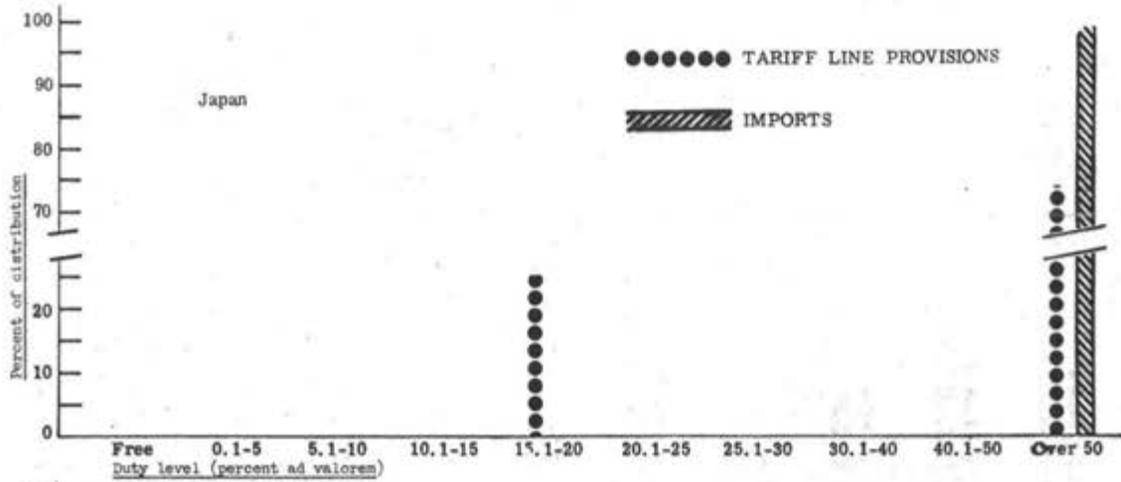
TARIFF AND TRADE PROFILES
Agricultural Sector A-8. --Tobacco



1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES
Agricultural Sector A-8. --Tobacco--Continued

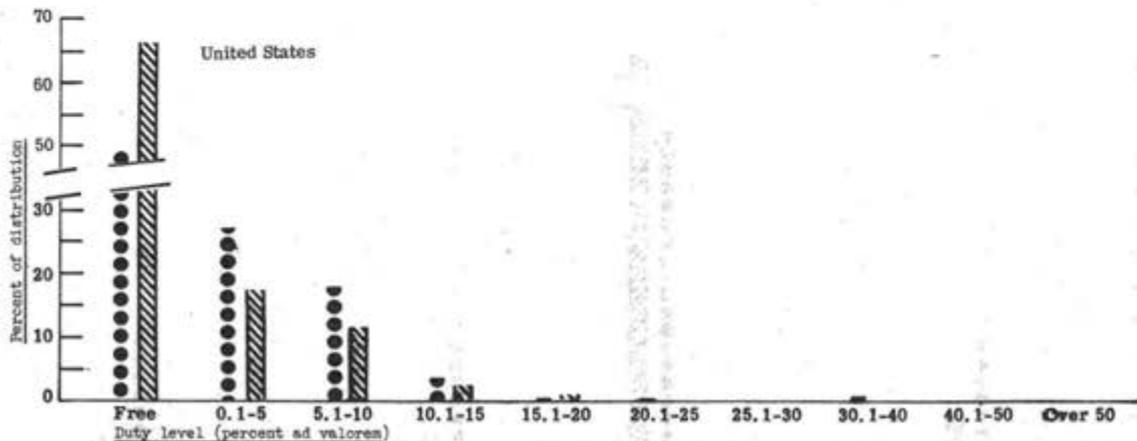
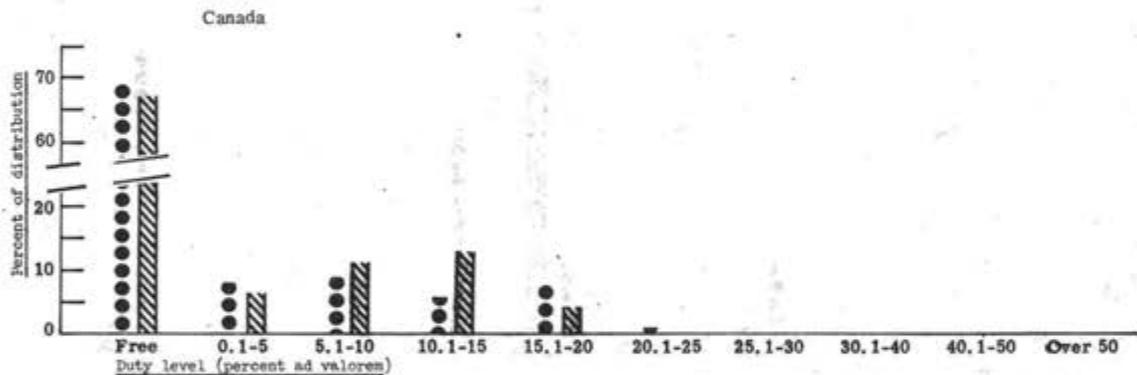
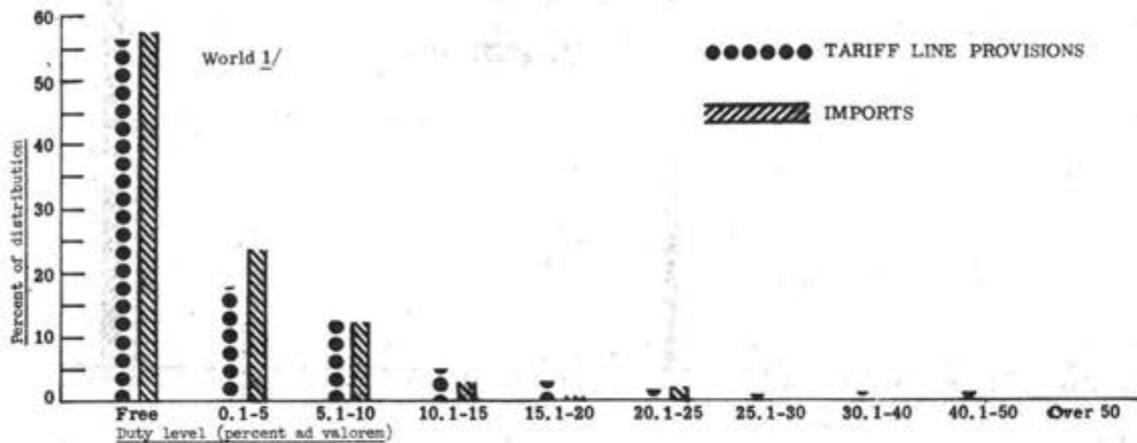


Source: Compiled from national tariffs and trade statistics.

APPENDIX CHART 4-B (Continued)

TARIFF AND TRADE PROFILES

Agricultural Sector A-9.--Miscellaneous Agricultural and Forestry Products

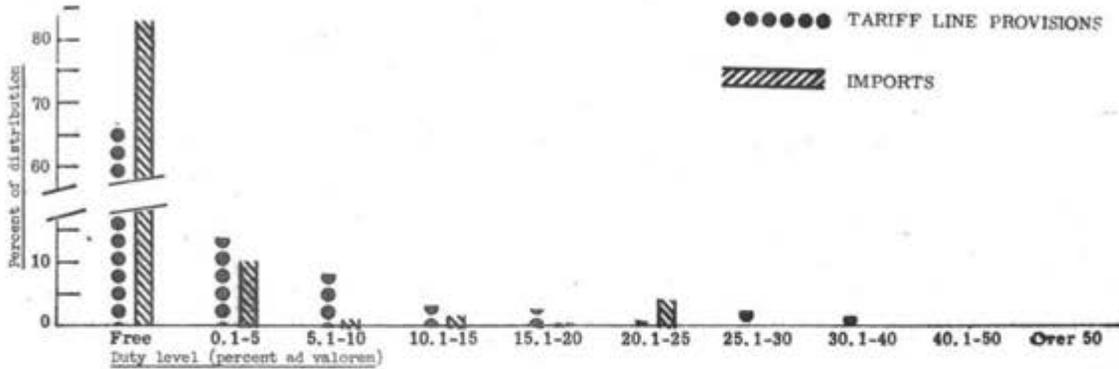


1/ "World" data represent the average of data for 12 developed countries plus the European Community. It is calculated on the basis of the individual country averages using as a weight the corresponding value of national MFN imports.

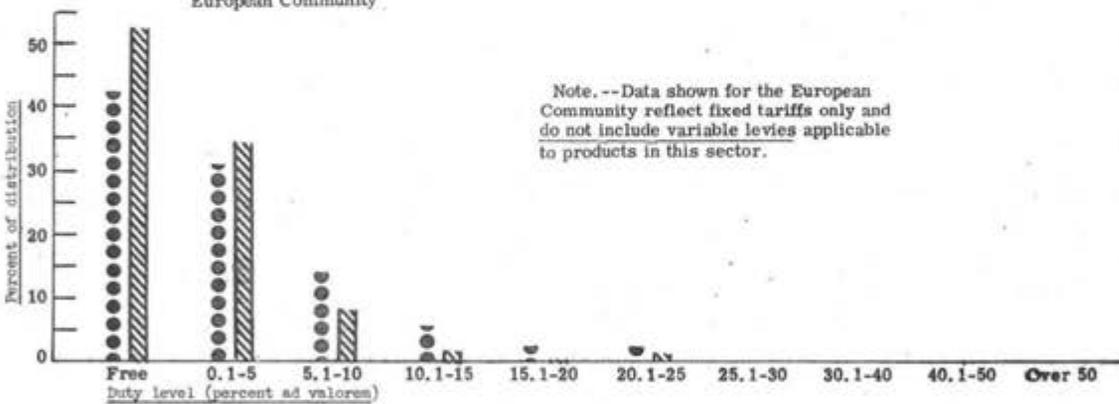
TARIFF AND TRADE PROFILES

Agricultural Sector A-9. --Miscellaneous Agricultural and Forestry Products--Continued

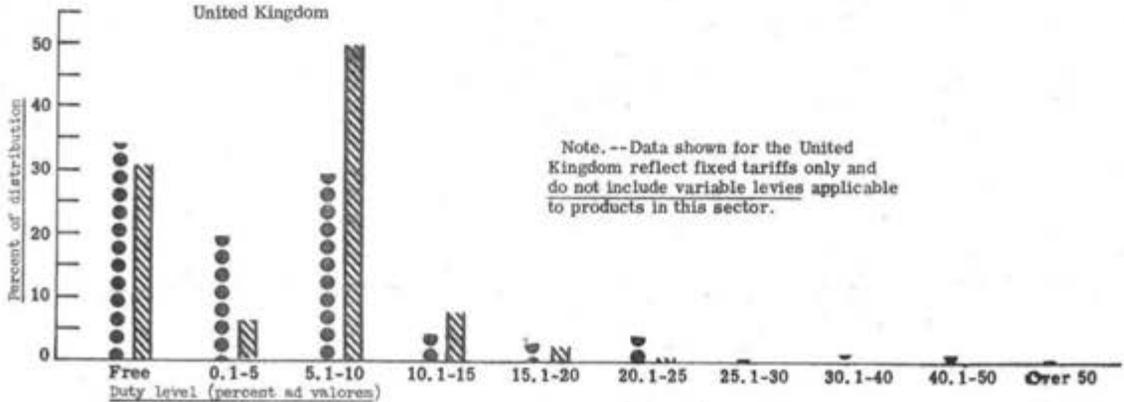
Japan



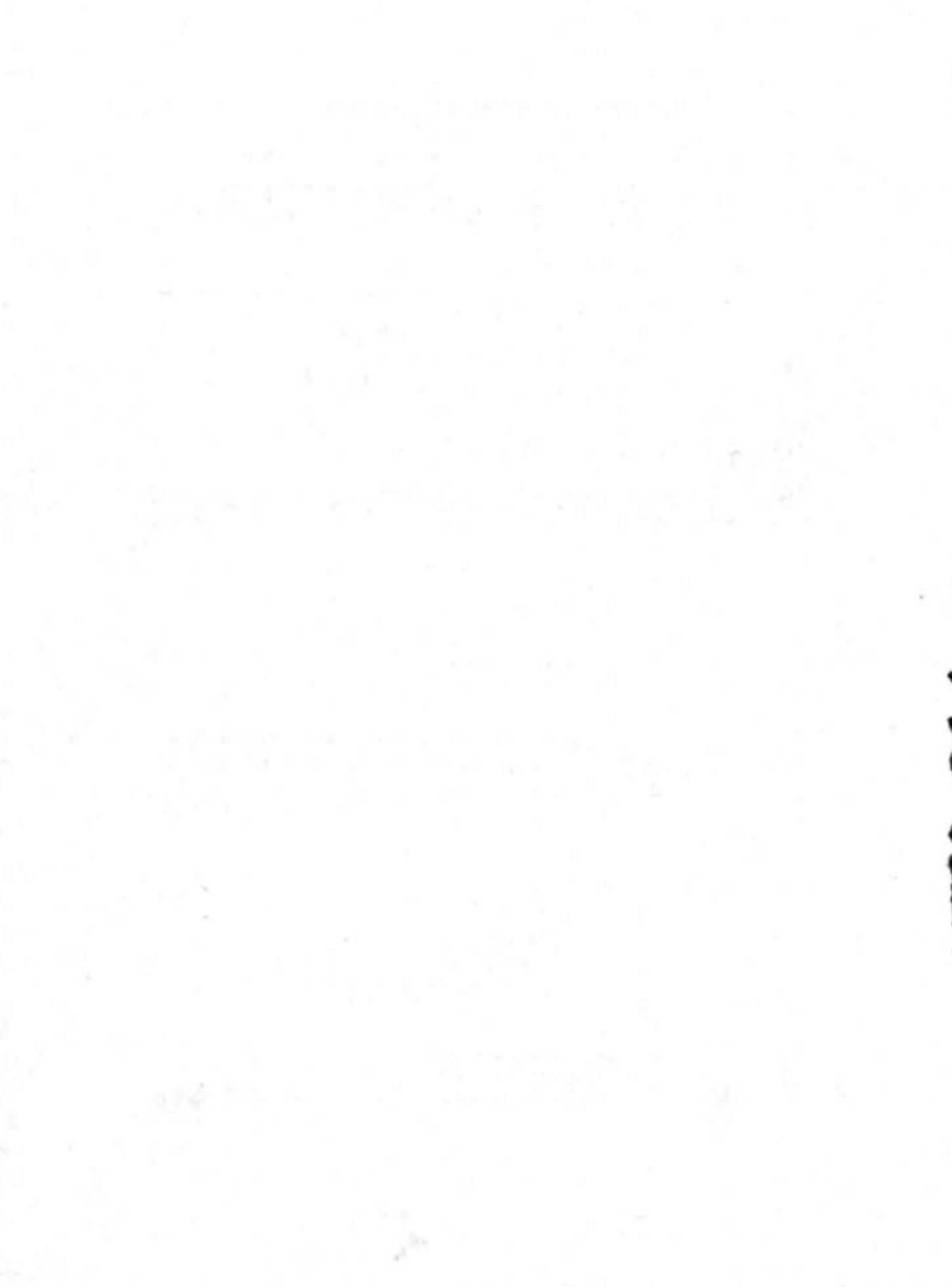
European Community



United Kingdom



Source: Compiled from national tariffs and trade statistics.



UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 3 OF 11

PART I. TRADE BARRIERS: AN OVERVIEW

CHAPTER V. THE NATURE AND EXTENT OF TARIFF CONCESSIONS
GRANTED IN TRADE AGREEMENTS BY THE MAJOR
TRADING NATIONS



TC Publication 665
Washington, D. C.
April, 1974

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

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Volume 3

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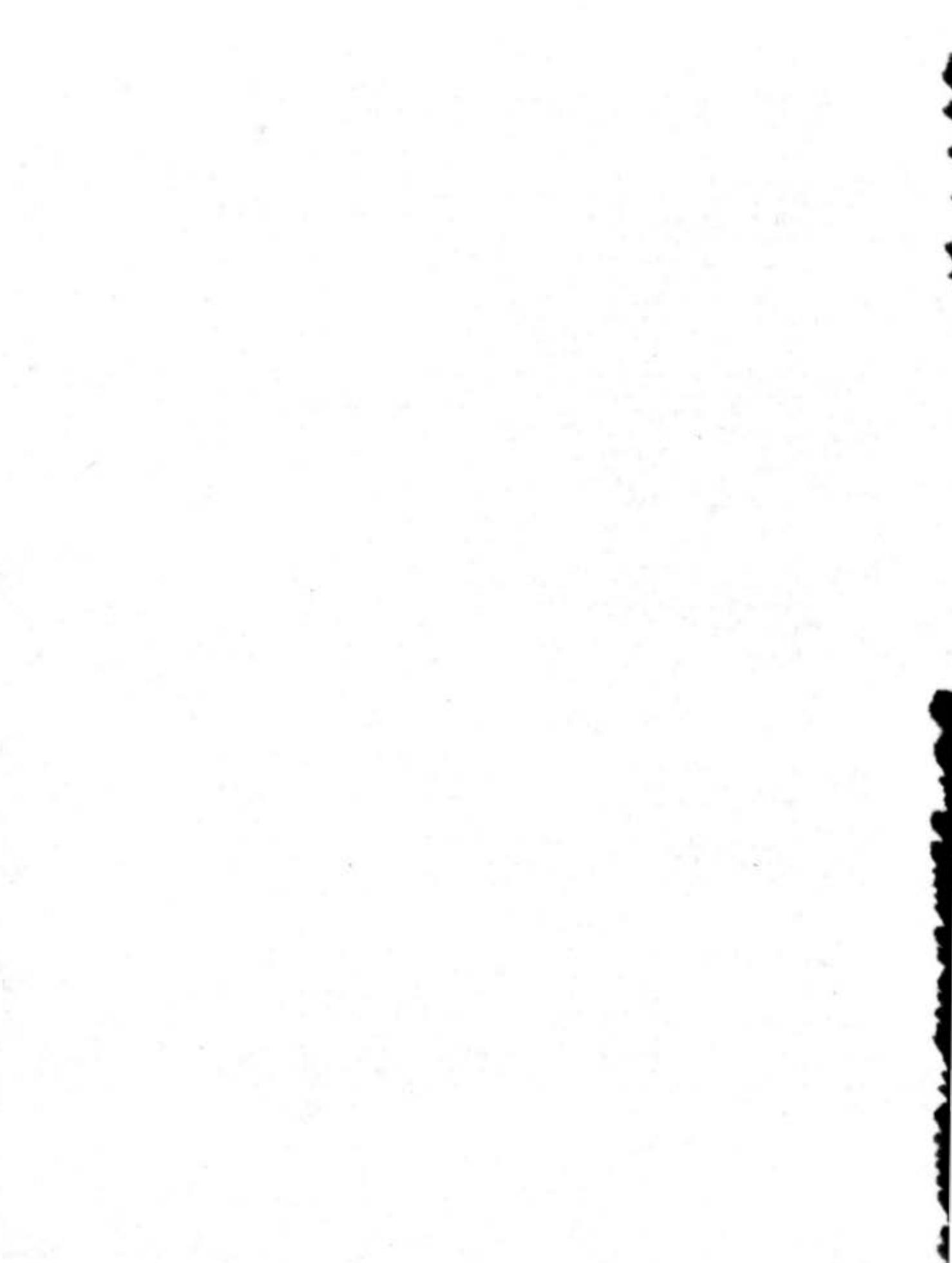
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Chapter V

THE NATURE AND EXTENT OF TARIFF CONCESSIONS GRANTED IN TRADE AGREEMENTS BY THE MAJOR TRADING NATIONS

Introduction

The trade agreements program conducted by the United States for the reduction of tariffs and other trade barriers dates from the passage of the original Trade Agreements Act of 1934. That act authorized the President for the succeeding three years to enter into executive commercial agreements with foreign countries to provide for the reciprocal reduction of tariffs and other barriers to international trade whenever he found that existing duties or other import restrictions of either the United States or a foreign country were impeding the foreign trade of the United States. The act was signed June 12, 1934; it was subsequently amended or extended on 11 occasions: On October 11, 1962, a successive act--the Trade Expansion Act of 1962--became law, providing the President with such authority through June 30, 1967. ^{1/} The trade negotiations and other actions taken under this legislation have constituted the trade agreements program.

Between 1934 and 1947, the United States entered into bilateral trade agreements with 29 countries under the authority of the Trade Agreements Act of 1934 and its extensions. In 1947, the General Agreement on Tariffs and Trade (GATT), a multilateral agreement, was negotiated. Since then,

^{1/} For the remainder of the chapter, the term "Trade Agreements Acts" will be used to refer collectively to the original Trade Agreements Act of 1934, the 11 extensions and amendments of that act, and the Trade Expansion Act of 1962.

Since the expiration of the authority granted in the Trade Expansion Act, the President has not held authority to negotiate reductions in U.S. tariffs. A request for new authority is pending before the Congress in the proposed Trade Reform Act of 1973.

five additional major multilateral "rounds" of negotiations have been conducted under the GATT for additional reductions in tariffs, plus numerous subsidiary negotiations.

During the period since 1934, the United States has also negotiated tariff concessions in agreements which were outside the regular trade agreements program and implemented under authorities other than that contained in the Trade Agreements Acts. These were preferential rates of duty applicable to products of the Philippines under a bilateral trade agreement with the Philippines, preferential duty-free treatment for automotive products of Canada under a bilateral agreement with that country, and duty-free treatment for certain cultural, scientific, and educational materials under the Florence and Beirut Agreements.

In this chapter an effort is made to show the cumulative effect of all of these agreements on the average tariff levels of the United States, Canada, Japan, the United Kingdom, and the European Community. Some other aspects of the trade agreements to which the United States has been a party and which contain tariff concessions also are discussed briefly.

The Format of Trade Agreements

The trade agreements negotiated by the United States under the authority of the Trade Agreements Acts usually have consisted of two interrelated parts--"general provisions" and "schedules." The "general provisions" enumerate the respective principles and rules by which the contracting parties agree to govern their mutual trade. The "schedules" constitute lists of tariff concessions granted by the negotiating parties.

"Provisions" in trade agreements

The general provisions in trade agreements serve various purposes. Usually, they set forth rules of fair play to govern the conduct of trade between the parties. The "most-favored-nation" (MFN) clause and the "national treatment" clause are examples of such rules. The MFN clause requires the contracting parties to an agreement to accord to one another's products import treatment no less favorable than that accorded the most "favored" nation. In the national treatment clause, each contracting party agrees not to apply internal taxes or regulations affecting the sale of products of other contracting parties in its market that are more burdensome than those levied on its own domestic products.

The general provisions often either define the limits within which specified discriminatory or restrictive measures may be employed 1/ or prohibit their use altogether. 2/ Many of them are designed to prevent the

1/ Article XII of the GATT, which is an example of such a provision, provides that a contracting party experiencing balance-of-payments difficulties may impose import restrictions when necessary to prevent a serious decline in its monetary reserves or, if its reserves are already low, to effect a reasonable increase therein.

2/ Article III of the GATT prohibits the use of internal taxes and other internal regulations as a substitute for tariff protection.

impairment of the tariff concessions contained in the agreement by such measures as discrimination in tax matters or the establishment of quotas and exchange controls. Other general provisions (commonly called safeguard provisions 1/) are designed to prevent or limit injury to domestic producers that might result from the concessions granted. Still other provisions deal with procedural matters, such as the date when the agreement is to become effective, as well as how and when the agreement may be terminated.

Some general provisions appeared in virtually the same form in all bilateral U.S. trade agreements negotiated prior to the GATT. The form and scope of other general provisions, however, varied from agreement to agreement because conditions governing the trade with some countries required safeguards and exceptions not applicable to the trade with others, or new developments in international economic relations called for changes in the general provisions.

The general provisions embodied in the GATT were much more extensive than those that appeared in the individual bilateral trade agreements, and some dealt with matters not contained in any earlier agreement. The more extensive nature of the provisions in the General Agreement is attributable, in part, to the fact that forces encountered in the economies of a large number of countries are more complex than those encountered by only two trading partners, to the inherent differences between a multilateral and bilateral agreement, and to the fact that the negotiators sought to cover almost every facet of world trade.

1/ Article XIX of the GATT contains the standard "escape clause." This safeguard provision has been required by law to be included in U.S. trade agreements since 1947.

Most-favored-nation clause.--The unconditional most-favored-nation (MFN) clause has been incorporated in all trade agreements negotiated under the Trade Agreements Acts 1/ and has been the keystone of the trade agreements program. The unconditional MFN principle was adopted by the United States in 1923, but it was linked for the first time with an active tariff bargaining policy under the Trade Agreements Act of 1934.2/ Since 1934, the United States has made commitments to foreign countries to extend them MFN treatment in bilateral trade agreements, in the General Agreement on Tariffs and Trade, and in commercial treaties. 3/ Article I of the GATT provides for unconditional most-favored-nation treatment among parties to the agreement.

In most instances, certain exceptions to the MFN clause are provided. For example, Article I of the GATT permits a contracting party to continue to apply tariff preferences that existed when it acceded to the agreement. The absolute margin of preference thus sanctioned, however, cannot be increased above those existing on a specified base date. 4/ The GATT permits

1/ Agreements negotiated with Cuba under the Trade Agreements Acts, however, provided for reciprocal preferential treatment so far as tariffs were concerned.

2/ MFN treatment has been withdrawn from specific countries on several occasions. It was denied to imports from Nazi Germany after October, 1935; suspended for imports from Australia between August, 1936 and January, 1938; and in 1951, the Trade Agreements Extension Act withdrew MFN treatment from imports from Communist countries.

3/ Such treaties are usually referred to as Treaties of Friendship, Commerce, and Navigation or Treaties of Amity and Economic Relations.

4/ The General Agreement prohibits increases of tariff preferences on all articles, whereas the pre-GATT trade agreements negotiated by the United States generally permitted increases in preferences unless the article involved was specifically the subject of a tariff concession. The GATT further prohibits preferences in export tariffs; the pre-GATT agreements to which the United States was a party generally did not forbid the use of preferential export tariffs.

other preferences within the framework of a customs union or free-trade area. Examples of such preferential arrangements include the European Economic Community, the European Free Trade Association, and the Latin American Free Trade Association. The General Agreement stipulates, however, that when such regional arrangements enter into force the tariff and other restrictions imposed on trade with countries outside the region are not to be more burdensome, on the whole, than the general level of such restrictions prior to the formation of the union.

"Schedules" in trade agreements

The "schedules" in trade agreements are lists of the specific concessions exchanged by the negotiating parties on tariffs and certain other aspects of import treatment applicable to individual products. The concession rates of duty set forth in a schedule represent the maximum rates that will apply to imports of the designated products from the other contracting party (or parties) to the agreement. The rates may represent reductions from former levels, or a "binding" of an existing rate of duty or duty-free treatment. The commitment is to apply rates no higher than those in the schedule; the respective government may apply still lower rates without violating its concession. The schedules may also stipulate quantities of an article which will be accorded the agreed treatment. For example, some concessions obtained and granted by the United States in bilateral agreements took the form of increased or stabilized quotas already applicable to imports.

Except for the preferential tariff agreements with Cuba, the Philippines, and Canada (automotive products only), under the unconditional MFN

policy of the United States, the rates of duty contained in U.S. schedules to trade agreements usually have been extended not only to imports from the agreement country (or countries) but also generalized to all countries whether or not obligated to do so in international agreements so long as the recipient did not discriminate against U.S. trade. 1/ Many other countries have followed a similar practice.

Bilateral agreements normally embody two schedules of concessions. More than 70 schedules have been annexed to the General Agreement on Tariffs and Trade. Most contracting parties to the General Agreement have attached separate schedules of concessions to the agreement upon their accession. Some contracting parties, however, and especially certain of the newly-independent African states, have acceded without attaching schedules. Certain other newly-independent states annexed schedules of concessions in their own right that previously had been included on their behalf in the schedule of the respective metropolitan country. When the European Economic Community was formed, a consolidated schedule was annexed for its six member countries, and individual member state schedules were simultaneously withdrawn. U.S. concessions under the GATT appear as Schedule XX to that agreement.

1/ Until September 1951, this included all countries. At the present time it includes all countries except the following: Albania, Bulgaria, Peoples Republic of China, Cuba, Czechoslovakia, Estonia, East Germany, Hungary, any part of Indochina under Communist domination or control, North Korea, the Kurile Islands, Latvia, Lithuania, Outer Mongolia, Romania, Southern Sakhalin, Tanna Tuva, Tibet, and the Union of Soviet Socialist Republics.

The Nature of Tariff Concessions

In trade agreement parlance, a tariff "concession" signifies any one of three possible situations, each of which may be the result of a variety of undertakings in the trade agreement:

- (1) The first, and most obvious, is a commitment to apply in the future a lower tariff than has been applied prior to the agreement;
- (2) The second is a commitment not to apply a tariff higher than the existing duty (or not to apply a duty, if none is being applied); and
- (3) The third is not to increase an existing tariff (or not to apply a new duty on free items) above a stipulated higher level.

The first of these types of concessions is, quite naturally, called a tariff reduction. The second is referred to as a "binding," and the third as a "ceiling binding." The United States has granted and received all three types of tariff concessions in trade agreements to which it is (or has been) a party.

Tariff concessions usually are set forth in a detailed list of individual products with the concession rate of duty applicable to each product. In some cases, however, the tariff treatment or "concession" may be set forth in the general provisions of an agreement as a principle or rule applicable to all products, or to a large category of products. In the 1934 bilateral agreement with Cuba, for example, a general provision of that agreement stipulated that in trade between the United States and Cuba all items then free of duty were bound free, and all dutiable items not enumerated in an attached schedule would be given preferential tariff treatment of a specified amount below the lowest tariff rate applicable to

products from any other country. The schedule of exceptions to this general rule listed products which were to get greater preferences than that applicable under the general rule. Another example is found in the U.S.-Canadian Automotive Products Agreement where a general provision specified duty-free treatment on a broad category of products traded between the two countries ^{1/} without identifying the numerous individual tariff items involved.

Some very important tariff concessions obtained by the United States have been of this "general" character. For example, since the early 1930's Canada has had a 3-column tariff: A general rate of duty applicable to imports from countries not receiving MFN treatment, a usually lower intermediate rate applicable to products of MFN countries, and a still lower preferential rate applicable to Canadian imports from countries of the British Commonwealth. Prior to the first U.S.-Canadian bilateral agreement under the trade agreements program in 1936, U.S. shipments into Canada were assessed the general rate. By virtue of the most-favored-nation provision of the 1936 bilateral agreement, all U.S. goods became dutiable at the MFN rates of the Canadian tariff. Forty-three percent of the dutiable Canadian imports from the United States at the time of the agreement underwent duty reductions as a result of this provision alone (not including any imports covered by scheduled concessions). Similar in character, though covering a smaller volume of trade, were the benefits obtained through the MFN provision of the 1936 trade agreement with France.

^{1/} For imports into the United States, certain classes of vehicles and "fabricated components for use as original equipment in the manufacture of motor vehicles."

Qualifications are frequently attached to particular concessions. For example, a quota may be set for imports which will be allowed to enter under the reduced rate; imports are permitted in excess of the tariff quota, but the excess is subject to unreduced duties. Or a country may reserve the right to impose at a later time a restriction on the quantity of imports which may enter at the reduced rates. For example, with respect to U.S. concessions on wool fabrics negotiated at Geneva in 1947, the United States reserved the right to impose a duty of 45 percent ad valorem (instead of the concession rate of 25 percent) on imports of wool fabrics in excess of 5 percent of the average annual production of similar fabrics in the United States during the three preceding years. On a few occasions, absolute quotas have been stipulated in trade agreements.

For items, imports of which are subject to monopoly control in the foreign country, the schedule of concessions has frequently specified the minimum amounts which the monopoly undertakes to import annually.

The concessions may be conditional upon other actions being taken or the existence of a stipulated situation. In the Kennedy round, for example, the European Community made its concessions upon certain textiles conditional upon the continuance in force of the Long Term Arrangement on International Trade in Cotton Textiles, whereupon the United States made its concessions on cotton textiles conditional upon the continuance in force of the European Community's concessions.

Tariff reductions have sometimes been conditional upon continuance of absolute quotas on imports of the product. The United States, for example, reserved the right to suspend the reduced duty on certain raw cotton at

any time when there was not an absolute quota in effect on imports of such cotton into the United States.

In granting tariff concessions, countries very frequently have limited the concession to a subclass of goods in a tariff item. New subitems are carved out of the provision in order to confine the duty reduction to a smaller category of imports, such as products within a certain price range, or products imported in certain periods of the year, or products destined only for certain uses or constructed in a specified manner.

Another aspect of tariff concessions is the relationship of the concession rate to the rates which will be applied to competing imports from other countries. An important feature of the tariffs of the former British Dominions was preferential tariff treatment of imports from British sources, and after World War I, the same feature was found in the United Kingdom's tariff treatment of imports from the Dominions. Agreements negotiated in Ottawa in 1932 greatly expanded and intensified this preferential system, so that the preferences in the United Kingdom on many articles became more disadvantageous to the position of the United States in the markets of the United Kingdom than the level of duties as such. Similarly, preferences by other members of the Commonwealth on imports of many manufactured goods from the United Kingdom became of major importance to the competitive position of United States manufacturers in those markets. Consequently, substantial curtailment of the British imperial-preference system became one of the major objectives of the United States in its trade agreement negotiations.

In the bilateral agreements of the 1930's negotiated with Canada and the United Kingdom, the extent of discrimination under the imperial-preference system was lessened for those U.S. products on which duties were reduced, but Canada and the United Kingdom still remained free to introduce new preferences or to increase existing preferences so far as this could be done without increasing rates of duty on imports from the United States. Under the General Agreement on Tariffs and Trade, however, this freedom of action became greatly restricted through limitations on the scope and degree of preferences. A provision of the general articles of the GATT permits continuation of preferential arrangements existing at the time a country accedes to the agreement, but stipulates that new preferences may not be introduced and existing preference margins may not be increased. This general provision, taken by itself, involved a substantial concession on the part of the British Commonwealth countries. It not only protected the specific tariff concessions made under the GATT against serious impairment from subsequent increases in the margins of preference, but also, for the many commodities which were not originally covered by the schedules of concessions, its effect was equivalent in importance to the binding of the previous tariff treatment.

During the past few years, however, as a result of the proliferation of customs unions, free trade areas, and association agreements between such bodies and other countries, there has been some derogation of the significance of the GATT provision dealing with preferential trading arrangements. ^{1/}

^{1/} See chapter IV, p. 110.

The Extent of Tariff Concessions

Tariff concessions made in trade agreements in which the United States has participated as a negotiating party now cover the great bulk of the rate provisions in the tariff schedules of the principal trading nations. The current MFN rates of duty applied by each of the large trading countries reflect a few thousand concessions negotiated in such agreements; for all countries with which the United States has negotiated since 1934, the concessions would total several thousand.

It is obviously impossible to examine the scope of each of these concessions individually, yet there is no really satisfactory method to measure the extent of tariff concessions in the aggregate. Three types of measures have been commonly used. These are the amount of trade covered, the portion of a country's rate provisions involved, and the reduction in the average tariff level resulting from the concessions. All three measures have limited usefulness, however, as indicators of the real value of the concessions, which can only be determined in terms of the economic effect which follows after the concessions have been implemented. The trade coverage of a given group of concessions could be expected to change from year to year. ^{1/} In addition, the third measure--the reduction in the average tariff level--has serious practical and theoretical shortcomings, particularly if the comparison of average duty levels covers a long span of time.

^{1/} If the purpose of the concessions was to increase trade, and if this purpose is accomplished, the trade coverage of concessions could be expected to increase over time, both absolutely and in proportion to total trade of a country.

Coverage of concessions in terms of trade
and tariff provisions

The United States has made tariff concessions on 98 percent of the provisions in its tariff schedules. In 1972, imports under the items not covered by tariff concessions were valued at \$952 million, which was 1.5 percent of total U.S. imports. About one-third of these no-concession imports entered free of duty. The tariff concessions have reduced the rates on virtually all dutiable items and bound the duty-free status of practically all free items in the U.S. tariff schedules. One-fifth of the items not in trade agreements are in the industrial sector, 80 percent are agricultural products. All except a very few of the concessions are in the U.S. schedule annexed to the General Agreement on Tariffs and Trade. ^{1/}

Available data on the tariff concession coverage for other countries is segregated between industrial and agricultural products and covers only concessions under the GATT. Table 5-A shows the percentage of coverage in tariff provisions and in imports in the industrial sector for the European Community and 10 other developed countries. The United States, the European Community and Switzerland have 98 percent or more of their industrial MFN tariff provisions fully covered by GATT tariff concessions. Japan, the United Kingdom, and Sweden have at least 90 percent of their provisions fully covered, but Canada has only 74 percent of its tariff lines in the industrial sector under GATT concessions.

For most of the 11 country tariffs shown in table 5-A, the trade coverage of concessions runs lower than the tariff line coverage. For the

^{1/} The only significant concession item not in the U.S. GATT schedule is crude petroleum, on which a concession has been made in the bilateral agreement between the United States and Venezuela.

Table 5-A.--Industrial products: Percent of MFN tariff provisions and of MFN imports covered by tariff concessions under the General Agreement on Tariffs and Trade in selected industrialized countries

Country	Tariff provisions		Imports	
	Fully covered by concessions	Partially covered by concessions	Fully covered by concessions	Partially covered by concessions
	Percent	Percent	Percent	Percent
European Community-----	98	1	100	-
United States-----	99	1	1/ 90	1/ 10
Canada-----	74	-	59	1
Japan-----	90	1	64	-
United Kingdom-----	93	1	66	2
Austria-----	86	1	83	1
Denmark-----	87	4	93	4
Finland-----	85	1	87	2
Norway-----	79	2	64	2
Sweden-----	94	1	96	1
Switzerland-----	98	-	90	1

1/ The principal industrial product in the U.S. tariff not fully covered by GATT concessions is crude petroleum, which accounts for most of the imports shown as only partially covered by GATT concessions. Crude petroleum, however, is covered by tariff concessions in the bilateral trade agreement between the United States and Venezuela.

Source: Basic Documentation for the Tariff Study, GATT.

Note.--Rounding of the data in this table results in some minor inaccuracies. The United States, for example, is shown as having 100 percent of its industrial tariff provisions and imports either wholly or partly covered by tariff concessions under the GATT, but there are actually a very few items which are not covered by tariff concessions in any trade agreement.

European Community, all but an insignificant fraction (less than one-half of one percent) of industrial imports are covered by GATT concessions. For the United States, 90 percent of MFN imports are fully covered by GATT concessions, and the remainder are partially covered. (Most of the U.S. imports not under GATT concessions are covered by bilateral trade agreements). For the other three major countries, the trade coverage of GATT concessions is much lower. Only 59 percent of Canada's MFN imports enter under tariff provisions fully covered by GATT concessions. In the case of Japan and the United Kingdom, full GATT coverage applies to only 64 and 66 percent of industrial imports, respectively.

In the agricultural sector, the data on the coverage of concessions have been compiled only in terms of tariff provisions, and only for the five major tariffs (the European Community, the United States, Canada, and Japan, and the United Kingdom). It was not practicable with the data readily available to calculate the trade coverage.

Generally speaking, the concession coverage in the agricultural sector is significantly less than in the industrial sector. The tariff line coverage for the agricultural sector is shown in table 5-B. Comparison of the data in that table with corresponding figures for the industrial sector shows a striking contrast. Almost half of the agricultural provisions in the United Kingdom tariff schedule, and three-fourths of those in the Canadian agricultural schedule, have not been the subject of GATT tariff concessions. For Japan, the percentage is 32; for the European Community, 42; and for the United States, 7.6.

Table 5-B.--Agricultural products: Percent of MFN tariff provisions covered by tariff concessions under the General Agreement on Tariffs and Trade in the principal trading nations

Country	Provisions	Provisions	Provisions
	fully covered	partially covered	with no concessions
	Percent	Percent	Percent
European Community-----	1/ 58.3	2/	41.7
United States-----	92.1	0.3	7.6
Canada-----	1/ 25.4	2/	74.6
Japan-----	1/ 67.9	2/	32.1
United Kingdom-----	33.1	17.6	49.2

1/ Includes a small percentage of items only partially covered by concessions.

2/ Not separately tabulated (included with provisions fully covered by concessions).

Source: Compiled from national tariffs and schedules of concessions annexed to the GATT.

Reduction in average tariff levels

It has been explained in chapter IV of this report that the only practical way to characterize national tariffs at the aggregate level for comparison purposes is to average the individual tariff rates contained in the schedule, but that there is no really satisfactory method for averaging tariffs. ^{1/} The practical and theoretical difficulties in averaging tariffs are doubly compounded if the comparison is to be between average tariff levels at different points in time, and especially if the purpose of the comparison is to determine the amount of change due to a single factor, such as modification in the nominal rates of duty.

Movements of tariff levels over time.--The change in a country's average tariff level over time is a function of three factors: Changes in the individual nominal rates of duty in the tariff schedule; changes in the prices of products subject to specific rates of duty; and changes in the composition of imports, which are used as weights in calculating the average level of the tariff.

In 1933, the year before the first agreement was concluded under the reciprocal trade agreements program, the ratio of total U.S. duties collected to the total value of U.S. dutiable imports was 53.6 percent. In 1972, it was 8.6 percent, an apparent reduction of 84 percent. This very substantial decline is the net result of contradictory forces. Between 1933 and 1972, there was a remarkable change in the composition of U.S. imports, one aspect of which is illustrated by the shift in the relative

^{1/} See chapter IV, pages 3-23, for a discussion of problems in comparing national tariffs.

importance of dutiable and free products. ^{1/} If other factors (intentional rate reductions and inadvertent rate reductions through price increases of specific duty products) had not intervened, this change in product composition undoubtedly would have resulted in a higher average duty level in 1972 than in 1932. The direction of force of both the other determining factors, however, was downward, and these factors were of sufficient strength to more than counterbalance the upward push from the greater importation of dutiable merchandise. The majority of tariff rates were cut during the period by 50 percent or more in trade negotiations. The very significant rise in the general price level between 1933 and 1972 meant a correspondingly significant drop in the ad valorem equivalent of specific duties.

The significance of inflation for specific rates.--In considering the reduction that has taken place in the average level of the U.S. tariff, it is important to appreciate the strong role which the rise in prices has played. Almost 40 percent of U.S. tariff provisions have specific rates of duty, and it is estimated that more than half of U.S. dutiable imports currently are assessed specific rates. The ad valorem equivalent of a specific duty, of course, varies inversely with the price of the commodity. The much higher prices of 1972, therefore, have greatly reduced the average

^{1/} The ratios of dutiable and free imports to total U.S. imports in 1933 and 1972 were as follows:

	<u>1933</u>	<u>1972</u>
Dutiable-----	36.9	65.8
Free-----	63.1	34.2
Total-----	100.0	100.0

ad valorem equivalent of the specific duties as a group. The Department of Commerce compiles indexes (on the basis of 1967 = 100) of the foreign unit values of import commodities. In 1933 this index stood at 26.9; by 1972 it had more than quadrupled and risen to 126.1. In other words, a duty of 20 cents per pound on an article valued at \$1.00 per pound in 1933 was equivalent to 20 percent ad valorem at that time, but in terms of 1972 price levels, it was equivalent to only 4.3 percent. The duty, in effect, has been reduced by 77 percent simply by the rise in prices.

Other factors besides the change in prices also may lessen the validity of comparisons of duty averages on the basis of actual imports and duties collected, especially if the years compared are far apart, or if abnormal factors have intervened. In 1933 the world was in the depths of a severe depression; since then, in addition to inflation, it has undergone a devastating global war, a far-reaching technological revolution, and currency devaluations and revaluations. All of this has been accompanied by important changes in tariffs and other trade barriers. The big advance in prices alone, however, is sufficient to render the change in the ad valorem equivalent calculated from actual imports and duties collected inappropriate as a measure of the change in tariff level attributable to trade agreement concessions.

Ratios of duty collections to actual imports.--Although not appropriate as a measure of the extent of tariff reductions made by trade agreements, the ratio of duty collections to total imports of a country can be useful as a very rough but imperfect indicator of the average level of a country's tariff at a point in time. These ratios are shown in table 5-C for nine

countries for six selected years, beginning with 1930. ^{1/} The ratios for dutiable imports alone were obtainable for only three countries, the United States, Canada and West Germany; these are shown in table 5-D.

Table 5-C.--Ratios of duties collected to total imports for selected countries in specified years, 1930-60

(Percent)						
Country	1930	1934	1939	1950	1955	1960
United States-----	13.7	18.4	14.4	6.1	5.9	7.2
Canada-----	16.2	16.5	14.0	8.8	10.5	9.8
Belgium-----	4.5	10.7	7.4	4.0	3.4	3.1
France-----	10.0	21.4	30.4	4.6	5.1	5.6
Italy-----	15.5	21.6	14.7	3.4	8.3	6.7
West Germany-----	11.7	26.2	30.8	7.5	7.7	7.1
Netherlands-----	2.6	7.7	7.9	3.3	5.0	5.4
Japan-----	6.8	6.3	5.1	^{1/}	2.8	6.5
United Kingdom-----	^{1/}	3.2	2.9	2.2	1.7	3.4

^{1/} Less than 0.5 percent. In 1930, most imports, primarily foodstuffs, entered the United Kingdom free of duty. In 1950, Japan suspended the duty on most goods it permitted to be imported.

Source: National statistics of the respective countries.

Table 5-D.--Ratios of duties collected to dutiable imports for the United States, Canada and West Germany in specified years, 1930-60

(Percent)						
Country	1930	1934	1939	1950	1955	1960
United States-----	44.9	46.7	37.3	13.3	12.6	12.2
Canada-----	24.9	28.4	24.2	17.1	18.2	17.7
West Germany-----	23.3	61.4	68.6	20.4	18.7	14.5

Source: National statistics of the respective countries.

^{1/} For the United States, the ratios for all years since 1930 are shown in appendix table 5-A.

Calculating changes in average duty levels made by tariff concessions.--

In order to show the change in a country's average tariff level which has resulted from tariff concessions made in trade agreements, it is necessary at least to remove the effect of price changes on the ad valorem equivalent of specific rates by applying both the preagreement rates and the postagreement rates to the imports of one year. This method, though not perfect, is the only one that can give results of even approximate validity. It must be recognized that no single year can fully represent the relative importance of different individual commodities for the purpose of weighting the averages. ^{1/}

It is important to bear in mind that the principal purpose in making such a calculation is not to show actual average rates of duty before and after the trade agreements, but to show the average percentage by which duties have been reduced as a result of trade agreement concessions. So long as the import statistics of the same year are used as weights for both preagreement and postagreement rates of duty, the selection of that year should have only a relatively small influence on the average percentage of duty reduction.

For the present study, an attempt has been made to carry out such calculations for the tariffs of the United States, the European Community,

^{1/} This defect might be lessened, though not entirely eliminated, by the use of average annual imports over a series of years for weighting, but this very laborious procedure would hardly be justified by the degree of superiority in the results. Another and more fundamental defect is inherent in the very nature of weighting. It results from the tendency of duties to restrict imports of some commodities, and thus lessen the importance of those commodities in determining the average rates of duty. This difficulty cannot be eliminated by any practicable method of procedure (see chapter IV).

Canada, Japan and the United Kingdom. Averages were calculated using tariff rates in effect just prior to the first negotiation between the United States and the respective country for reciprocal tariff reductions under the trade agreements program. Thus, the pre-trade-agreement base year differs for each country and is as follows: United States, 1933; Canada, 1935; United Kingdom, 1938; Japan, 1954; European Community, 1960.

For practical reasons which are explained later, the rates of duty actually used for the pre-trade-agreement base year of each country have been as follows: In the case of the United States, the column 2 rates (which generally reflect rates of duty initially established in 1930); for Canada, the "General" rates, the majority of which were established in the early 1930's; for the United Kingdom, the rates published in the tariff schedule installed in 1933 and in effect at the time the United States first negotiated with the United Kingdom; for Japan, rates shown in the official tariff issued January 1, 1954, and for the European Community, the "Autonomous" rates, which represented arithmetic averages of the four antecedent tariffs of the member countries on January 1, 1957.

The rates used in calculating both the pre- and post-trade-agreement averages are the statutory rates specified in the tariff. Temporary duty suspensions were not taken into consideration.

Enormous practical problems which could not be entirely overcome are involved in attempting such a calculation. The most important of these is the extensive changes in nomenclature which have taken place in all of the tariff schedules since the pre-trade-agreement years. For Canada and the United States, a workable solution to this problem was found in using

Canada's "general" rate and the U.S. Column 2 rate as the pre-trade-agreement rate. For Japan and the United Kingdom, an attempt had to be made, with mixed success, to locate in the old nomenclature products identified according to the present day schedules. 1/ For the European Community, because of the impracticality of tracing products back into the four preceding national tariffs, it was necessary to resort to the rather unsatisfactory compromise of using the "autonomous" rate as the pre-trade-agreement rate. The deficiency of this is that prior to determination of the autonomous rates, the four antecedent national tariffs had undergone significant reductions as a result of bilateral agreements with the United States (with France, Belgium-Luxembourg, and the Netherlands) and the participation of all of the EC member states in the multilateral negotiations under the GATT prior to 1957. 2/

For making the calculations, the requisite detailed trade data at the tariff line level were available on trade in industrial products by the European Community, Japan, and the United Kingdom for a single year (1967), but none were available for trade by Canada. For agricultural products, such data were available only for the United States.

1/ Many important products of today, such as computers and other electronic products, plastics and synthetic fibers did not exist when the earlier tariff schedules were in effect.

2/ At the time the EC autonomous rates were established in 1957, the individual national tariff schedules contained over 9,000 concessions under the GATT, of which 55 percent were at rates above the rate established as the EC autonomous rate, 35 percent were below the autonomous rate, and 10 percent were the same as the autonomous rate.

Average reductions in industrial tariffs.--For the five major tariffs which are examined in this study (the United States, Canada, Japan, the European Community, and the United Kingdom), the reductions in the average MFN rates of duty on industrial products made by trade agreements in which the United States participated have been significant. The percent of reduction in each country's average tariff level is shown in table 5-E. ^{1/} For all industrial products (combined free and dutiable), the reductions range from 25 percent for Japan to 72.1 percent for the United States; for dutiable products only, the range is from a 23.6 percent reduction for Japan to 66.1 percent for the United States. The preagreement rate levels of Canada and the United States were substantially higher than those of the other three tariffs.

The percent of change in average duty level for each industrial product sector is shown for combined free and dutiable industrial imports in table 5-F and for dutiable imports only in table 5-G. The sector data in table 5-F are also presented graphically as tariff profiles "before and after trade agreements" in chart 5-A. As would be expected, there is considerable variation in the extent to which the average duty levels of the 23 industrial sectors have changed between the pre-trade-agreement base dates and January 1, 1972. In terms of combined dutiable and free imports, for example, reductions in average duty levels for the sectors ranged from

^{1/} It should be borne in mind that for all countries except Canada, the "preagreement rates" shown in table 5-E (as well as those shown in tables 5-F and 5-G and chart 5-A) are the result of applying preagreement tariff rates to values of trade in 1967. As explained in the earlier pages of this chapter, this produces an average rate level which differs from the rate level that would have resulted from using actual trade in each country's base year.

Table 5-E.--Industrial products: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

Item	(Percent)				
	:Canada:	:United States:	:Japan:	:European Community: ^{2/}	:United Kingdom:
All industrial products:	:	:	:	:	:
Preagreement rate-----	22.0	21.9	7.6	7.0	13.6
January 1, 1972, rate-----	9.2	6.1	5.7	3.9	5.5
Percent reduction-----	58.2	72.1	25.0	44.3	59.6
Dutiable industrial products:	:	:	:	:	:
Preagreement rate-----	28.4	25.1	14.0	14.2	16.8
January 1, 1972, rate-----	15.2	8.5	10.7	8.0	10.5
Percent reduction-----	46.5	66.1	23.6	43.7	37.5

^{1/} Averages for the United States, Japan, the European Community, and the United Kingdom are own-trade-weighted averages, using 1967 trade as weights for Japan, the Community, and United Kingdom, and 1971 trade for the United States. The averages for Canada are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} The European Community Autonomous rates (which were used for calculating the EC preagreement average rates were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

Source: Preagreement rates are calculated from rates shown in national tariff schedules. January 1, 1972, rates are from Basic Documentation for the Tariff Study, GATT.

Table 5-F.--Industrial products (total free and dutiable), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

		(Percent)				
Sector		Canada	United States	Japan	European Community ^{2/}	United Kingdom
I-1	Nonelectrical machinery:					
	Preagreement rate-----	21.2	27.5	15.4	13.2	20.3
	January 1, 1972, rate-----	7.6	5.0	12.0	6.6	9.3
	Percent reduction-----	64.2	81.8	22.1	50.0	54.2
I-2	Transport equipment:					
	Preagreement rate-----	26.8	13.8	21.6	15.7	27.1
	January 1, 1972, rate-----	9.0	3.8	12.2	7.1	8.7
	Percent reduction-----	66.4	72.5	43.5	54.8	67.9
I-3	Ores, metals and metal manufactures:					
	Preagreement rate-----	22.1	17.0	3.9	3.8	10.3
	January 1, 1972, rate-----	8.4	4.6	2.1	2.9	4.3
	Percent reduction-----	62.0	72.9	46.2	23.7	58.3
I-4	Chemicals:					
	Preagreement rate-----	16.5	30.2	20.0	13.7	18.2
	January 1, 1972, rate-----	7.7	8.0	9.5	10.0	13.1
	Percent reduction-----	56.9	73.5	52.5	27.0	28.0
I-5	Textiles:					
	Preagreement rate-----	32.7	45.5	2.1	7.9	12.2
	January 1, 1972, rate-----	15.7	22.3	3.5	7.6	11.5
	Percent reduction-----	52.0	50.1	+66.7	3.8	5.7
I-6	Electrical machines and apparatus:					
	Preagreement rate-----	23.4	34.5	18.9	16.9	23.6
	January 1, 1972, rate-----	7.8	7.2	11.7	9.3	12.0
	Percent reduction-----	66.7	79.0	38.1	48.0	49.2
I-7	Pulp, paper and paperboard, and manufactures:					
	Preagreement rate-----	26.0	2.6	5.1	8.2	8.6
	January 1, 1972, rate-----	8.9	.5	4.0	5.3	5.8
	Percent reduction-----	65.8	80.8	21.6	35.4	32.6
I-8	Coal, petroleum, natural gas:					
	Preagreement rate-----	12.4	8.9	9.6	1.0	5.2
	January 1, 1972, rate-----	6.1	3.7	10.5	.7	.1
	Percent reduction-----	50.8	58.4	+9.4	30.0	98.1
I-9	Mineral products and fertilizers, ceramic products and glass:					
	Preagreement rate-----	19.6	25.0	1.8	4.8	15.0
	January 1, 1972, rate-----	7.9	8.8	1.2	3.4	5.5
	Percent reduction-----	59.7	64.8	33.3	29.2	63.3
I-10	Professional, scientific and controlling instruments, photographic apparatus, clocks and watches:					
	Preagreement rate-----	20.3	47.8	18.4	15.8	38.7
	January 1, 1972, rate-----	8.3	12.1	9.7	10.4	13.0
	Percent reduction-----	59.1	74.7	47.3	34.2	66.4
I-11	Wood and cork and manufactures:					
	Preagreement rate-----	17.5	14.4	.5	1.6	11.7
	January 1, 1972, rate-----	8.2	4.4	.5	1.2	2.2
	Percent reduction-----	53.1	69.4	-	25.0	81.2

See footnotes at end of table.

Table 5-F.--Industrial products (total free and dutiable), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates 1/--Continued

		(Percent)				
Sector		Canada	United States	Japan	European Community ^{2/}	United Kingdom
I-12	Precious stones, precious metals and manufactures:					
	Preagreement rate-----	19.3	11.3	6.2	.3	.7
	January 1, 1972, rate-----	8.9	3.1	3.2	.3	.8
	Percent reduction-----	53.9	72.6	48.4	-	+14.3
I-13	Rubber and rubber manufactures:					
	Preagreement rate-----	19.8	9.1	5.0	5.1	12.5
	January 1, 1972, rate-----	7.0	2.4	.6	2.8	5.8
	Percent reduction-----	64.6	73.6	88.0	45.1	53.6
I-14	Raw hides and skins, leather and furskins and manufactures:					
	Preagreement rate-----	22.1	20.7	5.5	2.2	11.4
	January 1, 1972, rate-----	13.1	6.0	2.3	1.9	3.5
	Percent reduction-----	40.7	71.0	58.2	13.6	69.3
I-15	Footwear and travel goods:					
	Preagreement rate-----	35.5	28.0	38.9	19.6	21.6
	January 1, 1972, rate-----	20.7	11.2	14.9	12.0	7.0
	Percent reduction-----	41.7	60.0	49.1	38.8	67.6
I-16	Musical instruments, sound recording or reproduction apparatus:					
	Preagreement rate-----	23.9	38.8	31.1	17.5	33.3
	January 1, 1972, rate-----	9.3	6.7	10.0	8.3	8.4
	Percent reduction-----	61.2	82.7	67.8	52.6	74.8
I-17	Firearms, ammunition, tanks and other armored fighting vehicles:					
	Preagreement rate-----	26.2	55.0	24.0	18.1	25.0
	January 1, 1972, rate-----	12.1	9.1	20.9	9.0	10.7
	Percent reduction-----	53.8	83.5	12.9	50.1	57.2
I-18	Furniture:					
	Preagreement rate-----	32.8	33.7	21.8	17.9	28.0
	January 1, 1972, rate-----	14.2	7.6	10.7	8.4	10.1
	Percent reduction-----	56.7	77.4	50.9	53.1	63.9
I-19	Toys and sporting goods:					
	Preagreement rate-----	32.0	55.3	25.5	22.2	25.3
	January 1, 1972, rate-----	17.0	13.9	13.3	12.8	13.4
	Percent reduction-----	46.9	74.9	47.8	42.3	47.0
I-20	Photographic and cinematographic supplies:					
	Preagreement rate-----	12.4	25.2	29.2	17.7	21.6
	January 1, 1972, rate-----	7.2	3.5	22.4	7.6	7.8
	Percent reduction-----	41.9	86.1	23.3	57.1	63.9
I-21	Works of art and collectors' pieces:					
	Preagreement rate-----	6.7	3/	15.2	-	.8
	January 1, 1972, rate-----	4.4	-	-	-	.5
	Percent reduction-----	34.3	-	100.0	-	37.5
I-22	Office and stationery supplies:					
	Preagreement rate-----	32.7	32.7	24.1	18.7	20.0
	January 1, 1972, rate-----	16.1	11.9	16.3	9.2	9.6
	Percent reduction-----	50.8	63.6	32.4	50.8	52.0

See footnotes at end of table.

Table 5-F.--Industrial products (total free and dutiable), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}--Continued

(Percent)						
Sector	Canada	United States	Japan	European Community ^{2/}	United Kingdom	
I-23 Manufactured articles not elsewhere specified:						
Preagreement rate-----	21.4	29.2	10.2	12.0	17.0	
January 1, 1972, rate-----	14.0	9.1	9.2	8.5	11.0	
Percent reduction-----	34.6	68.8	9.8	29.2	35.3	

^{1/} Averages for the United States, Japan, the European Community, and the United Kingdom are own-trade-weighted averages, using 1967 trade as weights for Japan, the Community and the United Kingdom, and 1971 trade for the United States. The averages for Canada are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} The European Community Autonomous rates (which were used for calculating the EC preagreement average rates) were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

Source: Preagreement rates are calculated from rates shown in national tariff schedules. January 1, 1972, rates are from Basic Documentation for the Tariff Study, GATT.

Table 5-G.--Industrial products (dutiable items only), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

		(Percent)				
Sector		Canada	United States	Japan	European Community ^{2/}	United Kingdom
I-1	Nonelectrical machinery:					
	Preagreement rate-----	28.2	35.6	15.4	13.2	20.3
	January 1, 1972, rate-----	14.0	5.7	12.0	6.6	9.3
	Percent reduction-----	50.4	84.0	22.1	50.0	54.2
I-2	Transport equipment:					
	Preagreement rate-----	29.1	14.1	21.6	10.8	35.7
	January 1, 1972, rate-----	15.1	4.1	12.8	7.9	9.6
	Percent reduction-----	51.9	71.0	40.7	26.9	73.1
I-3	Ores, and metal manufactures:					
	Preagreement rate-----	26.5	19.8	10.4	10.6	23.0
	January 1, 1972, rate-----	13.8	6.3	6.7	7.0	9.3
	Percent reduction-----	47.9	68.2	35.6	34.0	59.6
I-4	Chemicals:					
	Preagreement rate-----	23.6	37.0	20.7	15.2	19.1
	January 1, 1972, rate-----	13.5	9.1	10.3	11.3	14.0
	Percent reduction-----	42.8	75.4	50.2	25.7	26.7
I-5	Textiles:					
	Preagreement rate-----	38.0	47.1	18.8	18.0	21.3
	January 1, 1972, rate-----	19.9	25.0	12.7	13.2	15.9
	Percent reduction-----	47.6	46.9	32.4	26.7	25.4
I-6	Electrical machines and apparatus:					
	Preagreement rate-----	28.7	35.1	18.9	16.9	23.6
	January 1, 1972, rate-----	14.8	7.2	11.7	9.3	12.0
	Percent reduction-----	48.4	79.5	38.1	45.0	49.2
I-7	Pulp, paper and paperboard, and manufactures:					
	Preagreement rate-----	30.8	7.3	6.4	14.4	19.6
	January 1, 1972, rate-----	15.2	5.0	5.6	8.5	13.0
	Percent reduction-----	50.6	31.5	12.5	41.0	33.7
I-8	Coal, petroleum, natural gas:					
	Preagreement rate-----	18.8	10.0	11.4	6.9	5.2
	January 1, 1972, rate-----	13.6	4.1	14.1	4.6	6.1
	Percent reduction-----	27.7	59.0	+23.7	33.3	+17.3
I-9	Mineral products and fertilizers, ceramic products and glass:					
	Preagreement rate-----	26.9	42.7	19.7	14.6	19.5
	January 1, 1972, rate-----	14.5	16.6	9.6	8.3	8.6
	Percent reduction-----	46.1	61.1	51.3	43.2	55.9
I-10	Professional, scientific and controlling instruments, photographic apparatus, clocks and watches:					
	Preagreement rate-----	28.0	49.0	18.4	25.0	38.7
	January 1, 1972, rate-----	14.4	12.1	9.7	10.4	13.0
	Percent reduction-----	48.6	75.3	47.3	58.4	66.4
I-11	Wood and cork and manufactures:					
	Preagreement rate-----	24.8	15.7	17.9	13.2	12.3
	January 1, 1972, rate-----	14.2	12.1	15.4	9.6	6.3
	Percent reduction-----	42.7	22.9	14.0	27.3	48.8

See footnotes at end of table.

Table 5-G.--Industrial products (dutiable items only), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates 1/--Continued

		(Percent)				
Sector		Canada	United States	Japan	European Community ^{2/}	United Kingdom
I-12	Precious stones, precious metals and manufactures:					
	Preagreement rate-----	29.0	26.0	10.9	10.0	30.0
	January 1, 1972, rate-----	18.3	7.4	5.5	6.9	11.5
	Percent reduction-----	36.9	71.5	49.5	31.0	61.7
I-13	Rubber and rubber manufactures:					
	Preagreement rate-----	27.0	14.8	19.7	18.6	35.7
	January 1, 1972, rate-----	15.1	4.4	8.6	8.0	7.3
	Percent reduction-----	44.1	70.3	56.3	57.0	79.6
I-14	Raw hides and skins, leather and furskins and manufactures:					
	Preagreement rate-----	25.7	29.6	27.3	10.6	13.6
	January 1, 1972, rate-----	15.3	8.8	10.8	6.6	13.4
	Percent reduction-----	40.5	70.3	60.4	37.7	1.5
I-15	Footwear and travel goods:					
	Preagreement rate-----	35.5	28.0	38.9	19.6	21.6
	January 1, 1972, rate-----	20.7	11.2	14.9	12.0	7.0
	Percent reduction-----	41.7	60.0	61.7	38.8	67.6
I-16	Musical instruments, sound recording or reproduction apparatus:					
	Preagreement rate-----	27.9	38.8	31.1	17.5	33.3
	January 1, 1972, rate-----	14.5	6.7	10.0	8.3	8.4
	Percent reduction-----	48.0	82.7	67.8	52.6	74.8
I-17	Firearms, ammunition, tanks and other armored fighting vehicles:					
	Preagreement rate-----	29.6	56.8	24.0	18.1	25.0
	January 1, 1972, rate-----	14.9	9.4	20.9	9.0	10.7
	Percent reduction-----	49.7	83.5	12.9	50.3	57.2
I-18	Furniture:					
	Preagreement rate-----	37.2	33.7	21.8	17.9	28.0
	January 1, 1972, rate-----	17.6	7.6	10.7	8.4	10.1
	Percent reduction-----	52.7	77.4	50.9	53.1	63.9
I-19	Toys and sporting goods:					
	Preagreement rate-----	32.8	55.4	25.5	22.2	25.3
	January 1, 1972, rate-----	17.4	13.9	13.3	12.8	13.4
	Percent reduction-----	47.0	74.9	47.8	42.3	47.0
I-20	Photographic and cinematographic supplies					
	Preagreement rate-----	27.9	25.4	29.2	18.6	21.6
	January 1, 1972, rate-----	14.0	3.5	22.4	7.8	8.2
	Percent reduction-----	49.8	86.2	23.3	58.1	62.0
I-21	Works of art and collectors' pieces:					
	Preagreement rate-----	35.0	30.0	20.0	-	20.0
	January 1, 1972, rate-----	19.5	7.5	-	-	10.0
	Percent reduction-----	44.3	75.0	100.0	-	50.0
I-22	Office and stationery supplies:					
	Preagreement rate-----	32.7	32.7	24.1	18.7	20.0
	January 1, 1972, rate-----	17.0	11.9	16.3	9.2	9.6
	Percent reduction-----	48.0	63.6	32.4	50.8	52.0

See footnotes at end of table.

Table 5-G.--Industrial products (dutiable items only), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates 1/--Continued

(Percent)						
Sector	Canada	United States	Japan	European Community ^{2/}	United Kingdom	
I-23 Manufactured articles not elsewhere specified:						
Preagreement rate-----	30.4	32.6	25.2	15.4	17.0	
January 1, 1972, rate-----	17.8	9.9	12.2	8.5	11.3	
Percent reduction-----	41.4	69.6	51.6	44.8	33.5	

^{1/} Averages for the United States, Japan, the European Community, and the United Kingdom are own-trade-weighted averages, using 1967 trade as weights for Japan, the Community and the United Kingdom, and 1971 trade for the United States. The averages for Canada are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} The European Community Autonomous rates (which were used for calculating the EC preagreement average rates) were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

Source: Preagreement rates are calculated from rates shown in national tariff schedules. January 1, 1972, rates are from Basic Documentation for the Tariff Study, GATT.

Chart 5-A.--Industrial product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972

Part A-Major Industrial Sectors

- 1-1 Nonelectrical machinery
- 1-2 Transport equipment
- 1-3 Ores, metals and metal manufactures
- 1-4 Chemicals
- 1-5 Textiles
- 1-6 Electrical machines and apparatus
- 1-7 Pulp, paper and paperboard, and manufactures

- 1-8 Coal, petroleum, natural gas
- 1-9 Mineral products and fertilizers, ceramic products and glass
- 1-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches
- 1-11 Wood and cork and manufactures
- 1-12 Precious stones, precious metals and manufactures

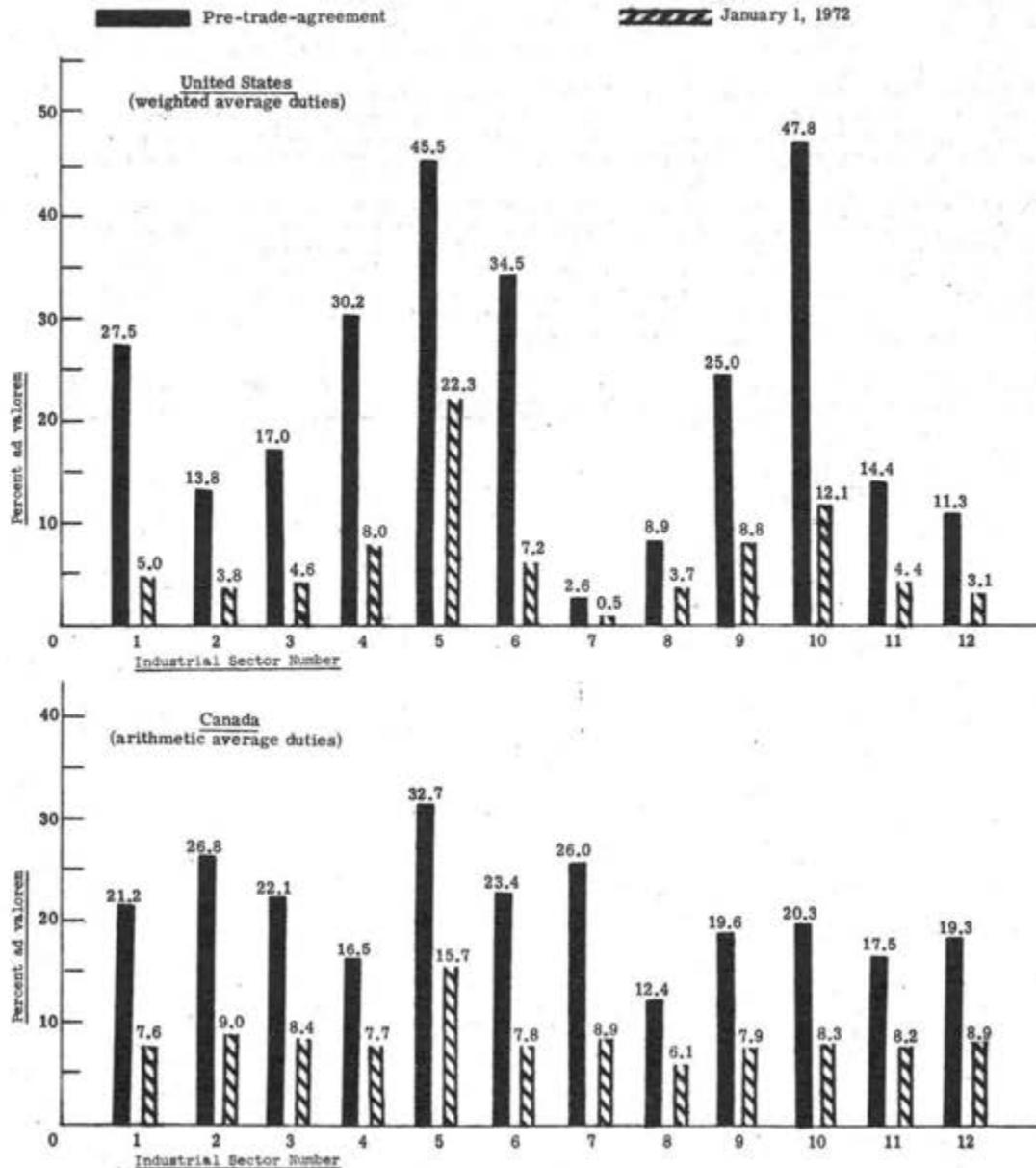


Chart 5-A. --Industrial product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972--Continued

Part A-Major Industrial Sectors--Continued

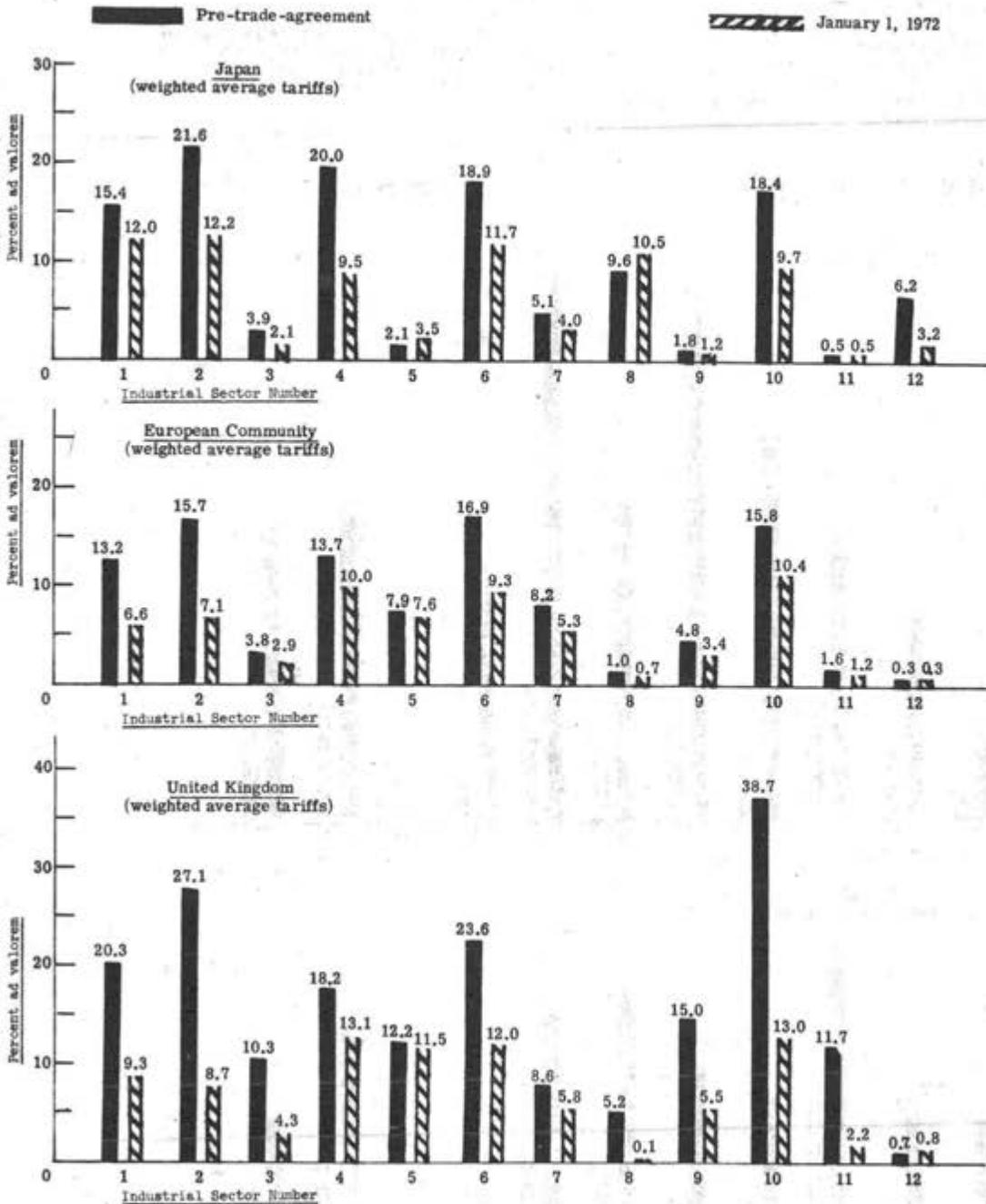


Chart 5-A. --Industrial product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972--Continued

Part B - Minor Industrial Sectors

- | | |
|--|--|
| I-13 Rubber and rubber manufactures | I-18 Furniture |
| I-14 Raw hides and skins, leather and furskins and manufactures | I-19 Toys and sporting goods |
| I-15 Footwear and travel goods | I-20 Photographic and cinematographic supplies |
| I-16 Musical instruments, sound recording or reproduction apparatus | I-21 Works of art and collectors' pieces |
| I-17 Firearms, ammunition, tanks and other armored fighting vehicles | I-22 Office and stationery supplies |
| | I-23 Manufactured articles not elsewhere specified |

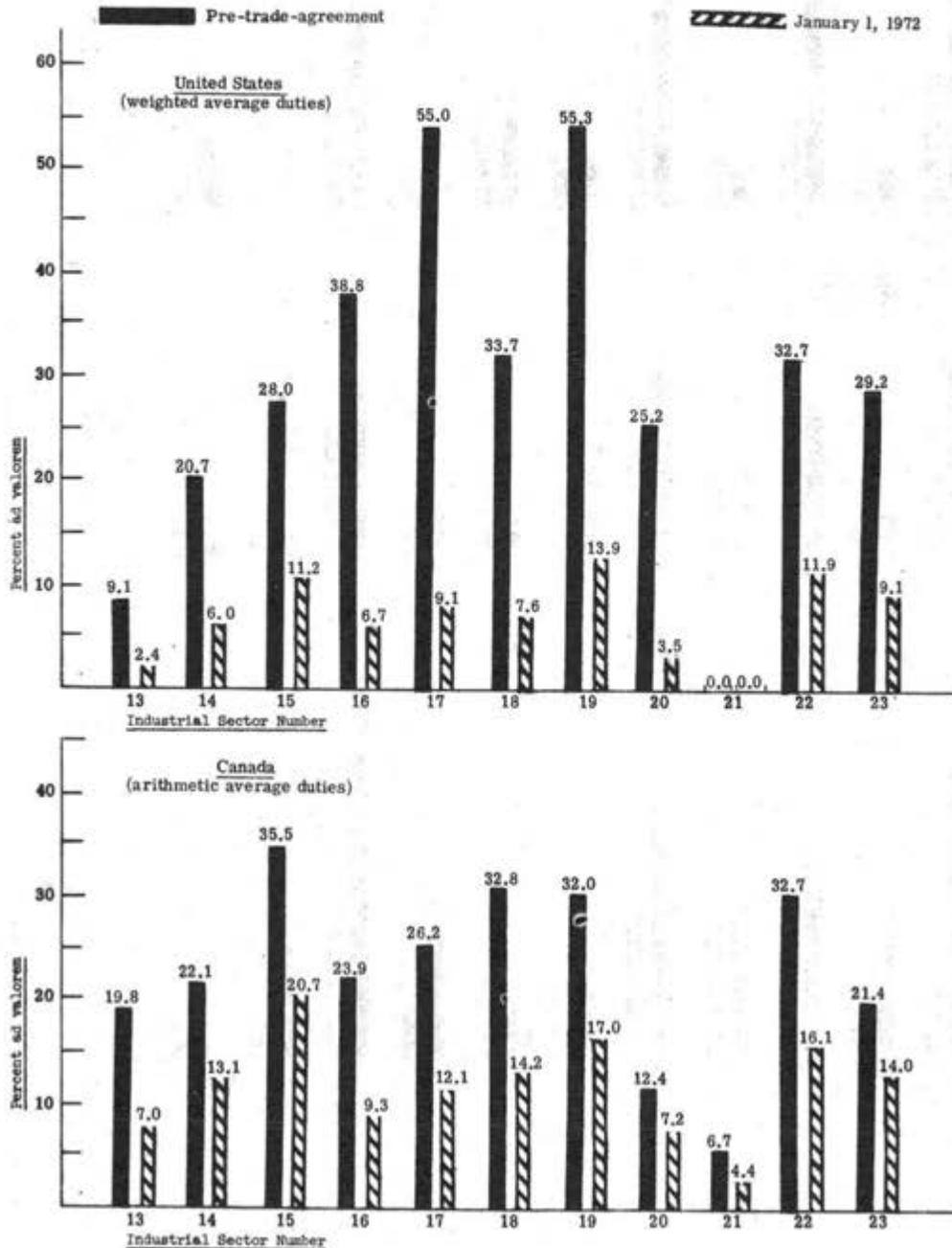
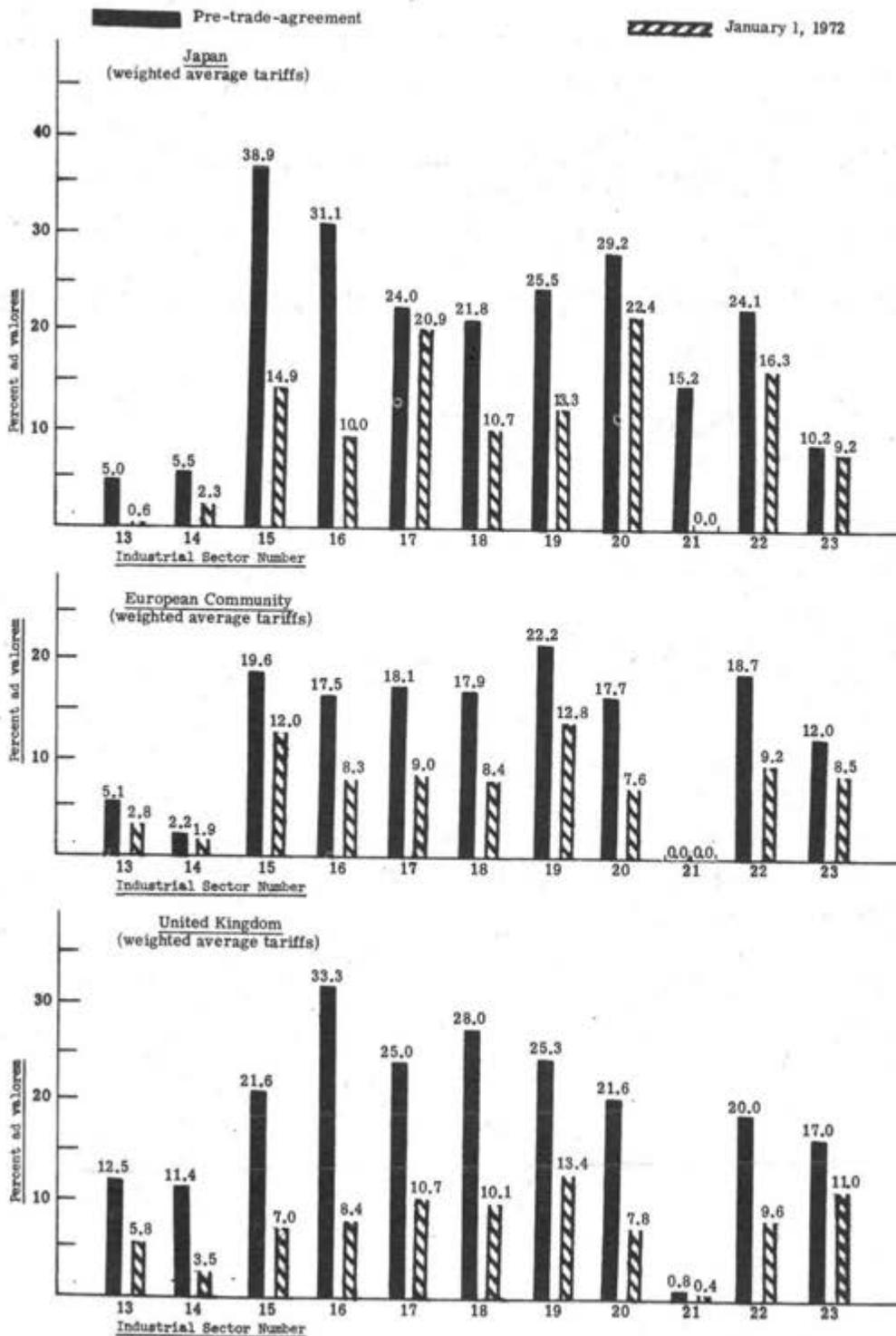


Chart 5-A. --Industrial product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972--Continued

Part B-Minor Industrial Sectors--Continued



as little as 1.5 percent to total removal of the duty while in some cases a country's average duty level for a sector did not change or actually increased over the period. In those cases where there was no change in the average rate level, the sectors were either free of duty or had low (less than 1 percent) average duty levels prior to the trade-agreements base date. Increases in the average rate level of a sector are the result of raising rates of duty not bound in trade agreements.

The details of these tables and the chart can be summarized in the following frequency distributions showing the number of industrial sectors which each country has in 7 categories of rate change:

For all industrial products

	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
Percent reduction:					
10 or less-----	-	-	1	1	1
10.1-25-----	-	-	4	3	-
25.1-50-----	6	-	9	11	6
50.1-75-----	17	15	4	6	13
75.1 or more-----	-	7	2	-	2
No change-----	-	1	1	2	-
Increase-----	-	-	2	-	1

For dutiable industrial products

	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
Percent reduction:					
10 or less-----	-	-	-	-	1
10.1-25-----	-	1	5	-	-
25.1-50-----	19	2	8	15	8
50.1-75-----	4	11	8	7	12
75.1 or more-----	-	9	-	-	1
No change-----	-	-	1	1	-
Increase-----	-	-	1	-	1

Average reductions in agricultural tariffs.--Chapter IV has discussed the additional difficulties encountered in calculating tariff averages in the agricultural sector, particularly for certain countries such as the European Community which makes extensive use of variable levies rather than fixed tariffs for agricultural products. In addition, the averages which can be calculated for most countries tend to be less meaningful than industrial tariff averages because of the greater prevalence in the agricultural area of absolute quotas and similar controls.

Keeping these important shortcomings in mind, however, an average reduction in the agricultural tariffs has been calculated for the five major tariffs and is presented in table 5-H. The averages shown in the table are simple arithmetic ("unweighted") averages of each country's individual rates; data were not available for most of the countries which would permit calculation of trade-weighted averages. Canada and the United States have had the largest reductions in their average agricultural tariff levels; Japan has had the smallest. The reductions shown for the European Community carry a significant qualification which is spelled out in the footnote to the table.

The percent of change in average duty level for each agricultural product sector is shown for combined free and dutiable agricultural imports in table 5-I and for dutiable imports only in table 5-J. The sector data in table 5-I are presented graphically as tariff profiles in chart 5-B.

Table 5-H.--Agricultural products: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

(Percent)						
Item	Canada	United States	Japan	European Community	United Kingdom	
All agricultural products:	:	:	:	:	:	:
Preagreement rate-----	21.6	26.0	21.0	^{2/} 20.4		13.3
January 1, 1972, rate----	7.3	9.9	17.8	^{2/} 14.3		8.3
Percent reduction-----	66.2	61.9	15.2	^{2/} 29.9		37.6
Dutiable agricultural products:	:	:	:	:	:	:
Preagreement rate-----	24.1	30.3	25.6	^{2/} 20.8		14.7
January 1, 1972, rate----	12.6	12.4	24.5	^{2/} 17.2		10.4
Percent reduction-----	47.7	59.1	0.4	^{2/} 17.3		29.3

^{1/} Averages are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} For the European Community, the pre-trade-agreement average rates are arithmetic averages of the EC autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. The EC autonomous rates were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

As the European Community's Common Agricultural Policy has been developed, the Community has replaced (or supplemented) several of the original rates of duty with variable levies, none of which reflect concessions under the GATT.

The January 1, 1972, average rates shown for the Community are averages calculated only from tariff lines which continued to be subject to fixed rates of duty on that date. The averages do not include any of the tariff lines subject to a variable levy, nor do they reflect any of the variable levies which have replaced (or supplemented) fixed tariffs. If variable levies could have been taken into consideration, the EC averages would probably have shown a significant increase between the preagreement and January 1, 1972, rates.

Source: Calculated from rates specified in national tariff schedules.

Table 5-I.--Agricultural products (total free and dutiable), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

Sector	(Percent)				
	Canada	United States	Japan	European Community	United Kingdom
A-1 Foodstuffs:					
Preagreement rate-----	22.2	22.1	25.2	2/ 21.0	13.5
January 1, 1972, rate-----	8.6	11.2	21.8	2/ 13.8	7.5
Percent reduction-----	61.3	49.3	13.5	3/ 34.3	44.4
A-2 Grains:					
Preagreement rate-----	17.1	15.7	10.5	2/ 12.7	7.2
January 1, 1972, rate-----	2.5	8.6	8.1	3/ 3/	4.5
Percent reduction-----	85.4	45.2	22.3	3/ 3/	37.5
A-3 Animals and products thereof:					
Preagreement rate-----	24.0	16.3	12.9	2/ 18.0	9.1
January 1, 1972, rate-----	5.1	6.0	7.7	2/ 10.6	6.8
Percent reduction-----	78.8	63.2	40.3	4/ 41.1	25.3
A-4 Oil seeds, fats and oils, and their products:					
Preagreement rate-----	15.0	18.6	11.0	2/ 8.4	9.8
January 1, 1972, rate-----	8.0	9.6	7.6	2/ 6.2	7.9
Percent reduction-----	46.7	48.4	30.9	2/ 26.2	19.4
A-5 Beverages and spirits:					
Preagreement rate-----	32.0	82.3	41.9	2/ 38.2	16.2
January 1, 1972, rate-----	12.1	21.4	41.5	2/ 35.6	14.1
Percent reduction-----	62.2	74.0	1.0	2/ 6.8	13.0
A-6 Dairy products:					
Preagreement rate-----	29.2	27.5	27.9	2/ 21.4	19.9
January 1, 1972, rate-----	14.4	17.1	32.1	2/ 16.0	8.2
Percent reduction-----	50.7	37.8	+15.1	2/ 25.2	58.8
A-7 Fish, shellfish and products:					
Preagreement rate-----	23.4	17.6	15.4	2/ 16.8	16.4
January 1, 1972, rate-----	5.3	5.7	10.4	2/ 13.4	11.1
Percent reduction-----	77.4	67.6	32.5	2/ 21.5	32.3
A-8 Tobacco:					
Preagreement rate-----	55.0	208.5	272.5	2/ 95.7	13.8
January 1, 1972, rate-----	27.4	53.5	232.5	2/ 49.0	30.2
Percent reduction-----	50.2	74.3	14.7	2/ 48.8	+118.8
A-9 Miscellaneous agricultural and forestry products:					
Preagreement rate-----	18.3	12.9	6.9	2/ 7.4	13.3
January 1, 1972, rate-----	3.5	3.1	4.1	2/ 4.0	7.6
Percent reduction-----	80.9	76.0	40.6	2/ 46.0	42.9

^{1/} Averages are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} For the European Community, the pre-trade-agreement average rates are arithmetic averages of the EC autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. The EC autonomous rates were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

As the European Community's Common Agricultural Policy has been developed, the Community has replaced (or supplemented) several of the original rates of duty with variable levies, none of which reflect concessions under the GATT.

The January 1, 1972, average rates shown for the Community are averages calculated only from tariff lines which continued to be subject to fixed rates of duty on that date. The averages do not include any of the tariff lines subject to a variable levy, nor do they reflect any of the variable levies which have replaced (or supplemented) fixed tariffs. If variable levies could have been taken into consideration, the EC averages would probably have shown a significant increase between the preagreement and January 1, 1972, rates.

^{3/} Subject to variable levies only; there are no fixed duties applicable to grains.

Source: Calculated from rates specified in national tariff schedules.

Table 5-J.--Agricultural products (dutiable items only), by sectors: Average MFN rates of duty on pre-trade-agreement base dates compared with average MFN rates on January 1, 1972, and average reduction in rates ^{1/}

Sector	(Percent)					
	Canada	United States	Japan	European Community	United Kingdom	
A-1 Foodstuffs:						
Preagreement rate-----	25.4	24.5	26.1	2/ 21.1		13.6
January 1, 1972, rate-----	12.1	12.8	24.0	2/ 15.2		8.8
Percent reduction-----	52.4	47.8	8.0		28.0	35.3
A-2 Grains:						
Preagreement rate-----	18.8	16.6	10.5	2/ 12.6		8.8
January 1, 1972, rate-----	4.5	9.6	11.7	3/ 3/ 14.7		6.7
Percent reduction-----	76.1	42.2	+11.4			23.9
A-3 Animals and products thereof:						
Preagreement rate-----	27.3	18.8	21.2	2/ 19.2		16.7
January 1, 1972, rate-----	9.2	7.3	15.9	2/ 14.7		9.9
Percent reduction-----	66.3	61.2	25.0		23.4	40.7
A-4 Oil seeds, fats and oils, and their products:						
Preagreement rate-----	15.6	24.5	13.2	2/ 8.7		10.8
January 1, 1972, rate-----	14.1	12.5	10.9	2/ 8.2		9.5
Percent reduction-----	9.6	49.0	17.4		5.7	12.0
A-5 Beverages and spirits:						
Preagreement rate-----	29.2	83.8	43.2	2/ 38.2		16.2
January 1, 1972, rate-----	14.4	22.1	42.6	2/ 36.6		15.3
Percent reduction-----	50.7	73.6	1.4		4.2	5.6
A-6 Dairy products:						
Preagreement rate-----	33.3	27.5	32.5	2/ 21.4		19.9
January 1, 1972, rate-----	14.4	17.1	37.5	2/ 16.0		9.0
Percent reduction-----	56.8	37.8	+15.4		25.2	54.8
A-7 Fish, shellfish and products:						
Preagreement rate-----	26.5	18.8	15.4	2/ 17.3		17.7
January 1, 1972, rate-----	10.4	7.7	10.9	2/ 14.7		13.4
Percent reduction-----	60.8	59.0	29.2		15.0	24.3
A-8 Tobacco:						
Preagreement rate-----	55.0	220.1	272.5	2/ 95.7		15.9
January 1, 1972, rate-----	27.4	56.5	232.5	2/ 49.0		30.2
Percent reduction-----	50.2	74.3	14.7		48.8	+89.9
A-9 Miscellaneous agricultural and forestry products:						
Preagreement rate-----	20.7	18.5	13.1	2/ 7.9		16.4
January 1, 1972, rate-----	11.7	6.1	12.1	2/ 6.9		11.6
Percent reduction-----	43.5	67.0	7.6		12.7	29.3

^{1/} Averages are simple arithmetic ("unweighted") averages.

Rates of duty used as those in effect on pre-trade-agreement base dates are as follows: For Canada, the General rates; for the United States, the Column 2 rates; for Japan, the rates shown in the official tariff issued on January 1, 1954; for the European Community, the Autonomous rates; and for the United Kingdom, the rates shown in the official tariff issued on January 1, 1933.

^{2/} For the European Community, the pre-trade-agreement average rates are arithmetic averages of the EC autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. The EC autonomous rates were established generally by taking a simple average of the rates contained in the four antecedent national tariff schedules on January 1, 1957. Consequently, the EC "preagreement" averages actually reflect some tariff reductions made in trade agreements negotiated prior to formation of the Community. It was not feasible to determine a preagreement rate based on tariffs in effect in 1934, which was just prior to the first reciprocal trade agreement between the United States and an EC member country (see text).

As the European Community's Common Agricultural Policy has been developed, the Community has replaced (or supplemented) several of the original rates of duty with variable levies, none of which reflect concessions under the GATT.

The January 1, 1972, average rates shown for the Community are averages calculated only from tariff lines which continued to be subject to fixed rates of duty on that date. The averages do not include any of the tariff lines subject to a variable levy, nor do they reflect any of the variable levies which have replaced (or supplemented) fixed tariffs. If variable levies could have been taken into consideration, the EC averages would probably have shown a significant increase between the preagreement and January 1, 1972, rates.

^{3/} Subject to variable levies only; there are no fixed duties applicable to grains.

Source: Calculated from rates specified in national tariff schedules.

Chart 5-B.--Agricultural product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972

Agricultural sectors:

- A-1 Foodstuffs
- A-2 Grains
- A-3 Animals and products thereof
- A-4 Oil seeds, fats and oils, and their products
- A-5 Beverages and spirits
- A-6 Dairy products
- A-7 Fish, shellfish and products
- A-8 Tobacco
- A-9 Miscellaneous agricultural and forestry products

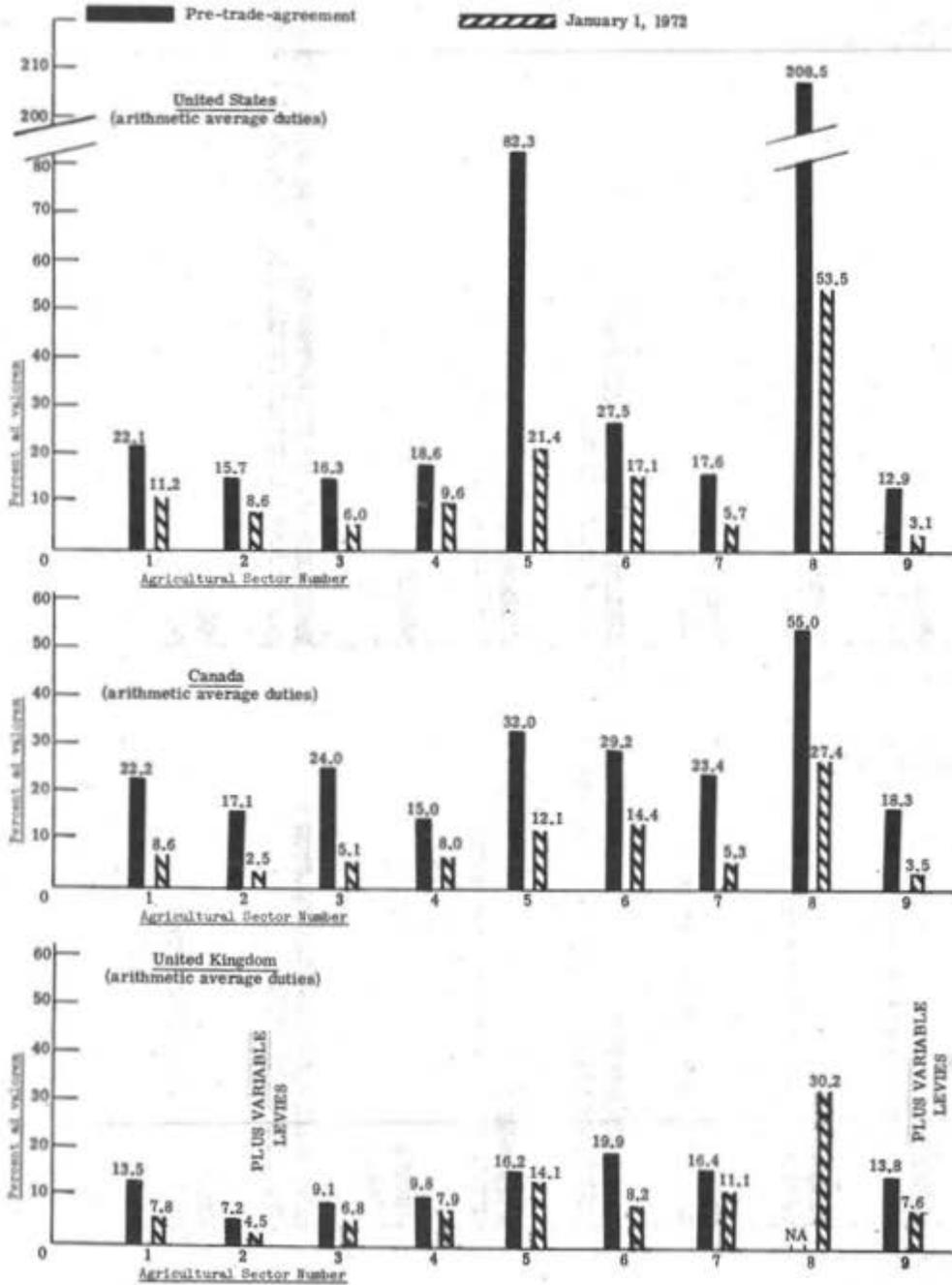
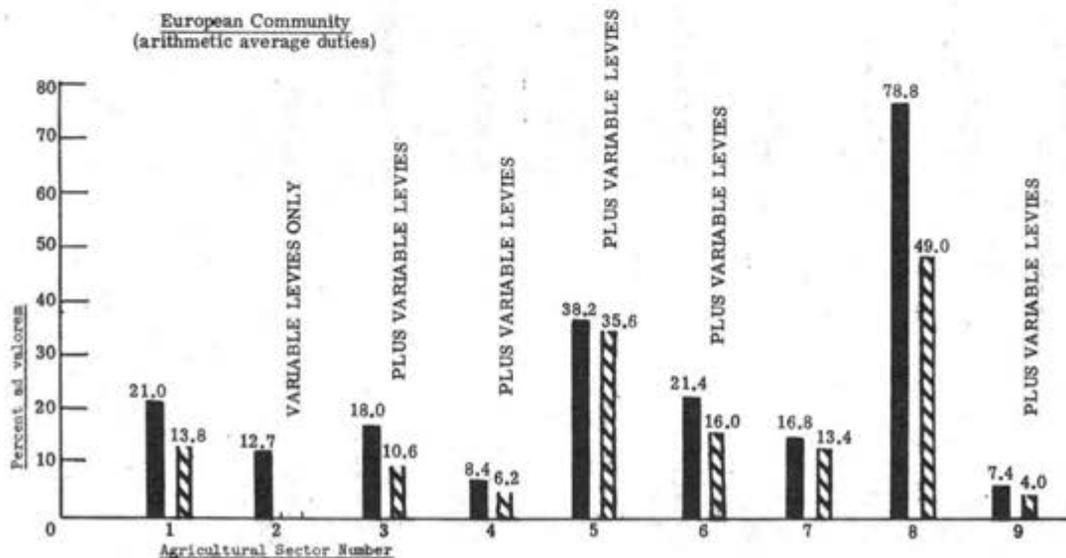
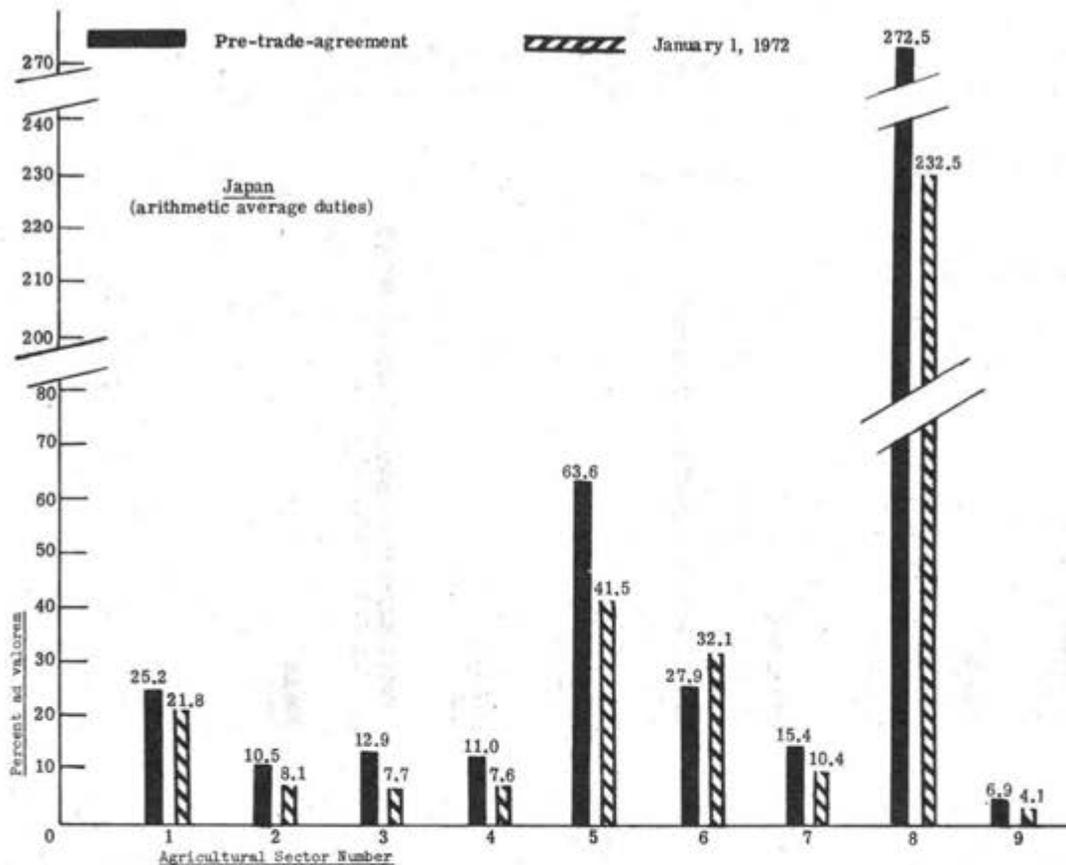


Chart 5-B. --Agricultural product sectors: Tariff profiles on pre-trade-agreement base dates compared with profiles on January 1, 1972--Continued



The details of these tables and the chart are summarized in the following frequency distributions showing the number of agricultural sectors which each country has in 7 categories of rate change:

For all agricultural products

	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u> 1/	<u>United Kingdom</u>
Percent reduction:					
10 or less-----	-	-	1	1	-
10.1-25-----	-	-	3	1	2
25.1-50-----	1	4	4	6	5
50.1-75-----	4	4	-	-	1
75.1 or more-----	4	1	-	-	-
No change-----	-	-	-	-	-
Increase-----	-	-	1	-	1

For dutiable agricultural products

	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u> 1/	<u>United Kingdom</u>
Percent reduction:					
10 or less-----	1	-	3	2	1
10.1-25-----	-	-	3	2	3
25.1-50-----	1	4	1	4	3
50.1-75-----	6	5	-	-	1
75.1 or more-----	1	-	-	-	-
No change-----	-	-	-	-	-
Increase-----	-	-	2	-	1

Presidential authority to reduce duties.---Over the period extending from 1934 to June 30, 1967, during which the reductions in the U.S. tariff discussed in the foregoing pages were negotiated, the Congress actually had delegated to the President tariff reduction authority which, on a cumulative basis, would have permitted lowering U.S. tariffs to a level at least 91.5 percent below the level existing in 1934 when the trade agreements

1/ Changes in duty rates are calculated on the basis of fixed duties only. The EC sector for grains, in which all provisions are covered by variable levies, is not included.

program was begun. (Use of "special" authorities contained in the last two trade agreements acts permitted even greater reductions.) The actual effect which maximum use of the basic reduction authority contained in the trade agreements acts over the years could have had on various rate levels is shown in table 5-K.

Table 5-K.--Possible reductions in U.S. tariff levels using the maximum basic authority granted under legislation of the trade agreements program

		(Rates of duty are percent ad valorem)						
Trade agreements acts	Maximum permissible reduction (basic authority) ^{1/}	Original tariff rate level and subsequent tariff rate levels after maximum permissible reduction						
		100.00	75.00	50.00	35.00	20.00	5.00	
Trade Agreements Act of 1934.	50 percent of rate on July 1, 1934.	50.00	37.50	25.00	17.50	10.00	2.50	
Trade Agreements Extension Act of 1945.	50 percent of rate on January 1, 1945.	25.00	18.75	12.75	8.75	5.00	1.25	
Trade Agreements Extension Act of 1955.	15 percent of rate on January 1, 1955.	21.25	15.94	10.63	7.44	4.25	1.06	
Trade Agreements Extension Act of 1958.	20 percent of rate on July 1, 1958.	17.00	12.75	8.50	5.95	3.40	0.85	
Trade Expansion Act of 1962.	50 percent of rate on July 1, 1962.	8.50	6.38	4.25	2.97	1.70	0.43	

^{1/} Under supplemental authorities contained in the acts of 1958 and 1962, reductions greater than those shown could be made under stipulated conditions. For example, under the 1958 act duties under 10 percent ad valorem could be reduced by 2 percentage points, and under the 1962 act, duties of 5 percent or less could be totally removed.

The Bilateral Agreements Period of the
Trade Agreements Program (1934-1947)

Before 1947, the trade negotiations conducted by the United States under the trade agreements program were only with individual foreign countries (or in one case, a customs union), and all of the trade agreements resulting from the negotiations were bilateral--i.e., between two parties. Under the trade agreements program, between 1934 and 1947 the United States concluded bilateral agreements with 29 countries: 1/ Sixteen in Latin America and 11 in Europe, plus Canada and Iran. The 29 countries, listed in the order in which the agreements initially were placed in effect, are as follows: 2/

1934: Cuba	1936: Guatemala	1941: Argentina
	Nicaragua	
1935: Belgo-Luxembourg Economic Union	Finland	1942: Peru
Haiti	1937: El Salvador	1943: Uruguay
Sweden	Costa Rica	Mexico
		Iceland
1936: Brazil	1938: Czechoslovakia	1944: Iran
Canada	Ecuador	
Netherlands	1939: United Kingdom	1947: Paraguay
Switzerland	Turkey	
Honduras	Venezuela	
Colombia		
France		

In terms of the value of trade between the two parties at the time of the agreement in products on which concessions were granted, the most important of the agreements were with the United Kingdom, Canada, Brazil, Argentina and Cuba.

1/ A bilateral agreement with the Republic of the Philippines in 1946, which is discussed later in this chapter, was not concluded under the authority of the Trade Agreements Acts.

2/ The exact effective dates and also subsequent dates of suspension or termination are given in appendix table 5-B.

The aggregate effect of the bilateral agreements
on the U.S. average tariff level

By 1947, when the bilateral agreements period of the trade agreements program effectively came to an end, ^{1/} schedules of concessions with 27 of the original countries were still in effect. Altogether, the 27 countries accounted for 68 percent of the value of U.S. imports and received 67 percent of U.S. exports in 1939. The concessions which the United States had granted in the agreements then in force covered 69 percent of dutiable imports, had reduced the U.S. average duty level by one-third, and had bound the duty-free status of approximately 70 percent of the imports which were then on the free list. (See table 5-L).

Table 5-L.--Trade agreements in effect in 1947: U.S. imports of products on which duties had been reduced, average rates of duty before and after agreements, and average reduction in rates

(All data in this table are based on import statistics of 1939)

Class of imports	United States imports		Average ad valorem		Average reduction in rates
	for consumption		equivalent of rates		
	Value	Percent of total dutiable	Preagreement	As of 1947	
	Million dollars		Percent	Percent	Percent
Dutiable imports, total-----	879	100.0	48.2	32.2	33
Concession products:					
Duty reduced-----	562	63.9	57.3	32.3	44
Duty bound at preagree- ment rate-----	41	4.7	17.6	17.6	-
Products not in any agreement-----	276	31.4	34.3	34.3	-
Duty-free imports-----	1,397	-	-	-	-
Total imports, dutiable and free-----	^{1/} 2,276	-	18.6	12.4	33

^{1/} The duty free status of approximately 70 percent of these imports was bound in bilateral agreements in effect in 1947.

Source: U.S. Tariff Commission Operation of the Trade Agreements Program, June 1934 to April 1948, Rept. No. 160, 2nd ser., 1949. Pt. III, Trade-Agreement Concessions Granted by the United States, p. 13.

Note.--The average ad valorem equivalent rates are based on a sample of the items, covering 80 percent of the total dutiable imports in 1939.

^{1/} Several agreements actually extended beyond 1947 and remnants of a few are still in effect, as explained in subsequent pages of this chapter. After 1947, however, no new bilateral agreements were negotiated under the trade agreements program legislation, although supplementary agreements were negotiated to the original agreements with Venezuela and Switzerland.

Based on a tabulation covering 80 percent of dutiable U.S. imports in 1939, ^{1/} the profile of U.S. tariff rates was significantly changed by the bilateral agreements. The following tabulation compares the distribution of U.S. dutiable imports according to duty levels before the agreements with the distribution under rates in effect in 1947:

Rate of duty (percent ad valorem)	Estimated percent of U.S. dutiable imports covered	
	Before any agreement	As of 1947
10 or less	8.8	16.2
10.1 to 20.0	15.7	20.2
20.1 to 30.0	9.1	17.2
30.1 to 40.0	13.0	18.4
40.1 to 50.0	6.1	6.1
50.1 or more	47.3	21.4

Perhaps the most notable change was in duty levels above 50 percent ad valorem. Before the agreements, approximately 47 percent of U.S. dutiable imports paid duties over 50 percent ad valorem, 30 percent paid duties above 70 percent ad valorem, and 12 percent paid duties above 90 percent ad valorem. After the agreements, only 21 percent of imports were paying duties over 50 percent ad valorem (and only about 6 percent above 70 percent ad valorem). ^{2/}

The amount of reduction in average U.S. duty levels varied considerably among the different product categories (table 5-M). The average rates on two product categories (earthenware and glassware; manufactures of silk and synthetic textiles) were reduced by only 6 percent, while the average

^{1/} See U.S. Tariff Commission, Operation of the Trade Agreements Program, Report No. 160, second series, Part III, p. 21.

^{2/} A frequency distribution of current U.S. tariff levels is shown on pages 29 and 84 of chapter II.

rate levels on two other categories (sugar, molasses and manufactures; spirits, wines and other beverages) were virtually cut in half.

Table 5-M.--Trade agreements in effect in 1947: Average ad valorem equivalents of rates on total dutiable U.S. imports before and after agreements and average reduction in rates, by product categories ^{1/}

(All data in this table are based on import statistics of 1939)

Products	Dutiable imports	Ad valorem equivalent of rates		Average reduction in rates	Percent of dutiable imports on which rate reduced
		Before any agreements	As of 1947		
	\$,000 dollars	Percent	Percent	Percent	
1. Chemicals, oils, and paints-----	56,586	37.2	31.5	15	52.2
2. Earths, earthenware, and glassware-----	25,369	43.0	40.3	6	27.0
3. Metals and manufactures of-----	89,728	40.3	27.7	31	70.8
4. Wood and manufactures of-----	17,002	16.8	10.6	37	84.9
5. Sugar, molasses, and manufactures of-----	90,543	69.4	35.2	49	92.8
6. Tobacco and manufactures of-----	35,999	77.5	58.6	24	99.9
7. Agricultural products and provisions-----	173,808	36.8	23.1	37	69.4
Fishery products-----	26,331	22.6	17.1	24	56.0
Other-----	147,477	39.3	24.2	38	71.8
8. Spirits, wines, and other beverages-----	59,076	109.8	56.0	49	95.6
9. Cotton manufactures-----	27,284	38.3	33.8	12	36.8
10. Flax, hemp, jute, and manufactures of-----	54,765	24.7	18.5	25	36.8
11. Wool and manufactures of-----	49,271	76.3	60.8	20	58.5
12. Silk manufactures-----					
13. Manufactures of rayon or other synthetic textile-----	15,496	37.6	35.2	6	18.2
14. Papers and books-----	11,461	21.8	17.3	21	58.3
15. Sundries-----	133,270	28.8	24.3	16	37.5
Free list, subject to import-excise tax-----	36,051	31.3	21.1	33	79.0
Total-----	877,709	48.2	32.2	33	63.9

^{1/} The product categories correspond to the tariff schedules originally provided for in the Tariff Act of 1930.

Source: U.S. Tariff Commission Operation of the Trade Agreements Program, June 1934 to April 1948, Rept. No. 160, 2nd ser., 1949. Pt. III, Trade-Agreement Concessions Granted by the United States, p. 37.

The portion of dutiable imports in each category on which rates were reduced also showed wide variation. For example, duties were reduced on 18 percent of imports of manufactures of silk and synthetic textiles, compared with reductions on virtually all imports of tobacco and manufactures.

By the close of the bilateral agreement period, the concessions in the bilateral agreements covered a significant part of dutiable U.S. imports from most of the partners in the agreements. The actual percentages for the 14 principal countries are shown in table 5-N, where it is seen that

for 8 of the countries, over 90 percent of their dutiable imports into the United States had undergone reductions in tariff rates in the agreements. For three countries (Cuba, Venezuela and Turkey), duties were reduced on virtually all of their dutiable shipments to the United States.

Table 5-N.--Principal individual countries with which trade agreements were in effect in 1947: U.S. dutiable imports for consumption of articles on which duties were reduced or bound against increase in the agreements

(All data in this table are based on import statistics of 1939)

Country	Imports on which concessions were granted					
	Total, dutiable imports	Duties reduced--				Duties bound at pre-agreement rates
		Total	Total	In agreement with supplying country	In agreement with other countries ^{1/}	
	Value (1,000 dollars)					
United Kingdom and possessions--	117,076	97,138	96,094	86,378	9,716	1,044
Canada-----	111,421	103,945	102,508	96,237	6,271	1,437
Cuba-----	92,665	92,233	92,227	91,736	491	6
Belgium-----	48,267	17,189	17,158	11,870	5,288	31
France and possessions-----	47,821	32,895	32,882	25,615	7,267	13
Argentina-----	40,760	38,689	38,548	37,665	883	141
Netherlands and possessions-----	32,829	16,598	16,532	8,409	8,123	66
Switzerland-----	27,621	24,705	23,530	21,266	2,264	1,175
Venezuela-----	17,812	17,810	17,810	17,801	9	-
Mexico-----	14,082	13,012	13,008	12,467	541	4
Turkey-----	12,182	12,158	12,146	11,754	392	12
Brazil-----	10,618	9,608	9,595	5,588	4,007	13
Sweden-----	8,142	6,075	4,912	4,187	725	1,163
Uruguay-----	7,713	4,514	4,514	4,484	30	-
All other-----	11,453	10,946	10,651	7,852	2,792	295
Total-----	600,462	497,515	492,115	443,309	48,806	5,400
	Percent of total subject to reduced or bound duties					
United Kingdom and possessions--	100.0	83.0	82.1	73.8	8.3	0.9
Canada-----	100.0	93.3	92.0	86.4	5.6	1.3
Cuba-----	100.0	99.5	99.5	99.0	.5	2/
Belgium-----	100.0	35.6	35.5	24.6	10.9	.1
France and possessions-----	100.0	68.8	68.8	53.6	15.2	3/
Argentina-----	100.0	94.9	94.6	92.4	2.2	.3
Netherlands and possessions-----	100.0	50.6	50.4	25.6	24.8	.2
Switzerland-----	100.0	89.5	85.2	77.0	8.2	4.3
Venezuela-----	100.0	99.9	99.9	99.8	.1	-
Mexico-----	100.0	92.4	92.4	88.5	3.9	2/
Turkey-----	100.0	99.8	99.7	96.5	3.2	.1
Brazil-----	100.0	90.5	90.4	52.6	37.8	.1
Sweden-----	100.0	74.6	60.3	51.4	8.9	14.3
Uruguay-----	100.0	58.5	58.5	58.1	.4	-
All other-----	100.0	95.6	93.0	68.6	24.4	2.6
Total-----	100.0	82.8	81.9	73.8	8.1	.9

^{1/} Duty reductions in the agreements with Cuba are applicable only to imports from Cuba and imports from other countries of commodities subject to rates reduced in the agreements with Cuba are consequently not shown in this table.

^{2/} Less than 0.05 percent.

Source: U.S. Tariff Commission, *Operation of the Trade Agreements Program*, June 1934 to April 1948, Rept. No. 160, 2d ser., 1949, pt. III, Trade-Agreement Concessions Granted by the United States, pp. 71, 73.

Aggregate concessions obtained by the United States
from the bilateral agreements

The commitments made by foreign partners in the bilateral agreements on their imports from the United States are summarized in table 5-0. Approximately three-fifths of their total imports from the United States were covered by some form of commitment in the agreements. Roughly one-fourth of U.S. shipments into these countries had a reduction in duty, about 18 percent had the existing duty bound against increase, about 14 percent had the existing duty-free status bound, and about 6 percent had other forms of commitments (such as commitments covering monopoly or quantitative controls, British margins of preference, and duties reduced by indeterminate amounts).

The data in table 5-0 overstate the coverage of commitments to some degree because for eight of the countries shown in the table it was not feasible to segregate statistical data on concessions made prior to the first multilateral round of negotiations under the General Agreement on Tariffs and Trade, and consequently, data for these eight countries (shown as Group 1 in the table) include the first round of concessions under the General Agreement. It is estimated, however, that the overstatement would not exceed 10 percent. When the General Agreement was initially negotiated, the United States and former U.S. bilateral agreement partners who were participating in the initial GATT negotiations transferred to their schedules of concessions under the GATT virtually all of the concessions contained in the bilateral agreements, in some cases making further reductions. For the United States, concessions on new products in the first Geneva negotiations under the GATT covered only about 10 percent of total U.S. imports.

Table 5-0.--Imports (mainly in 1939 ^{1/}) from the United States into countries having trade agreements with the United States in 1947, by kinds of scheduled concessions applicable under the agreements ^{2/}

(In thousands of dollars)						
Country	Imports from the United States on which commitments were made					
	Total imports from the United States	Total	Kind of commitment			
			Binding of free status	Binding of duty against increase	Reduction in duty	Other commitments ^{3/}
Grand total-----	2,052,165	1,278,862	293,270	366,290	506,345	112,957
Group 1.--Countries participating in the 1947 GATT negotiations that had previous trade agreements with the United States ^{2/}						
Total-----	1,564,590	1,083,307	270,884	262,304	442,133	107,986
Belgium-Luxembourg-Netherlands-----	144,019	118,166	45,904	36,799	9,566	25,897
Brazil-----	71,518	38,651	2,672	31,841	4,138	-
Canada-----	477,113	342,485	75,490	24,023	242,972	-
Cuba-----	77,666	74,929	3,967	13,620	46,489	10,853
France-----	146,614	138,820	58,628	41,344	16,635	22,213
United Kingdom-----	521,741	329,799	74,138	93,871	114,444	47,346
Other ^{4/} -----	125,519	40,457	10,085	20,806	7,889	1,677
Group 2.--Countries not participating in the 1947 GATT Negotiations						
Total-----	487,575	195,555	22,386	103,986	64,212	4,971
Argentina-----	70,621	32,841	42	14,237	18,562	-
Colombia-----	56,480	29,680	-	15,345	14,335	-
Costa Rica-----	9,705	1,990	-	929	1,061	-
Ecuador-----	5,765	2,421	306	686	1,429	-
El Salvador-----	4,138	492	-	338	154	-
Finland-----	13,172	5,208	1,149	3,550	509	-
Guatemala-----	8,510	2,283	-	1,987	296	-
Haiti-----	5,076	1,186	-	943	243	-
Honduras-----	5,766	1,054	417	438	199	-
Iceland-----	408	117	-	110	7	-
Iran-----	2,194	1,831	-	1,755	76	-
Mexico-----	80,256	23,413	255	12,305	10,853	-
Paraguay-----	656	383	-	272	111	-
Peru-----	19,721	5,516	50	1,729	3,737	-
Sweden-----	99,385	46,473	19,042	26,253	1,178	-
Switzerland-----	29,881	15,066	-	8,695	1,400	4,971
Turkey-----	9,126	3,501	-	-	3,501	-
Uruguay-----	5,127	1,956	368	718	870	-
Venezuela-----	61,588	20,144	757	13,696	5,691	-

^{1/} Countries for which statistics cover periods other than the calendar year 1939 are as follows: Brazil--Apr. 1, 1938, to Mar. 31, 1939; Iran--Mar. 22, 1939, to Mar. 21, 1940; Newfoundland--July 1, 1938, to June 30, 1939.

Statistics of imports into Argentina, Costa Rica, Ecuador, El Salvador, Finland, Guatemala, Haiti, Honduras, Uruguay, Venezuela, and French dependencies were not available in a form suitable for tabulating, and United States statistics of exports to these countries were used as measures of the trade covered by their concessions.

^{2/} Data for countries shown as Group 1 in the table include concessions in the first multilateral round of negotiations under the General Agreement on Tariffs and Trade. A very large part of the concessions made then covered the same products covered by prior concessions in bilateral agreements with the United States (see text).

^{3/} Includes imports subject to commitments as to monopoly or quantitative controls, commitments of British countries as to margin of preference unaccompanied by commitments as to rate of duty, and commitments as to duties which are reduced by indeterminate amounts and as to duties which may be increased within specified limits.

^{4/} Includes Ceylon, dependencies of France, Newfoundland and other territories covered by United Kingdom commitments, and the dependencies of Belgium and the Netherlands (except the Netherlands West Indies and Surinam, for which available import statistics do not make it feasible to identify the trade in concession items). Ceylon subscribed independently to the Geneva agreement, but its trade relations with the United States were previously covered by the trade agreement between the United States and the United Kingdom.

Source: U.S. Tariff Commission, *Operation of the Trade Agreements Program, June 1934 to April 1948*, Rept. No. 160, 2d ser., 1949, pt. IV, Trade-Agreement Concessions Obtained by the United States, p. 18.

It was not practical to attempt to calculate the amount of reduction which occurred in the individual foreign tariffs involved in these agreements as a result of concessions granted in the agreements, but it can be presumed that for each individual country it was substantially less than the overall reduction in the U.S. average duty level, because each of the 27 countries accounted for only a part of the total concessions. Assuming balanced agreements were negotiated in the first place, however, in terms of U.S. export interests alone, and setting aside other parts of the foreign tariff schedules, presumably the aggregate reductions in foreign tariffs of interest to the United States should approximate the aggregate reduction in the U.S. tariff.

Tariff concessions by foreign countries in the bilateral agreements consisted of bindings of duty-free treatment, bindings of existing rates of duty, and duty reductions ranging from comparatively small percentages up to total removal.

Suspension and termination of the bilateral agreements

Most bilateral trade agreements concluded by the United States under the authority of the Trade Agreements Act were to remain in force for an initial period of 3 years. Afterwards, they were automatically extended for an indefinite period, but subject to termination by either contracting party on six months' notice. Unless terminated or suspended, the agreements remained in effect irrespective of whether the legislative authority under which they had been negotiated was further extended.

After 1947, it was U.S. policy, in general, to carry on trade negotiations only in the multilateral context of the General Agreement on Tariffs

and Trade which had been negotiated during 1946-47 and entered into effect on January 1, 1948. As countries with which the United States had bilateral agreements acceded to the GATT, the bilateral agreements usually were suspended or terminated, and concessions contained in the bilateral agreement usually were carried over into the country's schedule of concessions annexed to the GATT. Under the terms of the suspension, the bilateral agreements were to remain inoperative as long as the United States and the other country were contracting parties to the General Agreement. If the United States or any of these countries should cease to be contracting parties to the General Agreement, however, the earlier bilateral agreement was to be revived.

Agreements with nine countries were suspended upon their accession to the GATT. Seven of the agreements (those with Belgium, Canada, Cuba, France, Luxembourg, the Netherlands, and the United Kingdom) were suspended in January 1948; the agreement with Brazil was suspended in July 1948, and the one with Switzerland in August 1966. Later, all of these except the agreement with Canada were completely terminated. ^{1/} Agreements with seven countries were terminated immediately or soon after the respective parties joined the GATT: Finland (1950), Haiti (1950), Sweden (1950), Peru (1951), Turkey (1952), Uruguay (1953), and Iceland (1970). When Argentina became a member of the GATT, effective October 11, 1967, the 1941 bilateral agreement with that country was amended so as to keep the agreement in effect

^{1/} The termination dates were as follows: Belgium (1953), Brazil (1958), the Netherlands (1962), the United Kingdom (1962), France (1962), Cuba (1963), Luxembourg (1963), and Switzerland (1968).

until the President proclaims a consolidated schedule of U.S. concessions under the GATT. ^{1/}

By joint agreement between the United States and the respective countries, nine U.S. bilateral agreements were terminated, in whole or in part, for reasons other than the adherence of the parties to the General Agreement. Agreements terminated in this manner, and the year in which each agreement was wholly or partly terminated, were as follows: Colombia (1949), Costa Rica (1951), El Salvador (1962), Guatemala (1955), Honduras (1961), Iran (1960), Mexico (1951), Nicaragua (1938 and 1950), Paraguay (1963), and Venezuela (1972).

The agreement with Nicaragua was terminated in 1938 with respect to its schedule of concessions and related general provisions; the other general provisions were terminated in 1950. The agreements with El Salvador, Honduras, and Paraguay were terminated with respect to the schedules of tariff concessions and the general provisions related thereto; the other general provisions in the agreements, which provide for most-favored-nation treatment, national treatment in the application of internal taxes, and the equitable administration of import policies, are still in effect. In an exchange of notes with Venezuela in June of 1972, by which most of the bilateral agreement with that country was terminated, it was agreed that the concessions on petroleum specified in the U.S. schedule to the agreement would be maintained, and the most-favored-nation principle was reaffirmed for both countries, although an exception was made in the event Venezuela should desire to enter into free trade pacts or customs unions. The other bilateral agreements listed were terminated fully.

^{1/} Such a proclamation had not been issued at the close of 1973.

On two occasions the United States took unilateral action to terminate bilateral trade agreements. The agreement with Czechoslovakia was terminated in 1939, when the German occupation of that country made it impossible for Czechoslovakia to fulfill its obligations. The U.S.-Ecuador agreement was revoked by the United States in 1956, when Ecuador established a new tariff schedule incorporating rates generally higher than those in the bilateral agreement.

During their existence, a few of the agreements were renegotiated or supplemented, some extensively. For example, the original bilateral agreement with Canada was replaced by an entirely new agreement three years later, and parts of the second agreement later were renegotiated on two occasions. A significant supplementary agreement was added to the original agreement with Cuba (in 1942), with Venezuela (in 1952), and with Switzerland (in 1955).

At the close of 1973, six bilateral agreements negotiated under the reciprocal trade agreements legislation remained in force. For three of these--El Salvador, Honduras and Paraguay--only the general provisions remain, the schedules of tariff concessions having been terminated many years ago. For one--Argentina--virtually all of the tariff concessions have been overtaken by subsequent concessions in the GATT. The fifth--with Venezuela--has been almost completely terminated, the vestiges remaining being the MFN provision and the U.S. concession on crude petroleum (which is not duplicated in the GATT).

A sixth bilateral agreement, the so-called "Exclusive bilateral agreement negotiated with Cuba, supplemental to the General Agreement on Tariffs

and Trade," is still in existence but has not been applied since February 1962. This agreement became effective January 1, 1948, when the 1934 bilateral agreement with Cuba was suspended. Its chief purpose was to continue for selected products, in an arrangement related to the General Agreement, the tariff preferences which had existed under the original bilateral agreement with Cuba. At such time as normal commercial relations are restored with Cuba, this agreement presumably will become operative again.

The Multilateral Agreement Period of the Trade Agreements Program:
The General Agreement on Tariffs and Trade

The shift from negotiating numerous bilateral trade agreements individually to negotiating simultaneously with several countries in a multilateral context was probably a natural development from the U.S. experience under its trade agreements program from 1934 to 1946. The negotiating technique for bilateral agreements was to deal with the tariff rate on items for which the negotiating partner was a principal (usually the largest) supplier. Under the unconditional MFN policy of the United States, however, its tariff concessions were generalized to imports from all other countries, and consequently the benefits of the concessions were extended to other countries so long as they did not discriminate against U.S. trade. As more and more bilateral agreements were concluded, however, it became apparent that countries which were less important suppliers were interested in, and willing to pay for, a contractual right to the reduced rates of duty which had already been included in earlier agreements with other countries.

Aside from this past experience, there was the additional necessity in 1946 to reconstruct world trade after a devastating war. This could be done most quickly in a multilateral framework.

In response to leadership of the United States, discussions were held before the end of World War II concerning the feasibility of establishing an international organization to resolve the anticipated post-war problems

relating to foreign exchange, investment, and trade. 1/ Following the Bretton Woods Conference in July 1944, the International Monetary Fund and the International Bank for Reconstruction and Development were created. Pending the creation of a third body, an International Trade Organization (ITO), which was intended to function as a United Nations agency for the expansion of world trade and employment, the General Agreement on Tariffs and Trade (GATT) was negotiated in September 1947 as a temporary measure. The plans for the ITO, however, eventually were abandoned, and the GATT became the primary instrument for international trade cooperation. 2/

Tariff concessions under the General Agreement on Tariffs and Trade

The General Agreement on Tariffs and Trade is a multilateral international trade agreement currently adhered to by most of the important trading nations of the world. The GATT is accepted (or applied on a de facto basis) by 99 countries whose foreign trade amounts to more than 80 percent of total world trade. Table 5-P lists the GATT contracting parties and dates of accession.

1/ A brief history of efforts by the allied countries to prepare for anticipated post-war problems, including discussions of an Atlantic Charter, the lend-lease programs, the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, and proposed a charter for an International Trade Organization, appear in the U.S. Tariff Commission report, Operation of the Trade Agreements Program, Part II, Report No. 160, U.S. Government Printing Office, 1949, pp. 16-20.

2/ A new organization in the international trade field--the United Nations Conference on Trade and Development (UNCTAD)--was established on Dec. 30, 1964, (U.N. Resolution 1995 XIX), as a permanent organ of the General Assembly of the United Nations. Organized, in part, because of a desire among developing countries for a comprehensive trade organization, UNCTAD was to promote international trade, especially with a view to accelerating the economic development of the less-developed countries.

Table 5-P.--Contracting parties to the General Agreement on Tariffs and Trade as of September 15, 1973, and their date of accession to the GATT

<u>Country</u>	<u>Date</u>	<u>Country</u>	<u>Date</u>	<u>Country</u>	<u>Date</u>
Argentina	9-12-67	Greece	3-9-50	Peru	10-7-51
Australia	1-1-48	Guyana	6-28-48	Poland	10-18-67
Austria	10-19-51	Haiti	1-1-50	Portugal	1-1-68
Bangladesh	12-16-72	Hungary	9-9-73	Rhodesia	7-12-48
Barbados	6-28-48	Iceland	4-21-68	Romania	11-14-71
Belgium	1-1-48	India	7-9-48	Rwanda	7-27-48
Brazil	7-31-48	Indonesia	11-19-51	Senegal	5-13-49
Burma	7-30-48	Ireland	12-22-67	Sierra Leone	6-28-48
Burundi	7-28-48	Israel	7-5-62	Singapore	8-9-65
Cameroon	5-13-49	Italy	5-3-50	South Africa	6-14-48
Canada	1-1-48	Ivory Coast	5-13-49	Spain	8-29-63
Central African Republic	5-13-49	Jamaica	8-1-62	Sweden	4-30-50
Ceylon (Sri Lanka)	7-30-48	Japan	9-10-55	Switzerland	8-1-66
Chad	5-13-49	Kenya	6-28-48	Tanzania	6-28-48
		Korea	4-14-67	Togo	5-13-49
Chile	3-16-49	Kuwait	6-28-48	Trinidad and Tobago	7-1-68
Congo	5-13-49	Luxembourg	1-1-48	Turkey	10-17-51
Cuba	1-1-48	Madagascar	5-13-49	Uganda	6-28-48
Cyprus	6-28-48	Malawi	6-28-48	United Kingdom	1-1-48
Czechoslovakia	4-20-48	Malaysia	6-28-48	United States	1-1-48
Dahomey	5-13-49	Malta	6-28-48	Upper Volta	5-13-49
Denmark	5-28-50	Mauritania	5-13-49	Uruguay	12-16-53
Dominican Rep.	5-19-50	Mauritius	4-12-68	Yugoslavia	7-1-68
Egypt	5-9-70	Netherlands	1-1-48	Zaire	10-11-71
Finland	5-25-50	New Zealand	7-31-48		
France	1-1-48	Nicaragua	5-28-50		
Gabon	5-13-49	Niger	5-13-49		
Gambia	6-28-48	Nigeria	6-28-48		
Germany (West)	10-1-51	Norway	7-11-48		
Ghana	6-28-48	Pakistan	7-31-48		

Countries which have acceded provisionally: Tunisia, Philippines

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

Algeria	Khmer Republic	Southern Yemen
Bahrain	Lesotho	Swaziland
Botswana	Maldives	Tonga
Equatorial Guinea	Mali	Zambia
Fiji	Qatar	

The General Agreement is probably the most comprehensive commercial agreement ever concluded among sovereign nations. Its objectives are to encourage freer trade and nondiscriminatory trade practices through the observance of an extensive set of rules designed to promote the expansion of world trade. The rules principally proscribe the use of quantitative restrictions and discriminatory trade practices by the contracting parties

(except under specified conditions, such as for the correction of critical balance of payments problems).

Article II of the General Agreement provides that "each contracting party shall accord to the commerce of the other contracting parties treatment no less favorable than that provided for in the appropriate...schedule annexed to this agreement." The "appropriate schedule annexed to this agreement" specifies the detailed tariff and other concessions which a particular country has made under the agreement. When most countries have acceded to the GATT they have annexed to the agreement a schedule of specific tariff concessions which becomes a part of the agreement. ^{1/}

In Article XXVIII bis of the General Agreement, "the contracting parties recognize...negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs...are of great importance to the expansion of international trade. The Contracting Parties may therefore sponsor such negotiations from time to time." Six general rounds of multilateral negotiations have taken place between the GATT Contracting Parties, and a seventh round is just beginning. In addition numerous smaller negotiations have been conducted, the most important of which was the negotiation on the accession of Japan. As new concessions are negotiated by a country, they are added to that country's schedule to the agreement.

^{1/} The only countries which have not yet annexed schedules of specific concessions are newly independent developing nations which have acceded to the GATT under a special resolution of the Contracting Parties.

The first round (Geneva, 1947)

At the close of World War II, in November 1945, the United States proposed to other governments that an international conference on trade and employment be convened to consider the establishment of an international trade organization of the United Nations and to negotiate reciprocal reductions in tariffs. In February 1946, on the motion of the United States, the United Nations Economic and Social Council undertook to sponsor the proposed international conference and established a Preparatory Committee which was to arrange for the conference. At the Committee's first session in London in 1946, it adopted a resolution recommending to the governments concerned that the tariff negotiations proposed by the United States be held under the sponsorship of the Preparatory Committee as a part of its second session. It also recommended procedures for carrying through the negotiations in such a way as to give effect to certain provisions of the charter for an international trade organization, which the Committee was developing, by means of a general agreement on tariffs and trade among the members of the Committee. These recommendations were accepted and negotiations were conducted in Geneva, Switzerland, from April to October of 1947 as part of the second session of the Preparatory Committee for the United Nations Conference on Trade and Employment. The results of these tariff negotiations were the General Agreement on Tariffs and Trade.

Twenty-three countries 1/ participated in these negotiations, each appending to the General Agreement a schedule of tariff concessions. The

1/ Australia, the Belgian-Netherlands-Luxembourg Customs Union, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, the Customs Union of Lebanon and Syria, New Zealand, Norway, Pakistan, Southern Rhodesia, the Union of South Africa, the United Kingdom, and the United States.

U.S. schedule annexed to this agreement listed concessions on products for which total imports in 1939 (the "base year" used for statistics for the negotiations) were valued at \$1,766 million, or 78 percent of total U.S. imports. The concessions consisted of the following:

- (1) Binding of the duty-free status of products valued at \$1,130 million, which was half of total U.S. imports in 1939 and about 83 percent of duty-free imports;
- (2) binding of the existing rates of duty on imports valued at \$148 million, or about 6.5 percent of total imports and 16.8 percent of dutiable imports;
- (3) duty reductions by varying amounts ranging up to 50 percent on imports valued at \$471 million, or 20.7 percent of total imports and 53.6 percent of dutiable imports.

About 85 percent of the U.S. imports which were bound free of duty had previously been bound in bilateral trade agreements; new bindings were made on duty-free imports valued at approximately \$165 million. Similarly, 68 percent of the imports on which existing duties were bound had been included in earlier bilateral agreements; new bindings of existing rates covered \$48 million in imports. Thus, subtracting concessions which were being transferred from existing bilateral agreements into the General Agreement, the new concessions negotiated in the first round under the GATT actually covered \$533 million of U.S. imports, which was 23 percent of total U.S. entries in 1939. The new concessions made by the United States amounted to an average duty reduction on U.S. dutiable imports of 21 percent.

Commitments were made by other countries negotiating at Geneva in 1947 on their tariff provisions which covered imports from the United States valued at approximately \$1.3 billion. For 23 percent of this trade, the concession was a binding of the duty-free status; and for 28 percent of the trade, the concession was a binding of the existing duty. Duty reductions were made on 38 percent of the trade, and other forms of commitments (such as binding the margin of preference, monopoly purchase commitments, etc.) covered 11 percent of the trade. As in the case of the U.S. schedule of concessions for this first GATT round, a significant part of duty-free bindings and bindings of existing rates by foreign countries represented transfers from earlier bilateral agreements with the United States and were not new concessions.

The foreign duty reductions covered almost \$500 million of U.S. imports in 1939. On 16 percent of this trade the duty was totally removed; for 10 percent reductions greater than 50 percent (but short of total removal) were made. Thirty-two percent of the imports underwent duty reductions of 25-35 percent; 20 percent underwent cuts of 36-50 percent; and 20 percent had cuts of less than 25 percent. Imports into Canada and the United Kingdom accounted for three-fourths of U.S. export trade on which duties were reduced in the 1947 Geneva negotiations (see table 5-Q).

Table 5-Q.--Imports (mainly in 1939 ^{1/}) from the United States into foreign countries negotiating in the first GATT round at Geneva in 1947, by kinds of scheduled concessions made at the negotiations

(In millions of dollars)							
Country	Imports from the United States on which commitments were made						
	Total imports from the United States	Total	Kind of commitment				Others commitments ^{2/}
			Binding of free status	Binding of duty against increase	Reduction in duty		
Total-----	1 903.1	1 302.5	303.8	358.2	499.9	140.7	
United Kingdom:							
Metropolitan area-----	521.7	329.8	74.1	93.9	114.4	47.3	
Newfoundland-----	7.2	2.9	0.9	0.2	1.7	-	
Other territories covered by United Kingdom commitments ^{3/} -----	63.0						
Canada-----	477.1	342.5	75.5	24.0	243.0	-	
France:							
Metropolitan area-----	146.6	138.8	58.6	41.3	16.6	22.2	
Dependencies-----	17.4	8.7	0.5	2.8	4.4	0.9	
Belgium Luxembourg-Netherlands:							
Metropolitan area-----	144.0	118.2	45.9	36.8	9.6	25.9	
Dependencies ^{4/} -----	36.4	27.9	8.6	17.7	1.4	0.3	
Cuba-----	77.7	74.9	4.0				
Union of South Africa-----	76.4	40.1	6.8	14.8	8.8	9.7	
Brazil-----	71.5	38.7	2.7	31.8	4.1	-	
Australia-----	69.4	42.7	0.6	9.9	17.2	14.9	
China-----	64.7	51.9	0.1	47.7	4.2	-	
Czechoslovakia-----	39.1	25.3	18.6	2.2	4.5	0.1	
India-Pakistan-----	35.1	10.0	0.6	1.9	2.3	5.2	
Norway-----	34.2	15.4	5.0	3.8	6.6	-	
Chile-----	26.3	16.4	-	10.4	6.0	-	
New Zealand-----	19.9	12.9	1.1	1.8	7.6	2.4	
South Rhodesia-----	3.8	1.2	-	1.2	-	-	
Lebanon and Syria-----	2.8	2.1	0.1	1.5	0.5	-	
Burma-----	2.7	1.1	-	0.6	-	0.5	
Ceylon-----	2.0	0.9	-	0.1	0.3	0.5	

^{1/} Countries for which statistics cover periods other than the calendar year 1939 are as follows: Australia--July 1, 1938, to June 30, 1939; Brazil--April 1, 1938, to March 31, 1939; Czechoslovakia--1937; India-Pakistan--April 1, 1938, to March 31, 1939; Newfoundland--July 1, 1938, to June 30, 1939; Syro-Lebanese Customs Union--1938.

Statistics of imports into French dependencies were not available in a form suitable for tabulating and United States statistics of export to these countries were used as measures of trade covered by their concessions.

^{2/} Includes imports subject to commitments as to monopoly or quantitative controls, commitments of British countries as to margin of preference/unaccompanied by commitments as to rate of duty, and commitments as to duties which are reduced by indeterminate amounts and as to duties which may be increased within specified limits.

^{3/} In the 1939 agreement between the United States and the United Kingdom, the United Kingdom concessions included bindings and reductions of the margins of tariff preference to be afforded British goods imported into some of the dependent territories of the United Kingdom. In the Geneva agreement imports from the United States into the territories, other than the metropolitan area of the United Kingdom and Newfoundland, covered by the United Kingdom commitments are subject only to the general commitment that preferential treatment is not to be introduced on commodities where such treatment was not previously provided for, and that existing margins of British preference are not to be increased. Thus, all imports into the dependent territories of the United Kingdom above referred to may be regarded as subject to binding with respect to margins of British preference. No account is taken in this tabulation of reductions in the margins of preference provided for in the 1939 agreement.

^{4/} Includes the Netherlands East Indies and the Belgian Congo but not the Netherlands West Indies or Surinam. The statistics available for the latter territories are not such as to make it feasible to identify the trade in concession items.

Source: U.S. Tariff Commission, Operation of the Trade Agreements Program, June 1934 to April 1948, Rept. No. 160, 2nd ser., 1949. Pt. IV, Trade-Agreement Concessions Obtained by the United States, p. 18.

The elimination of British Commonwealth preferences on imports of several agricultural products into the United Kingdom, Canada, Australia and New Zealand, and the significant reduction in the margin of preference on a number of additional agricultural products imported into those countries was considered one of the important concessions obtained by the United States.

The second round (Annecy, 1949)

In 1949, 21 of the original 23 contracting parties to the General Agreement convened in Annecy, France, to negotiate tariff concessions with 10 countries which were applying for accession to the agreement. ^{1/} The United States had previously negotiated bilateral agreements with five of the acceding countries (Finland, Haiti, Nicaragua, Sweden, and Uruguay).

The value of U.S. imports in 1948 from all sources on which concessions were granted at Annecy was \$250 million. Imports of items on which concessions were directly negotiated with the acceding countries were valued at \$143 million. Duties were reduced on \$60.9 million of this trade, existing duties were bound on \$4.2 million, and the duty-free status was bound on \$77.9 million. In addition, each acceding country benefited indirectly from some concessions negotiated with the United States by other acceding countries; U.S. imports from the 10 acceding countries in this category were valued at \$24 million. U.S. 1948 imports of the combined direct and indirect benefits to the acceding countries totaled \$167 million, or about 44 percent of total imports from those countries in that

^{1/} The ten new applicants were: Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden, and Uruguay.

year. As in the initial GATT negotiations in 1947, some of the U.S. duty-free bindings had already been made in bilateral agreements with the countries negotiating for accession at Annecy.

U.S. exports of products on which concessions were received to the countries with which the concessions were negotiated totaled \$489 million. It was estimated at the time that an additional \$100 million of U.S. exports would benefit from concessions negotiated between other countries participating in the conference.

The third round (Torquay, 1950-51)

In 1950, 27 of the 32 contracting parties to the General Agreement met in Torquay, England, along with seven countries acceding to the GATT (including Uruguay, which had participated in the Annecy negotiations but had not completed the necessary steps for accession). Agreements were reached between the United States and five of the acceding countries (Austria, Federal Republic of Germany, Korea, Peru, and Turkey). Successful negotiations were also completed with 12 countries which were already contracting parties. ^{1/}

U.S. MFN imports of items upon which concessions were made at Torquay totaled \$477 million from all sources. Of this \$477 million, \$84 million resulted directly from agreements with the five acceding countries, and \$182 million from new agreements with countries which had been contracting parties to the GATT at the beginning of the negotiations. For 88 percent of the trade under U.S. concessions duties were reduced; 5 percent had

^{1/} These countries were the Benelux Union, Brazil, Canada, Denmark, Dominican Republic, France, Indonesia, Italy, Norway, and Sweden.

existing duties bound, and 7 percent had existing duty-free treatment bound. Among the negotiations concluded by the United States, the agreements with Canada and West Germany were the most important from the standpoint of trade.

Concessions granted directly to the United States by the other participants covered \$1,058 million of 1949 imports from the United States by the 17 countries with which the United States completed negotiations. It was estimated that over \$100 million of additional U.S. exports would benefit from concessions negotiated between other countries participating in the conference.

The life of concessions granted in the earlier Ancey and Geneva conferences were extended beyond the 3-year period initially agreed upon, after satisfactory adjustment. Concessions obtained by the United States at Ancey and Geneva covering an estimated \$100 million were modified or withdrawn, but compensatory concessions covering an estimated \$105 million of U.S. exports were obtained in exchange.

Japanese accession to the GATT (1955)

In 1955, Japan acceded to membership in the GATT, with tariff concessions exchanged principally through bilateral negotiations with 17 countries. ^{1/} Japan also received certain additional concessions from six of these countries in exchange for concessions granted by the United States to these countries.

^{1/} The 17 countries were Burma, Canada, Chile, Denmark, Dominican Republic, Finland, Indonesia, Italy, Nicaragua, Norway, Pakistan, Peru, Germany, Greece, Sweden, United States, and Uruguay.

Total concessions granted by the United States covered \$179 million (75 percent from Japan) of 1954 U.S. imports. Duty reductions covered \$81 million of U.S. imports, bindings of existing duties covered \$53 million, and bindings of duty-free treatment covered \$45 million. For the \$131 million of U.S. imports of concession items from Japan, duty reductions affected \$59 million of imports, duty bindings affected \$32 million, and free bindings covered \$40 million.

In exchange for concessions granted by the United States, Japan granted concessions on imports from the United States covering \$397 million of trade in 1953. Of this total, \$61 million consisted of duty reductions, \$140 million of duty bindings, and \$195 million of duty-free bindings. Out of these total Japanese concessions, concessions covering \$1.2 million of imports from the United States were granted in return for U.S. concessions to third countries for additional third country concessions on \$2 million of Japanese exports. Most U.S. concessions to third countries designed to increase Japanese exports were negotiated directly between the United States and Japan. However, such triangular concessions covering about \$3 million of U.S. imports were initially negotiated between the United States and third countries. The United States also obtained some indirect benefits when third countries granted concessions to Japan on products which the United States also sells.

The fourth round (Geneva, 1956)

In 1956, 22 of the 35 contracting parties to the GATT undertook tariff negotiations in Geneva, Switzerland. ^{1/} In these negotiations, the High Authority of the European Coal and Steel Community acted on behalf of France, Italy, and Germany concerning iron and steel products.

The United States granted concessions (including compensation for increases in earlier bound U.S. duties) on a total of \$911 million of its 1954 imports from all sources, \$811 million of which came from participants in the negotiations. Excluding duty reductions on copper (duties on copper at that time actually were suspended) U.S. imports of concession items from all sources totaled \$753 million. Except for one free binding and reductions on 36 items to a rate of 50 percent ad valorem, concessions consisted almost entirely of 15 percent duty reductions.

Concessions for United States exports were obtained directly in negotiations with the participating 21 countries, covering imports from the United States valued at \$398 million in 1954. The United States also received indirect benefits from approximately 60 other negotiations between pairs of countries.

The fifth (Dillon) round (Geneva, 1960-62)

From 1960-62, 35 contracting parties to the GATT, plus 5 countries (Cambodia, Israel, Portugal, Switzerland, and Spain) negotiating for full accession to the General Agreement met at Geneva for the fifth major round

^{1/} The 22 countries were Australia, Austria, Belgium, Canada, Chile, Cuba, Denmark, Dominican Republic, Finland, France, Federal Republic of Germany, Haiti, Italy, Japan, Luxembourg, Netherlands, Norway, Peru, Sweden, Turkey, the United Kingdom, and the United States.

of tariff negotiations. The members of the European Economic Community negotiated at this conference for the first time as a unit.

In the first phase of the conference, renegotiation of some of the earlier concessions made under the GATT were undertaken. In this phase, the United States relinquished rights to old concessions of individual European Community member states covering \$1,488 million of U.S. exports (\$900 million bound directly to the United States) in exchange for new concessions by the Community as a bloc of \$1,677 (\$1,583 million bound directly to the United States). In other renegotiations, the United States received concessions worth \$144.6 million in exchange for withdrawn concessions worth \$178 million of U.S. exports. The United States withdrew concessions worth \$86.2 million of U.S. imports in exchange for new concessions worth \$30.2 million of U.S. imports.

The fifth round of negotiations for new tariff concessions, known as the Dillon round, opened on May 29, 1961. During this second phase of the 1960-62 negotiations, the United States concluded negotiations with 19 contracting parties to the GATT, 1/ three parties preparing to become full contracting parties (Cambodia, Israel, and Portugal), and one provisional contracting party (Switzerland). Most concessions granted by the United States were rate reductions of 20 percent, from 1958 levels, but some rates were reduced by 2 percentage points, while others were reduced to a rate equivalent to 50 percent ad valorem. The 1960 value of U.S. imports of products on which concessions were granted was \$1.2 billion from countries of initial negotiation and \$1.8 billion from all sources.

1/ Austria, Canada, Denmark, Finland, Haiti, India, Japan, New Zealand, Norway, Pakistan, Peru, Sweden, United Kingdom, and the European Community.

Direct tariff concessions for U.S. exports (mostly 20 percent duty reductions) were valued at \$1.6 billion.

The sixth (Kennedy) round (1964-67)

The sixth round of multilateral negotiations, referred to as the Kennedy round, was by far the largest which has been held thus far. Forty-six countries completed the negotiations, which were conducted in Geneva, Switzerland from May 1964 to June 1967. At the time, it was estimated that the aggregate tariff concessions negotiated at the conference would benefit world trade valued at about \$40 billion annually.

When the GATT Contracting Parties decided in 1963 to conduct a new round of comprehensive trade negotiations, they adopted a resolution which stated: "That, in view of the limited results obtained in recent years from item-by-item negotiations, the tariff negotiations...shall be based upon a plan of substantial linear tariff reduction with a bare minimum of exceptions...The linear reductions shall be equal." ^{1/} A Trade Negotiations Committee (TNC), established to develop the plan for the negotiations, was to deal, inter alia, with the problem for certain countries "with a special economic or trade structure such that equal linear tariff reductions may not provide an adequate balance of advantages."

At the beginning of the negotiations in 1964, the TNC agreed that a 50 percent cut would be used as the general rule for a linear reduction but that the ultimate agreement on tariff reductions in accordance with this general rule depended upon the solution of other problems (such as

^{1/} A "linear" tariff reduction is one in which a fixed percentage reduction is applied across the board to all tariff rates.

tariff disparities, agricultural problems, exceptions to the general rule, and nontariff problems) and, in general, with the achievement of reciprocity. The TNC also decided at that time that Canada, Australia, New Zealand and South Africa fell in the category of countries with a "special economic or trade structure" (additional countries were to be added to this category later).

In the conference, fifteen countries negotiated on the basis of linear offers on industrial products, but on the basis of specific offers on agricultural products; 14 participated as "special arrangement" countries, negotiating entirely on an item-by-item basis because of their special economic or trade structure or other economic consideration; and 17 participated under arrangements for less-developed countries. ^{1/} During the conference six countries (Argentina, Iceland, Ireland, South Korea, Poland and Yugoslavia) completed negotiations for accession to the General Agreement. The United Arab Republic negotiated for accession, but the negotiations were not completed when the conference ended.

^{1/} The participating countries which completed the negotiations are listed below. The United States negotiated with all countries listed, except Czechoslovakia and Malawi and all of the negotiations were completed, except the one with Australia.

<u>"Linear" countries</u>	<u>"Special arrangement" countries</u>	<u>"Less-developed" countries</u>
Austria	Australia	Argentina
Denmark	Canada	Brazil
European Community:	Czechoslovakia	Ceylon
Belgium	Greece	Chile
Netherlands	Iceland	Dominican Republic
Luxembourg	Ireland	India
France	Israel	Indonesia
Germany	New Zealand	Jamaica
Italy	Poland	South Korea
Finland	Portugal	Malawi
Japan	South Africa	Nicaragua
Norway	Spain	Nigeria
Sweden	Turkey	Pakistan
Switzerland	Yugoslavia	Peru
United Kingdom		Sierra Leone
United States		Trinidad and Tobago
		Uruguay

Concessions granted by the United States at the Kennedy round covered U.S. imports in 1964 valued at \$8.5 billion. ^{1/} Of this total, duties were reduced for \$7.9 billion; existing duties were bound for \$150 million; and duty-free treatment was bound for \$400 million. U.S. imports of concession items from major countries (other linear countries plus Canada) totaled \$6.7 billion, of which 6.4 billion had existing duties reduced (or in a few cases totally removed), \$89 million had existing duties bound, and \$240 million had existing free status bound.

Concessions made by all other participants covered 1964 imports from the United States valued at \$8.1 billion. Concessions by the other major participants covered \$7.6 billion of imports from the United States, with duties reduced (or in some cases eliminated) on \$6.7 billion of the total, existing rates bound on \$68 million, and duty-free treatment bound on \$845 million.

Using 1964 import data, and applying the final stage of Kennedy round concession rates, calculations by the Tariff Commission at the end of the negotiations indicated that the U.S. concessions had reduced the average level of U.S. import duties by 27.6 percent (see table 5-R). On agricultural products alone, however, the reduction was only 11.4 percent, ^{2/}

^{1/} Total U.S. imports in 1964 were valued (f.o.b.) at \$18.6 billion, of which \$11.6 billion was dutiable and \$7 billion was free. The \$8.5 billion figure for U.S. concessions is an estimated c.i.f. value for U.S. imports reported in official statistics (on an f.o.b. basis) as \$7.6 billion. The upward adjustment was used during the negotiations to provide comparability with c.i.f. values used for imports by other countries.

^{2/} This smaller reduction in agricultural products was the result of the general unwillingness of other countries to reduce duties (and other hinderances to trade) in the agricultural area.

Table 2-R.--Commodity groups: Calculated duty reductions made in the Kennedy Round and actual average duty levels in 1964 and 1972 compared

Commodity group	Average	Estimated	Percent	Average	Percent	Dutiable net MFN	
	duty in	post Kennedy	reduction	duty in	reduction:	imports	2/
	1964	Round	in Kennedy	1972	1964-72	1964	1972
	(Actual)	average	Round	(Actual)	(+ = in-		
	Percent	Percent		Percent	crease)	Million	Million
						dollars	dollars
1. Meat, meat products, live animals-----	8.4	7.7	8.3	5.2	38.1	456.9	1,302.8
2. Dairy products, eggs, honey-----	15.6	11.8	24.4	10.3	34.0	42.3	175.5
3. Fruits, vegetables, and preparations-----	14.2	13.1	7.7	14.7	+3.5	253.2	515.4
4. Coffee, tea, spices, cocoa-----	7.4	4.4	40.5	4.6	37.8	41.2	94.4
5. Cereals, milling products, malts, starches, and preparations-----	6.7	5.7	14.9	4.5	32.8	50.2	89.8
6. Fats, oils, and their products; waxes-----	9.5	7.5	21.1	6.4	32.6	48.5	72.0
7. Sugar and confectionery-----	9.5	8.9	6.3	7.0	26.3	359.5	913.8
8. Beverages, spirits-----	17.6	9.8	44.3	10.6	39.8	378.0	763.0
9. Tobacco and tobacco products-----	20.1	18.5	7.9	21.8	+8.5	105.6	158.2
10. Miscellaneous products, chiefly agricultural or forestry-----	6.2	4.2	32.3	5.8	6.5	123.4	186.4
11. Fish, fish products-----	7.0	3.6	48.6	5.5	21.4	197.0	287.0
12. Mineral products-----	3.6	3.4	5.6	3.7	+2.8	2,180.5	3,998.1
13. Chemicals and allied products-----	15.6	8.3	46.8	11.4	26.9	422.8	1,189.2
14. Rubber and rubber manufactures-----	10.3	5.2	49.5	3.2	68.9	31.4	742.8
15. Hides and skins, furs, leathers, and articles thereof; travel goods, handbags-----	14.1	9.5	32.6	8.4	40.4	151.5	435.8
16. Wood and wood products, cork, manufactures of straw and plaiting materials-----	7.5	4.9	34.7	12.4	+65.3	567.4	590.9
17. Pulp and paper, paper products-----	9.1	4.9	46.2	6.1	33.0	86.8	219.7
18. Natural fibers-----	19.9	17.1	14.1	17.1	14.1	164.2	52.7
19. Textiles and textile products-----	18.7	16.3	12.8	24.9	+33.2	1,042.9	3,033.2
20. Footwear-----	14.1	10.6	24.8	10.1	28.4	141.2	918.5
21. Headwear-----	22.5	15.9	29.3	14.4	36.0	16.8	42.8
22. Stone, ceramics, and glass-----	26.1	21.9	22.1	23.0	18.1	230.4	437.4
23. Precious stones, jewelry-----	7.0	3.8	45.7	7.3	+4.3	168.9	431.6
24. Iron and steel-----	6.5	5.8	10.8	6.9	+6.2	729.6	2,734.5
25. Aluminum, aluminum products-----	6.9	5.3	23.2	5.0	27.5	203.8	398.3
26. Base metals, except iron, steel, and aluminum, and base metal products-----	10.5	6.4	39.0	6.6	37.1	800.9	1,619.8
27. Machinery and mechanical appliances-----	11.6	5.9	49.1	6.0	48.3	579.0	3,503.9
28. Electrical machinery and equipment-----	10.0	5.4	46.0	7.0	30.0	375.5	3,006.8
29. Transportation equipment-----	8.0	4.2	47.5	4.3	46.3	832.5	5,120.7
30. Optical, photographic, scientific, medical, and surgical instruments and apparatus-----	18.9	11.2	35.4	9.9	47.6	164.8	717.3
31. Clocks, watches, and timing devices-----	45.4	40.8	5/ 10.1	20.1	55.7	82.8	235.9
32. Musical instruments, sound and television image recorders and reproducers-----	13.6	7.0	48.5	6.8	50.0	116.0	495.8
33. Furniture-----	13.9	7.3	47.5	8.0	42.4	42.5	214.3
34. Toys-----	27.5	14.9	45.8	13.5	50.9	127.4	574.0
35. Miscellaneous products, chiefly industrial-----	25.1	16.7	33.5	15.5	38.2	127.3	985.7
Total-----	10.98	7.95	27.6	8.58	21.9	11,442.3	36,318.0
Agriculture (Groups 1-7, 9, 10, 18)-----	11.41	10.11	11.4	8.29	27.3	1,645.0	3,601.0
Industry-----	10.90	7.57	30.6	8.62	20.9	9,797.3	32,717.0
Industry minus Group 12-----	13.00	8.77	32.5	9.31	28.4	7,616.8	28,718.9

1/ Estimated made by calculating duties which would have been collected on 1964 imports, using the final stage of post-Kennedy Round rates.

2/ "Net imports" are imports on which MFN duties were actually paid (i.e., dutiable products entered free under special situations, such as for government use, are excluded.)

3/ Imports increased substantially in TBUS items having higher than average rates.

4/ The unit price of imported tobacco decreased from \$5.00 per lb. in 1964 to \$3.00 per lb. in 1972. The specific rate on tobacco therefore had a higher ad valorem equivalent in 1972.

5/ A large volume of dutiable lumber imports in 1964 had specific rates of duty with very low ad valorem equivalents (0.1 percent to 1.6 percent). These items became duty-free in the Kennedy Round and substantial increases in other dutiable products with higher rates occurred in 1972.

6/ In 1964, part of this category was subject to escape-clause rates of duty. The reduction in duty was calculated on the basis of the continuance of escape-clause rates and taking into consideration only "new" concessions made in the Kennedy Round. If the reduction had been calculated on the basis of the Kennedy Round cuts plus removal of the escape-clause rates, the estimated post-Kennedy Round rate would have been 36.2 percent ad valorem instead of the 49.8 percent shown.

The 1972 average duty reflects removal of escape-clause rates (i.e., restoration of the former concessions). In addition, in 1972, there was a substantial increase in imports of items for which duties were cut in the Kennedy Round by 50 percent (from \$18 million to \$75 million). The unit price of watches and watch movements also increased significantly between 1964 and 1972, further lowering the ad valorem equivalent of the specific rates applicable to watches.

Source: Calculations made by the U.S. Tariff Commission, using official statistics of the U.S. Department of Commerce.

whereas for industrial products alone it was 30.6 percent (or 32.5 percent without petroleum, which was excepted from U.S. concessions). These calculations represent own-trade-weighted average duties, using 1964 trade as weights. 1/

Using a somewhat different system of weighting than was used in the above calculations, average Kennedy round reductions in the industrial sector (excluding mineral fuels) have been calculated by one writer on the subject as follows: United States, 36 percent; European Community, 37 percent; United Kingdom, 39 percent; and Japan, 39 percent. 2/

U.S. trade coverage and the depth of tariff cut for Kennedy round concessions by the major participants in these negotiations is given (in terms of 1964 imports, which was the year used at the conclusion of the negotiations) in table 5-S for industrial products and 5-T for agricultural products. The trade values in these two tables are converted

1/ Table 5-R also provides an illustration of one of the problems in averaging tariffs and comparing tariff averages over time. Applying pre- and post-Kennedy-round duties to 1964 imports indicated an average reduction of 27.6 percent in the U.S. tariff level. By 1972, however, when the final stage of Kennedy round rates became effective, the composition of U.S. imports had changed so that the actual average duty level in 1972 was only 21.9 percent below the actual level of 1964. This would seem to indicate that the reduction in high duties (which were still higher than the average) had stimulated imports to enter under the reduced, but higher than average, rates.

2/ See Ernest H. Preeg, Traders and Diplomats, The Brookings Institute, Washington, D.C., 1970. Such calculations were not made for Canada because of the absence of the necessary data.

Table 5-S.--U.S. trade coverage of Kennedy round tariff concessions on industrial products,
by selected countries ^{1/}

(In millions of dollars)

Item	U.S. imports from--					Imports from the United States by--						
	Linear countries ^{2/}					Canada	Linear countries ^{2/}					Canada
	European: Community: ^{3/}	Japan	United Kingdom	Other ^{4/}	Total		European: Community: ^{3/}	Japan	United Kingdom	Other ^{4/}	Total	
Total imports-----	2,728.4	1,882.4	1,176.4	797.8	6,585.0	4,203.4	3,623.6	1,827.5	1,225.0	920.0	7,596.1	4,821.3
Imports available for concessions ^{5/} -----	2,485.7	1,814.5	944.7	644.2	5,889.1	1,931.8	3,000.1	1,474.6	1,133.1	850.4	6,458.2	^{6/} 2,386.7
Duty reductions, total---	2,076.3	1,435.8	830.9	541.5	4,884.5	1,310.5	2,503.9	666.9	832.3	593.3	4,596.4	1,447.5
1-24 percent-----	217.3	414.2	58.9	91.7	782.1	154.6	888.0	27.3	187.1	71.4	1,173.8	784.7
25-49 percent-----	73.2	78.8	25.3	11.9	189.2	74.1	321.4	55.1	350.7	162.6	889.8	456.9
50 percent-----	1,763.3	931.2	738.2	391.4	3,824.1	585.1	1,280.7	584.5	261.2	322.3	2,448.7	84.5
More than 50 percent---	22.5	11.6	8.5	46.5	89.1	496.7	13.8	-	33.3	37.0	84.1	121.4
Duty bindings-----	6.6	-	-	0.1	6.7	0.1	0.3	0.3	22.1	42.7	65.4	n.a.
Free bindings-----	11.0	5.2	23.2	2.6	42.0	198.0	286.8	264.7	56.5	136.0	744.0	n.a.
Total tariff con- cessions ^{7/} -----	2,093.9	1,441.0	854.1	544.2	4,933.2	1,508.6	2,791.0	931.9	910.9	772.0	5,405.8	^{8/} 1,447.5

^{1/} Based on imports in 1964. U.S. import data have been adjusted to a c.i.f. basis by increasing the officially reported statistics (f.o.b.) by 10 percent.

^{2/} Negotiations on industrial products were conducted on an item-by-item basis.

^{3/} Before enlargement, consisting of the original six countries.

^{4/} Austria, Denmark, Finland, Norway, Sweden, and Switzerland.

^{5/} Duty-free items not bound in the GATT plus dutiable products.

^{6/} Dutiable products only. Data were not available for unbound duty-free items.

^{7/} Total duty reductions plus bindings of existing duties and of duty-free status.

^{8/} Duty reductions only. Data were not available on bindings of existing rates of duty-free items.

Source: Office of the Special Representative for Trade Negotiations, Report on United States Negotiations, 1964-67 Trade Conference, Volume 1.

Table 5-T.--U.S. trade coverage of Kennedy round tariff concessions on agricultural products (except grains), by selected countries ^{1/}

(In millions of dollars)

Item	U.S. imports from--					Imports from the United States by--						
	Linear countries ^{2/}					Linear countries ^{2/}						
	European:	Japan	United Kingdom	Other ^{4/}	Total	Canada:	European:	Japan	United Kingdom	Other ^{4/}	Total	Canada
	Community: ^{3/}						Community: ^{3/}					
Total imports-----	219.6	24.2	16.7	77.5	338.0	161.7	992.2	506.3	336.9	252.5	2,087.9	397.1
Imports available for con-												
cessions ^{5/} -----	203.2	23.2	7.3	75.6	309.3	126.8	464.5	359.0	225.3	155.1	1,203.9	^{6/} 193.9
Duty reductions, total-----	93.7	21.9	4.9	20.2	140.7	72.2	220.4	219.3	56.4	56.9	553.0	96.0
1-24 percent-----	30.0	0.1	-	-	30.1	-	117.4	1.4	-	3.0	121.8	15.8
25-49 percent-----	45.5	0.8	0.1	0.5	46.9	0.7	51.3	32.1	9.9	10.7	104.0	29.4
50 percent-----	16.6	21.0	4.8	19.4	61.8	40.6	19.9	25.4	20.1	28.3	93.7	27.4
More than 50 percent-----	1.6	-	-	0.3	1.9	30.9	31.8	160.4	26.4	14.9	233.5	23.4
Duty bindings-----	28.1	-	-	49.1	77.2	4.8	0.3	-	-	2.6	2.9	n.a.
Free bindings-----	0.1	-	-	-	0.1	1.1	17.6	25.4	13.7	43.3	100.0	1.3
Total tariff concessions ^{7/} -----	121.9	21.9	4.9	69.3	218.0	78.1	238.3	244.7	70.1	102.8	655.9	^{8/} 97.3

^{1/} Based on imports in 1964. U.S. import data have been adjusted to a c.i.f. basis by increasing the officially reported statistics (f.o.b.) by 10 percent.

^{2/} Negotiations on agricultural products were conducted on an item-by-item basis.

^{3/} Before enlargement, consisting of the original six countries.

^{4/} Austria, Denmark, Finland, Norway, Sweden, and Switzerland.

^{5/} Duty-free items not bound in the GATT plus dutiable products.

^{6/} Dutiable products only. Data were not available for unbound duty-free items.

^{7/} Total duty reductions plus bindings of existing duties and of duty-free status.

^{8/} Duty reductions and duty-free bindings only. Data were not available on bindings of existing rates.

Source: Office of the Special Representative for Trade Negotiations, Report on United States Negotiations, 1964-67 Trade Conference, Volume 1.

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in tables 5-U, and 5-V into the percentages of each country's imports available for concession on which concessions were granted. ^{1/} Trade "available for concessions" in the negotiations consisted of duty-free imports not already bound free in the GATT plus all dutiable imports.

Tables 5-S, 5-T, 5-U and 5-V illustrate one aspect of the extreme difficulty encountered in arriving at a suitable method for measuring reciprocity in large multilateral negotiations. As mentioned earlier, the Kennedy round negotiations lowered the average industrial tariff levels of most of the major participants by approximately the same percentages. The figures in the four tables show, however, that in terms of U.S. bilateral

^{1/} The data from which these four tables have been compiled were prepared at the conclusion of the negotiations and assumed implementation of the Supplemental Agreement Relating Principally to Chemicals (the "ASP agreement"), which called for the removal of the U.S. system of valuing benzenoid chemicals for duty purposes on the basis of the selling price of competitive U.S. products in return (very generally speaking) for the full linear cut in European and United Kingdom chemical duties (if the U.S. ASP system were not removed, only a 20 percent cut was to be made in European Community and United Kingdom duties). This supplemental agreement was not implemented, and consequently, the depth of cut trade data in the four tables is slightly (but not significantly) overstated in the case of the United States, the European Community and the United Kingdom.

U.S. dutiable imports of benzenoid chemicals in 1964 were valued at \$53 million, or less than 1 percent of total U.S. imports undergoing concessions in the Kennedy round. Total dutiable chemical imports from the United States by the European Community and the United Kingdom were valued at \$465 million and \$170 million respectively.

Failure to implement the ASP package was, of course, significant for the chemical sector. If the ASP package had been implemented, U.S. weighted average duties for chemicals would have been 7.3 percent (in place of 8.0 percent), European Community duties would have been 6.8 percent (in place of 10 percent), and the United Kingdom duties would have been 8.6 percent (in place of 13.1 percent).

For details of the Kennedy round negotiations in the Chemical sector, see pages 173-176 of the Special Trade Representative's "Report on United States Negotiations, 1964-1967 Trade Conference," volume 1.

Table 5-U.--Comparison of relative trade coverage of Kennedy round concessions on industrial products, by pairs of trading partners

Trading partners	Percent of total imports available for concession ^{1/} from the trading partner undergoing--							
	Duty reductions of--					Duty	Free	Concessions of all types
	1-24	25-49	50	Over 50	All			
percent	percent	percent	percent	percent	percent	percent	percent	
Linear countries:								
European Community-----	30.0	10.7	42.7	0.5	83.5	^{2/}	9.6	93.0
United States-----	8.7	3.0	70.9	0.9	83.5	0.3	0.4	84.2
Japan-----	1.9	3.7	39.6	-	45.2	^{2/}	17.9	63.2
United States-----	22.8	4.3	51.3	0.6	79.1	-	0.3	79.4
United Kingdom-----	16.5	31.0	23.1	2.9	73.5	2.0	5.0	80.4
United States-----	6.2	2.7	78.1	0.9	88.0	-	2.5	90.4
Other linear countries ^{3/--}	8.4	19.1	37.9	4.4	69.8	5.0	16.0	90.8
United States-----	14.2	1.9	60.8	7.2	84.1	^{2/}	0.4	84.5
All linear countries-----	18.2	13.8	37.9	1.3	71.2	1.0	11.5	83.7
United States-----	13.3	3.1	64.9	1.5	82.9	0.1	0.7	83.8
Canada ^{4/} -----	32.9	19.1	3.5	5.1	60.7	^{4/}	^{4/}	60.7
United States-----	8.0	3.8	30.3	25.7	67.8	^{2/}	10.3	78.1

^{1/} Imports "available for concession" consist of duty-free imports not bound free in GATT plus all dutiable imports.

^{2/} Less than 0.05 percent.

^{3/} Includes Austria, Denmark, Finland, Norway, Sweden, and Switzerland.

^{4/} For Canada, figures are percentages of total dutiable imports rather than total imports available for concession. Trade data were not available for Canadian duty-free items not bound in GATT (and hence available for concession), nor Canadian bindings of existing duties and bindings of duty-free status.

Source: Office of the Special Representative for Trade Negotiations, Report on United States Negotiations, 1964-67 Trade Conference, Vol. I.

Table 5-V.--Comparison of relative trade coverage of Kennedy round concessions on agricultural products, (other than grains), by pairs of trading partners

Trading partners	Percent of total imports available for concession ^{1/} from the trading partner undergoing--							
	Duty reductions of--					Duty	Free	Concessions of all types
	1-24	25-49	50	Over 50	All	bindings	bindings	
percent	percent	percent	percent	percent	ranges			
Linear countries:								
European Community-----	25.3	11.0	4.3	6.9	47.5	0.1	3.8	51.3
United States-----	14.8	22.4	8.2	0.8	46.1	13.8	2/	60.0
Japan-----	0.4	8.9	7.1	44.7	61.1	-	7.1	68.2
United States-----	0.4	3.4	90.5	-	94.4	-	-	94.4
United Kingdom-----	-	4.4	8.9	11.7	25.0	-	6.1	31.1
United States-----	-	1.4	65.8	-	67.1	-	-	67.1
Other linear countries-----	1.9	6.9	18.3	9.6	36.7	1.7	27.9	66.3
United States-----	-	0.7	25.7	0.4	26.7	64.9	-	91.7
All linear countries ^{3/} -----	10.1	8.6	7.8	19.4	45.9	0.2	8.3	54.5
United States-----	9.7	15.2	20.0	0.6	45.5	25.0	2/	70.5
Canada ^{4/} -----	8.2	15.2	14.1	12.1	49.5	4/	0.8	50.2
United States-----	-	0.6	32.0	24.4	56.9	3.8	0.9	61.6

^{1/} Imports "available for concession" consist of duty-free imports not bound free in GATT plus all dutiable imports.

^{2/} Less than 0.05 percent.

^{3/} Includes Austria, Denmark, Finland, Norway, Sweden, and Switzerland.

^{4/} For Canada, figures are percentages of total dutiable imports rather than total imports available for concession. Trade data were not available for Canadian duty-free items not bound in GATT (and hence available for concession), nor for Canadian bindings of existing duties.

Source: Office of the Special Representative for Trade Negotiations, Report on United States Negotiations, 1964-67 Trade Conference, Vol. I.

Table 5-W.—Trade coverage of tariff concessions by the principal participants in the Kennedy round, by product group

Product group	(In millions of dollars)									
	United States		European Community (of six)		Canada		United Kingdom		Japan	
	Total MFN imports 1/	Conces- sion products	Total MFN imports 1/	Conces- sion products	Total MFN imports 1/	Conces- sion products	Total MFN imports 1/	Conces- sion products	Total MFN imports 1/	Conces- sion products
Meat, meat products, and live animals	471.0	169.0	855.0	364.0	69.0	25.9	336.0	58.0	59.0	43.8
Dairy products, eggs, and honey	42.3	26.3	210.0	42.0	9.0	.6	NA	NA	NA	NA
Fruits, vegetables, and preparations	384.9	255.4	836.0	139.0	298.0	2/ 73.5	436.0	176.0	123.3	18.4
Coffee, tea, spices, and cocoa	1,453.0	36.4	663.0	617.0	67.0	61.0	3/ 400.0	3/ 326.0	54.0	49.2
Cereals, milling products, malts, starches, and preparations	1/ 62.2	16.0	1,000.0	1.9	1/ 45.0	9.4	1/ 304.0	13.0	1/ 629.0	4.4
Fats, oils, and their products; waxes	68.4	21.8	307.0	58.0	34.0	7.3	NA	5/ 19.0	59.0	51.1
Sugars and confectionery	359.5	31.7	5/ NA	1/ NA	6/ NA	9.9	6/ NA	1/ NA	6/ NA	1/ NA
Tobacco and tobacco products	105.6	82.6	246.0	242.0	9.5	1.8	134.0	8/ 1	54.7	-
Natural fibers	* 321.3	63.6	* 1,500.0	43.0	20.0	12.0	* 305.0	12.0	* 870.0	422.7
Beverages, spirits, and vinegar	376.0	340.2	124.0	42.4	35.0	17.0	108.0	34.6	4.7	NA
Miscellaneous products, chiefly agricultural or forestry	* 257.8	94.6	* 1,200.0	224.0	102.0	22.0	151.0	51.0	421.0	2/ 321.1
Fish and fish products	428.3	166.0	246.0	113.0	20.0	17.0	110.0	68.0	57.0	17.6
Mineral products	2,927.0	256.4	4,987.0	2/ 3,573.2	241.0	46.0	275.0	2/ 221.9	2,200.0	679.0
Chemicals and allied products	760.0	508.7	1,265.0	450.0	420.0	2/ 43.5	483.0	2/ 265.0	425.0	392.0
Rubber and rubber manufactures	* 273.0	53.0	104.0	104.0	76.5	51.0	63.0	61.4	* 146.0	4.9
Hides and skins, furs, leather and articles thereof; travel goods, handbags	* 313.5	135.3	474.0	102.0	48.0	19.0	* 118.0	65.0	* 70.0	24.5
Wood and wood products; fibrous vegetable substances	645.0	518.4	918.0	161.0	83.0	33.6	318.0	306.0	446.0	22.1
Pulp and paper; paper products	1,273.0	120.9	1,100.0	987.0	NA	61.0	* 176.0	96.0	119.0	14.5
Textiles and textile products	1,043.0	720.0	805.0	653.1	399.0	265.0	343.0	321.0	61.0	61.0
Footwear	141.2	100.5	40.0	29.0	20.0	20.0	37.0	37.0	1.3	.2
Headwear	16.8	11.6	10.0	10.0	2/ 1.0	2/ 1.0	3.0	3.0	5/ 0.1	5/ 0.1
Stone, ceramics, and glass	230.8	142.4	183.0	182.0	94.0	35.0	64.0	56.0	19.0	18.0
Precious stones, precious metals, and jewelry	* 426.5	153.8	* 653.0	301.0	* 30.0	6.9	* 93.0	19.3	* 82.0	69.2
Iron and steel	730.0	338.4	500.0	487.0	281.0	58.0	141.0	141.0	412.0	408.0
Aluminum and aluminum products	203.8	203.8	188.0	56.0	33.0	33.0	* 60.0	24.0	30.0	30.0
Base metals and base metal products, except iron, steel, and aluminum	943.0	693.0	573.0	394.0	269.0	239.0	* 266.0	133.0	303.0	239.0
Machinery and mechanical appliances	776.0	578.7	1,900.0	1,800.0	394.0	262.0	716.0	657.0	539.0	360.0
Electrical machinery and equipment	375.5	357.3	608.0	553.0	274.0	238.0	215.0	206.0	89.0	81.0
Transportation equipment	870.3	822.0	773.0	661.0	227.0	205.0	210.0	185.0	170.0	111.0
Optical, photographic, scientific, medical, and surgical instruments and apparatus	165.3	163.9	363.0	330.0	50.0	3.5	135.0	135.0	67.0	65.0
Clocks, watches, and other timing devices	82.8	82.8	68.0	68.0	12.0	11.7	9.8	9.8	13.0	13.0
Musical instruments, sound and television image recorders and reproducers	116.0	113.7	101.0	101.0	19.0	12.8	40.0	38.0	12.0	12.0
Furniture	42.5	42.5	49.0	49.0	18.0	18.0	2/ 0.9	NA	2/ 0.8	NA
Toys, games, and sporting equipment	127.5	114.2	73.0	73.0	32.0	22.0	26.0	25.0	19.0	19.0
Miscellaneous products, chiefly industrial	* 229.2	119.2	128.0	126.0	* 360.0	27.0	63.0	63.0	25.0	21.0

NA - Not available.

* Imports already bound duty-free in the GATT, and thus not subject to concessions, accounted for a large percentage of total imports.

1/ Trade data are 1964 MFN imports by the respective countries. Not all of a country's total MFN imports were available for concessions in the Kennedy round, as each country had numerous duty-free items already bound in the GATT. An asterisk indicates product groups where such bound-free imports account for a large percentage of total imports.

2/ Estimated, exact data not available.

3/ Total for all European Free Trade Association (EFTA) countries; separate data are not available for United Kingdom. EFTA countries in 1964 were United Kingdom, Norway, Sweden, Denmark, Austria, Finland, Switzerland, and Portugal. (Iceland did not become a member of EFTA until 1970.)

4/ Grains (principally wheat) were not included among tariff concessions at the Kennedy round but were the subject of an accord reached during those negotiations on the basic provisions of a new World Grains Arrangement. The accord provided for minimum and maximum prices for wheat and for a multilateral food aid program. Imports of grains from the United States covered by the Arrangement were as follows (in millions): By the European Community, \$252; by Canada, \$32.7; by the United Kingdom, \$151.5; and by Japan, \$290.

5/ Figures are for trade with United States only.

6/ Total trade in sugars and confectionery by Canada, and linear countries other than the United States was about \$840 million in 1964.

7/ Concessions by the major trading countries, half of which were U.S. concessions, covered imports of \$67 million.

8/ No reductions were made in MFN duties. The United Kingdom was to reduce margins of preference on \$115 million of tobacco and tobacco products, dependent upon the United States elimination of the American selling price system of valuation. This was not done.

9/ Excludes value of supplemental package negotiated on chemicals for the elimination of American selling price system of valuation.

Source: Abstracted from parts 3 and 4 of Report on Negotiations, General Agreement on Tariffs and Trade, 1964-67 Trade Conference Geneva, Switzerland, prepared by the Office of the Special Representative for Trade Negotiations.

trade with major partners, the patterns of concessions which were made varied widely in terms of depth of tariff cut and trade coverage.

The trade coverage of concessions of the principal participants, by product group, is shown in table 5-W. From that table it is seen that, in general, concessions were made on smaller percentages of the trade in agricultural products than in industrial products. Also, it can be noted that in the industrial area, the percent of trade covered by concessions varied considerably from one product group to another, as well as from country to country for a single product group. For some groups, such as furniture, concessions were made on virtually all trade; for others, only a relatively small part of trade was covered.

Summary comparison of the six GATT rounds

A statistical comparison of the results of the six GATT rounds of tariff negotiations, in terms of U.S. trade on which concessions were granted, is presented in table 5-X, which is taken from an earlier Tariff Commission report. ^{1/} In comparing one round with another, the following factors should be kept in mind: (1) The volume of total imports at the time of the various rounds, (2) the division of imports between free and dutiable, (3) the percent of total imports covered by concessions, (4) the percent of dutiable imports covered by duty reductions, and (5) the reduction made in the average tariff level.

By these criteria, the first, fifth (Dillon), and sixth (Kennedy) rounds of negotiations were the most significant; the second, third, and fourth rounds were relatively unimportant. At the first round, concessions

^{1/} U.S. Tariff Commission, "Operation of the Trade Agreements Program," 19th report, 1967.

Table 5-X.--Value of U.S. trade benefiting from concessions granted and received at each of the six rounds of negotiations under the GATT 1/

(Value in millions of dollars)													
Round				U.S. imports 3/						U.S. concessions 5/			
Number	Place	Year	"Trade year" 2/	Free		Dutiable		Total	U.S. exports 4/	Granted on imports from all sources 6/	Percent of imports	Received 6h exports to negotiating countries 6/	
				Value	Percent	Value	Percent						
First	Geneva	1947	1939	1,397	61.4	878	38.6	2,276	3,177	1,766	77.5	1,192	
Second	Annecey	1949	1948	4,174	58.9	2,917	41.1	7,092	12,653	250	.3	489	
Third	Torquay	1951	1949	3,883	58.9	2,708	41.1	6,591	12,051	477	.7	1,100	
Fourth	Geneva	1956	1954	5,667	55.4	4,571	44.6	10,239	15,110	7/ 753	.7	395	
Fifth	Geneva	1960-62	1960	6,142	40.9	8,871	59.1	15,013	20,578	1,755	11.6	1,564	
Sixth	Geneva	1964-67	1964	7,045	37.8	11,568	62.2	18,613	26,090	8,500	45.6	8,100	

1/ The data presented in this table are from the indicated sources. No attempt has been made to reconcile differences.

2/ "Trade year" represents the year of the trade statistics used for calculating reciprocity.

3/ U.S. Tariff Commission, "Value of U.S. Imports for Consumption . . . , 1930-67," February 1968.

4/ With the exception of the entries for 1939 and 1964, the figures are taken from U.S. Department of Commerce, Foreign Commerce and Navigation of the United States, 1946-1963, table 1. The 1939 figure is taken from the annual publication of the same source for 1939. The 1964 figure is taken from the U.S. Statistical Abstract, 1965, table 1238.

5/ There is a lack of parallelism in the presentation of concessions granted and received. The former are cited in terms of the value of trade in the product from all sources; the latter in trade with negotiating countries only.

6/ Sources are listed by round.

First: U.S. Department of State, Analysis of General Agreement on Tariffs and Trade, 1947, concessions granted, p. 134; concessions received, p. 4.

Second: U.S. Tariff Commission, Operation of the Trade Agreements Program, 3d report, concessions granted, p. 7; concessions received, p. 9.

Third: U.S. Tariff Commission, Operation of the Trade Agreements Program, 4th report, concessions granted, p. 8; concessions received, p. 8.

Fourth: U.S. Tariff Commission, Operation of the Trade Agreements Program, 9th report, concessions granted, p. 61 (by contrast, U.S. Department of State, General Agreement on Tariffs and Trade, Analysis of United States Negotiations, 1956, refers to \$811 concessions granted, pp. 1-2, the difference from the U.S. Tariff Commission figure being explained by the difference in the size of concessions directly negotiated, State using \$677 and the Tariff Commission \$519). For concessions received, the previous sources, U.S. Tariff Commission, p. 63 and Department of State, p. 5.

Fifth: U.S. Department of State, General Agreement on Tariffs and Trade, Analysis of United States Negotiations, 1960-1961 Tariff Conference, concessions granted, vol. 1, p. 198. U.S. Tariff Commission, Operation of the Trade Agreements Program, 14th report, concessions received, p. 22. (By contrast, the above cited Department of State publication uses the figure \$1,496 for concessions received, p. 106.)

Sixth: Office of the Special Representative for Trade Negotiations, General Agreement on Tariffs and Trade, 1964-67 Trade Conference, Report on United States Negotiations, vol. 1, pt. 1, concessions granted, p. iii; concessions obtained, p. iv.

7/ The concession on copper has been excluded from these figures. If copper is included the figure becomes \$911. Cf. U.S. Tariff Commission, Operation of the Trade Agreements Program, 9th report, p. 60.

Source: U.S. Tariff Commission, Operation of the Trade Agreements Program, 19th report, p. 238.

granted by the United States covered 77 percent of total U.S. imports, but a large part of these were actually transferrals from bilateral agreements into the GATT without change. New concessions at the first round covered 23 percent of total imports and about 54 percent of dutiable imports. The new concessions amounted to an average duty reduction on U.S. dutiable imports of 21 percent. At that time, only 38 percent of U.S. imports were dutiable.

The Dillon round covered about 12 percent of imports, and although most concessions were rate reductions of 20 percent, the total effect of the reductions on the U.S. average tariff level was estimated to be less than 4 percent.

At the Kennedy round, duty reductions were granted on 64 percent of U.S. dutiable imports at a time when dutiable imports accounted for 62 percent of total imports; total concessions (including bindings) covered 46 percent of total U.S. imports. At the time of the sixth round, dutiable trade was far more significant in U.S. imports than at the time of the first round. The Kennedy round concessions reduced the average level of U.S. duties existing prior to the negotiations by approximately one-third.

In terms of trade coverage (both in absolute values and relative to total and dutiable imports) it can be said that the Kennedy Round was by far the most significant of the six rounds. However, the negotiation of the general provisions of the GATT at the first round should not be overlooked as a major accomplishment of possibly greater long-run significance than the new tariff concessions which were negotiated at that time.

Agreements Outside the Trade Agreements Program

Since the inception of the trade agreements program, the United States has entered into four international agreements which dealt with tariff rates, but which were outside the regular trade agreements program.^{1/} These were the U.S.-Canadian Automotive Products Agreement, a bilateral trade agreement with the Republic of the Philippines, and the so-called Beirut and Florence Agreements.^{2/}

The U.S.-Canadian Automotive Products Agreement

In January 1965, the United States and Canada entered into an agreement providing for the total removal of duties on trade between the two countries in automotive products. Article I of the agreement states three objectives: (1) The creation of a broader market for automotive products within which the full benefits of specialization and large-scale production can be achieved; (2) 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 (3) the development of conditions in which market forces may operate effectively to attain the most economic pattern of investment, production and trade.

^{1/} The agreements were implemented by special acts of Congress, rather than under the tariff reduction authority granted to the President in the Trade Agreements Acts.

^{2/} The Beirut Agreement (negotiated at Beirut, Lebanon) is entitled "Agreement for Facilitating the International Circulation of Visual and Auditory Materials of an Educational, Scientific and Cultural Character." The Florence Agreement (negotiated at Florence, Italy) is entitled "Agreement on the Importation of Educational, Scientific and Cultural Materials."

Canada implemented the agreement with respect to its imports on a most-favored-nation basis, extending the duty-free treatment of automotive products covered by the agreement to Canadian imports from all countries. The United States, however, confined the removal of duties to Canadian products, and it was therefore necessary to obtain a waiver of the unconditional MFN obligation contained in Article I of the General Agreement on Tariffs and Trade.

There are some differences in the definition of articles which are given duty-free treatment by Canada and by the United States. In both directions, only parts for use as original equipment by manufacturers of automobiles receive duty-free treatment. As for vehicles, those imported into the United States from Canada may be imported duty free by any person, whereas those imported into Canada from the United States may be imported duty free only by Canadian manufacturers of automobiles. 1/

The Agreement has resulted in a large increase of trade in automotive products in both directions. In 1964, the year before the agreement became effective, total automotive trade between the two countries (excluding tires and tubes, which are not covered by the agreement) amounted to \$705 million. In 1972, trade in products covered by the agreement totaled \$9,018 million. In 1964, the United States had a surplus of approximately \$563 million in its automotive products trade with Canada; in 1972, the United States ran a deficit of approximately \$128 million in trade in products covered by the agreement. 2/

1/ For the specific product coverage of the agreement, see "Canadian Automobile Agreement, Seventh Annual Report of the President to the Congress on the Operation of the Automotive Products Trade Act of 1965," Committee on Finance, United States Senate.

2/ Idem. See also other annual reports of the President on operation of the agreement for a discussion of statistical problems in tabulating trade under the agreement, as well as some problems which have attended the operation of the agreement.

Bilateral agreement with the Philippine Republic

The U.S. Tariff Act of 1909 and the Philippine Tariff Act of the same year established reciprocal free trade between the Philippines and the United States (with a few exceptions, which subsequently were omitted in later U.S. tariff acts). Trade relations with the Philippines continued on substantially the same tariff basis until 1934, when Congress passed several laws which substantially modified them. One of these laws was the Philippine Independence Act, under which free trade between the two countries was to continue for the first 5 years of the "Commonwealth period," (1935-1940) except that limitations were placed upon the maximum amounts of sugar, coconut oil, and cordage which would be permitted to enter the United States duty free. Any shipments in excess of the quotas were to be assessed the full U.S. duties. During the second 5 years of the Commonwealth, the Philippines were obliged to assess progressively increasing export taxes against all exports to the United States which were not admissible into the United States duty free when imported from other countries.

No provision was made in the Independence Act for permitting or requiring the curtailment of imports of U.S. goods into the Philippines during the Commonwealth period, and the Philippines held no legal power to restrict their imports of U.S. goods during this period by means of quotas or tariffs.

Philippine independence was to be attained, under provisions of the Act, on July 4, 1946, at which time the full United States duties were to be collected on all Philippine goods arriving in the United States; and the full Philippine duties were to be collected on all U.S. goods arriving

in the Philippines. When the Philippines became independent in 1946, however, a bilateral trade agreement between the United States and the new Republic of the Philippines provided for a period of reciprocal duty-free treatment relating to U.S.-Philippine trade which would terminate on July 3, 1954, and during the subsequent 20-year period the rates of the United States and Philippine duties were to be gradually increased until July 4, 1974, when all tariff preferences were to have been eliminated and full duties applied by each country.

At a later suggestion of the Philippine Government, the period of reciprocal duty-free treatment was extended for 18 months until the close of 1955, pending discussions of a modification of the original 1946 agreement. A revision of the 1946 agreement was completed in September 1955.

The 1946 agreement called for duties on U.S. imports of Philippine articles and duties on Philippine imports of U.S. articles to be levied at 5 percent of the lowest duty rates (the Cuban rate in the case of U.S. duties) applicable to imports from other countries during the period July 4, 1954, through December 31, 1954. Each calendar year thereafter the rates on U.S. and Philippine articles were to be raised 5 percent until duties on such articles reached 100 percent of the lowest rates on January 1, 1973. They were to remain at this level until July 1, 1974, when all preferences would be eliminated.

The revised agreement negotiated in 1955 provided for a less rapid imposition of U.S. duties on imports from the Philippines and an acceleration of Philippine duties on imports from the United States. The schedule

of declining tariff preferences provided in the revised agreement is set forth below, the figures representing percent of the lowest tariff rate applicable to imports from other countries.

	U.S. rate on Philippine articles (percent)	Philippine rate on U.S. articles (percent)
1956-58-----	5	25
1959-61-----	10	50
1962-64-----	20	75
1965-67-----	40	90
1968-70-----	60	90
1971-73-----	80	90
1974 (Jan. 1 - July 3) <u>1/</u> --	100	100

In the agreement, absolute quotas were also imposed on U.S. imports of a few Philippine products (under the 1955 revision, sugar, cordage, cigars, tobacco, coconut oil, and pearl or shell buttons).

The era of U.S.-Philippine tariff preferences ended for most products at the close of 1973, and will terminate completely on July 4, 1974, after which date trade between the two countries will be conducted entirely on a most-favored-nation basis. The Philippine Republic provisionally acceded to the General Agreement on Tariffs and Trade on August 9, 1973.

Over the past 10 years, U.S.-Philippine trade has increased as follows (in millions of dollars):

	<u>U.S. imports from the Philippines</u>			<u>U.S. exports to the Philippines</u>
	<u>Total</u>	<u>Free</u>	<u>Dutiable</u>	
1963-----	344	80	264	320
1972-----	496	99	397	359

1/ All but a small number of Philippine products imported into the United States became subject to the full MFN rate of duty on January 1, 1974. For a few products, however, the rate rose only to the level of the preferential "Cuban" rate, and will reach the full MFN rate on July 4, 1974.

The Beirut and Florence Agreements

The United States is a party to two agreements which provide for the duty-free importation of educational, scientific and cultural materials. Both agreements were negotiated under the sponsorship of the United Nations Educational, Scientific, and Cultural Organisation (UNESCO).

In an agreement initially negotiated at Beirut, Lebanon, in 1948 and opened for signature at Lake Success, New York, in July 1949, duty-free treatment is provided for specified types of visual and auditory materials of an educational, scientific or cultural character. The purpose of the agreement is to facilitate the international circulation of such material so that "the free flow of ideas by word and image will be promoted and the mutual understanding of peoples thereby encouraged." The Beirut Agreement was not signed by the United States until October 1966; it entered into force for the United States on January 12, 1967. Twenty-seven countries 1/ are parties to the agreement. U.S. imports in 1972 of articles covered by the agreement totaled \$3 million.

In an agreement negotiated initially at Beirut in 1948, completed at Florence, Italy, in 1950, and opened for signature at Lake Success in November 1950, duty-free treatment is provided for books, publications, documents, and specified educational, scientific and cultural materials. The purpose of this agreement is to further "the free exchange of ideas and knowledge and, in general, the widest possible dissemination of the

1/ Parties to the Beirut Agreement are: Brazil, Canada, Congo (Brazzaville), Costa Rica, Cyprus, Denmark, El Salvador, Ghana, Greece, Haiti, Iran, Iraq, Jordan, Khmer Republic, Lebanon, Madagascar, Malawi, Malta, Morocco, Niger, Norway, Pakistan, Philippines, Syrian Arab Republic, Trinidad and Tobago, the United States, and Yugoslavia.

diverse forms of self expression used by civilizations" in order to promote "intellectual progress and international understanding, and the maintenance of world peace." The Florence Agreement was not implemented by the United States until November 1966. Seventy-two countries 1/were parties to the agreement in 1973. When the United States signed the Florence Agreement in 1966, some of the items covered by the agreement were already free of duty in the U.S. tariff schedules and their duty-free status had been bound under the GATT. Products which were dutiable and became free, however, had a total value in 1965 U.S. imports of \$40 million, and an estimated value of approximately \$216 million in 1972 imports. The principal items which had been dutiable were books, and paintings and drawings which were not originals.

1/ Parties to the Florence Agreement are:

Afghanistan	Gabon	Madagascar	Sierra Leone
Austria	Gambia	Malawi	Singapore
Barbados	Germany, Federal	Malaysia	Spain
Belgium	Republic of	Malta	Sri Lanka
Boliva	Ghana	Mauritius	(Ceylon)
Burundi	Greece	Monaco	Sweden
Cameroon	Guatemala	Morocco	Switzerland
Congo (Brazzaville)	Guyana	Netherlands	Tanzania
Cuba	Haiti	New Zealand	Thailand
Cyprus	Iran	Nicaragua	Tonga
Denmark	Iraq	Niger	Trinidad and
Egypt	Israel	Nigeria	Tobago
El Salvador	Italy	Norway	Tunisia
Fiji	Ivory Coast	Pakistan	Uganda
Finland	Jamaica	Philippines	United Kingdom
France	Japan	Poland	United States
	Jordon	Romania	Upper Volta
	Kenya	Rwanda	Vietnam
	Khmer Republic		Yemen (Aden)
	Laos		Yugoslavia
	Luxembourg		Zaire

U.S. Trade with Trade-Agreement Partners

In concluding this examination of the nature and extent of tariff concessions made in U.S. trade agreements, it would be useful to look briefly at the pattern of trade with areas of the world according to their trade-agreement relationship. From table 5-Y, it is seen that 98.2 percent of U.S. exports go to most-favored-nation countries and 99.3 percent of U.S. imports come from those countries. Eighty-five percent of this MFN trade is with GATT countries, 15 percent with non-GATT countries. Considering dutiable imports only, U.S. imports from GATT countries paid an average duty in 1972 of 8 percent, while imports from non-GATT MFN countries paid an average duty of 11.1 percent. The small dutiable imports from non-MFN countries paid an average duty of 15.4 percent.

Sixty-nine percent of U.S. exports go to developed countries, but 73 percent of imports come from those countries. U.S. dutiable imports from developed countries paid an average duty of 7.7 percent; whereas dutiable shipments from developing countries were assessed an average duty of 11 percent. Dutiable shipments from African countries had the lowest U.S. average duty level, 4.6 percent; shipments from Asian countries had the highest average duty, 10.8 percent.

Table 5-Z shows U.S. imports and the average level of U.S. duties on dutiable imports for individual GATT countries and for selected non-GATT countries receiving MFN tariff treatment. The most striking observation from this table is the considerable range in the average duty levels on imports from different countries. Dutiable shipments from some countries have average tariffs in the neighborhood of 3 percent, while imports from others pay average duties of over 30 percent.

Table 5-Y.--U.S. trade and average incidence of U.S. duties, by specified areas and groups of countries in 1972

(In billion dollars)						
Area or group	: U.S. : : exports :	: U.S. imports :			: Average : level of : U.S. import : duties <u>1/</u>	
		: Total :	: Free :	: Dutiable :		
World-----	: 49.7 :	: 55.3 :	: 18.9 :	: 36.4 :	: 8.6 :	
MFN countries, total <u>2/</u> ----	: 48.8 :	: 54.9 :	: 18.8 :	: 36.1 :	: 8.5 :	
GATT countries in 1972----	: 41.0 :	: 46.4 :	: 16.6 :	: 29.8 :	: 8.0 :	
Non-GATT countries <u>3/</u> ----	: 8.7 :	: 8.8 :	: 2.3 :	: 6.6 :	: 11.1 :	
Non-MFN countries, total--	: .9 :	: .3 :	: .1 :	: .2 :	: 15.4 :	
U.S.S.R. (Soviet Union)-----	: .5 :	: .1 :	: .1 :	: <u>4/</u> :	: 18.3 :	
Peoples Republic of China-----	: .1 :	: <u>4/</u> :	: <u>4/</u> :	: <u>4/</u> :	: 22.5 :	
Developed countries-----	: 34.2 :	: 40.6 :	: 14.0 :	: 26.6 :	: 7.7 :	
Developing countries-----	: 14.6 :	: 14.3 :	: 4.8 :	: 9.5 :	: 11.0 :	
Western hemisphere, total-----	: 19.7 :	: 21.8 :	: 13.8 :	: 8.1 :	: 6.4 :	
20 Latin American republics-----	: 6.5 :	: 5.7 :	: 2.3 :	: 3.4 :	: 7.9 :	
Western Europe-----	: 15.3 :	: 15.3 :	: 2.2 :	: 13.2 :	: 7.9 :	
Asia-----	: 11.3 :	: 15.1 :	: 16.4 :	: 13.4 :	: 10.8 :	
Australia and Oceania----	: 1.0 :	: 1.1 :	: .4 :	: .8 :	: 6.4 :	
Africa-----	: 1.6 :	: 1.6 :	: .9 :	: .7 :	: 4.6 :	

1/ Calculated on dutiable imports only. The average level of duties would be somewhat lower if calculated on total free and dutiable imports.

2/ All countries receive MFN tariff treatment by the United States except for Communist dominated countries which, in Europe, include Albania, Bulgaria, Czechoslovakia, Estonia, East Germany, Hungary, Latvia, Lithuania, Romania, and the Union of Soviet Socialist Republics (USSR); in Asia, North Vietnam, Peoples Republic of China, Outer Mongolia, North Korea; and in the Western Hemisphere, Cuba.

3/ Includes the Philippine Republic, which became a GATT country in 1973.

4/ Less than \$50 million.

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

Table 5-Z.--United States trade in 1972 with specified groups of countries and average incidence of U.S. duties, by country

(In millions of dollars)					
Country	United States imports				
	United States exports	Total	Free	Dutiable	Average level of U.S. import duties ^{1/}
GATT contracting parties					
Total-----	40,312.2	46,012.8	16,567.3	29,445.0	8.04
Argentina-----	400.1	202.8	50.1	152.7	8.54
Australia-----	843.0	799.5	227.7	571.8	6.55
Austria-----	96.4	173.0	4.9	168.0	8.42
Bangladesh-----	137.1	40.5	39.9	.5	7.96
Barbados-----	25.4	7.4	.8	6.6	16.44
Belgium and Luxembourg-----	1,138.1	964.4	122.8	841.6	6.31
Brazil-----	1,242.9	932.1	568.2	363.9	11.33
Burma-----	10.5	.6	.3	.3	5.22
Burundi-----	1.3	16.8	16.7	.1	30.46
Cameroon-----	37.0	22.2	20.2	2.0	10.76
Canada-----	12,415.4	14,872.5	10,950.0	3,922.5	5.45
Central African Republic-----	.7	6.8	6.8	-	5.16
Ceylon (Sri Lanka)-----	28.3	26.8	24.6	2.3	5.34
Chad-----	.7	-	-	-	25.11
Chile-----	187.0	63.9	57.2	6.7	4.26
Congo-----	5.5	3.1	2.6	.5	5.81
Cuba ^{2/} -----	-	-	-	-	-
Cyprus-----	13.2	1.7	.9	.8	16.92
Czechoslovakia ^{2/} -----	49.4	29.9	1.6	28.3	27.23
Dahomey-----	8.4	1.4	.1	1.3	5.22
Denmark-----	257.7	366.7	51.2	315.5	6.24
Dominican Republic-----	183.3	229.0	73.7	155.2	8.40
Egypt-----	76.1	16.9	1.1	15.8	6.70
Finland-----	90.9	140.7	55.0	85.7	7.91
France-----	1,609.6	1,343.9	226.4	1,117.4	8.51
Gabon-----	13.4	11.1	10.8	.3	3.94
Gambia-----	.8	-	-	-	-
Germany (West)-----	2,811.2	4,236.0	244.3	3,991.8	6.44
Ghana-----	43.6	80.3	55.1	25.2	4.08
Greece-----	250.2	87.3	13.7	73.6	12.20
Guyana-----	30.0	42.6	28.7	13.9	8.88
Haiti-----	52.6	51.0	22.9	28.1	12.99
Iceland-----	19.7	61.0	34.3	26.6	5.43
India-----	350.0	426.1	294.6	131.5	8.79
Indonesia-----	307.6	278.2	150.9	127.3	5.48
Ireland-----	124.9	150.5	27.0	123.5	9.55
Israel-----	558.1	220.6	29.3	191.3	10.01
Italy-----	1,425.2	1,754.4	113.6	1,640.8	9.44
Ivory Coast-----	22.3	91.7	83.0	8.7	3.36
Jamaica-----	220.7	180.8	153.0	27.7	16.13
Japan-----	4,941.2	9,036.2	380.8	8,655.4	8.52
Kenya-----	25.6	25.5	22.8	2.7	5.09
Korea-----	735.4	699.8	15.7	684.1	21.53
Kuwait-----	111.3	48.7	3.4	45.3	4.13
Madagascar (Malagasy Republic)-----	11.5	37.6	34.6	3.0	7.47

^{1/} See footnotes at end of table.

Table 5-2.--United States trade in 1972 with specified groups of countries and average incidence of U.S. duties, by country--Continued

Country	(In millions of dollars)				
	United States exports	United States imports			Average level of U.S. import duties 1/
	Total	Free	Dutiable		
Malawi-----	1.2	3.1	3.0	.1	11.92
Malaysia-----	128.0	300.2	261.1	39.1	8.79
Malta-----	5.3	2.9	.7	2.1	13.41
Mauritania-----	4.5	1.1	.8	.3	1.34
Mauritius-----	3.9	9.9	3.4	6.5	6.92
Netherlands-----	1,830.9	638.7	119.5	519.3	6.86
New Zealand-----	134.9	274.6	87.8	186.8	5.80
Nicaragua-----	74.5	78.4	26.8	51.6	7.11
Niger-----	2.0	.1	.1	.1	13.11
Nigeria-----	114.5	270.4	16.4	254.0	3.65
Norway-----	213.2	240.6	113.0	127.6	6.21
Pakistan-----	183.0	39.9	13.7	26.2	11.83
Peru-----	292.3	296.1	175.4	120.7	7.65
Philippine Republic-----	365.6	496.1	99.0	397.2	11.15
Poland-----	111.8	139.2	14.6	124.7	7.47
Portugal-----	211.5	148.3	21.5	126.8	11.57
Rhodesia-----	.7	11.7	7.4	4.2	6.54
Romania 2/-----	69.4	29.2	2.9	26.3	22.99
Rwanda-----	1.3	12.1	11.9	.2	12.60
Senegal-----	13.9	2.3	2.1	.2	19.94
Sierra Leone-----	6.5	23.7	23.3	.4	4.79
South Africa-----	597.1	314.6	226.6	88.0	7.47
Spain-----	930.2	597.7	57.1	540.5	9.93
Sweden-----	471.7	601.1	39.1	566.0	6.40
Switzerland-----	651.8	614.0	93.4	520.5	12.58
Tanzania-----	11.9	21.1	20.3	.8	5.96
Togo-----	4.4	.1	.1	.1	13.11
Trinidad and Tobago-----	121.5	255.3	86.8	168.5	4.32
Turkey-----	300.3	93.4	11.3	82.1	18.45
Uganda-----	2.9	49.1	49.0	-	7.34
United Kingdom-----	2,658.2	2,975.3	813.4	2,161.9	7.82
Upper Volta-----	2.4	-	-	-	10.57
Uruguay-----	37.3	8.1	1.4	6.7	10.45
Yugoslavia-----	168.6	135.6	13.6	122.0	9.11
Zaire-----	37.3	42.9	32.5	10.4	4.81
Countries with a special GATT relationship 3/					
Total-----	667.6	428.5	78.3	350.0	8.46
Algeria-----	57.8	104.4	1.8	102.6	3.67
Bahrain-----	26.5	19.5	14.8	4.8	5.89
Botswana-----	2.4	.1	-	-	4.83
Equatorial Guinea-----	3.3	.6	.6	-	-
Fiji 4/-----	4/	4/	4/	4/	4/
Khmer Republic (Cambodia)-----	72.7	.1	-	-	12.75
Lesotho-----	1.7	.1	.1	-	11.80
Maldives 5/-----	5/	5/	5/	5/	5/
Mali-----	1.6	1.1	-	-	7.86
Qatar-----	13.5	5.3	.3	5.0	3.37
Singapore-----	385.0	262.5	44.6	217.8	10.96
Southern Yemen-----	.9	1.9	1.8	-	14.05
Swaziland-----	1.8	5.5	-	5.5	7.36
Tonga 4/-----	4/	4/	4/	4/	4/
Tunisia-----	54.6	8.2	.9	7.4	7.20
Zambia-----	34.4	2.9	2.9	-	6.30
Other Pacific Islands, n.a.c. 4/-----	2.8	15.8	9.1	6.7	5.92
Southern and Southeastern Asia, n.e.c. 2/-----	8.6	1.6	1.4	.2	41.68

See footnotes at end of table.

Table 5-Z.--United States trade in 1972 with specified groups of countries and average incidence of U.S. duties, by country--Continued

(In millions of dollars)

Country	United States imports					Average level of U.S. import duties ^{1/}
	United States exports	Total	Free	Dutiable		
20 Selected non-GATT countries receiving MFN tariff treatment						
Total-----	7,236.7	7,926.7	1,767.1	6,159.4		10.89
Angola-----	26.0	89.6	74.1	15.4		4.41
Bahamas-----	144.2	242.0	67.8	174.2		3.86
China, Republic of-----	630.9	1,285.6	31.1	1,254.6		16.54
Colombia-----	317.3	283.3	221.9	61.4		9.66
Costa Rica-----	110.0	130.5	80.1	50.4		8.87
Ecuador-----	133.6	126.1	91.1	35.0		6.30
Guatemala-----	101.9	107.3	72.2	35.1		7.06
Honduras-----	79.1	110.9	84.9	26.0		10.64
Hong Kong-----	489.0	1,237.1	58.3	1,178.8		18.03
Iran-----	558.5	200.2	43.0	157.2		5.10
Lebanon-----	130.2	21.5	5.1	16.3		13.21
Libya-----	85.1	116.2	2.6	113.6		3.52
Mexico-----	1,982.2	1,616.5	361.8	1,254.7		10.56
Netherlands Antilles-----	122.3	419.0	110.3	308.7		3.20
Panama-----	216.0	56.2	40.8	15.4		6.76
Saudi Arabia-----	314.2	194.1	17.8	176.3		4.46
Singapore-----	385.0	262.5	44.6	217.8		10.96
South Vietnam-----	317.6	2.4	1.6	.8		16.96
Thailand-----	169.9	113.6	81.7	31.9		13.02
Venezuela-----	923.7	1,312.1	276.3	1,035.8		3.05

^{1/} Calculated on dutiable imports only. The average level of duties would be somewhat lower if calculated on total free and dutiable imports.

^{2/} Pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, or to action taken by the President thereunder, the United States does not extend MFN tariff treatment to imports from Cuba, Czechoslovakia and Romania even though these countries are contracting parties to the GATT.

^{3/} Tunisia has acceded to the GATT provisionally while the other countries listed have been former territories to which 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.

^{4/} Trade data for Fiji and Tonga are included in other Pacific Islands, n.e.c.

^{5/} Trade data for the Maldives are included in Southern and Southeastern Asia, which includes Bhutan, Burundi and Portuguese Timor plus the Maldives.

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

CHAPTER V

APPENDIX TABLES

Appendix table 5-A.--U.S. imports for consumption, duties collected, and the ratio of duties to values, 1930-72

Year	Imports for consumption					Duties collected 1/		
	Free		Dutiable		Total	Ratio to values		
	Amount	Percent of total	Amount	Percent of total		Amount	Dutiable imports	From and dutiable imports
1,000 dollars		1,000 dollars		1,000 dollars	1,000 dollars	Percent	Percent	
1930 (June 18-Dec. 31)	979,016	69.5	429,063	30.5	1,408,079	192,528	44.9	13.7
1931	1,391,693	66.6	696,762	33.4	2,088,455	370,771	53.2	17.8
1932	885,536	66.8	439,557	33.2	1,325,093	259,600	59.1	19.6
1933	903,547	63.1	529,466	36.9	1,433,013	283,681	53.6	19.8
1934	991,161	60.6	644,842	39.4	1,636,003	301,168	46.7	18.4
1935	1,205,987	59.1	832,918	40.9	2,038,905	357,241	42.9	17.5
1936	1,384,937	57.1	1,039,040	42.9	2,423,977	408,127	39.3	16.8
1937	1,765,248	58.6	1,244,604	41.4	3,009,852	470,509	37.8	15.6
1938	1,182,696	60.7	766,928	39.3	1,949,624	301,375	39.3	15.5
1939	1,397,280	61.4	878,819	38.6	2,276,099	328,034	37.3	14.4
1940	1,648,965	64.9	891,691	35.1	2,540,656	317,711	35.6	12.5
1941	2,030,919	63.0	1,191,035	37.0	3,221,954	437,751	36.8	13.6
1942	1,767,592	63.8	1,001,693	36.2	2,769,285	320,117	32.1	11.6
1943	2,192,702	64.7	1,197,249	35.3	3,389,951	392,294	32.8	11.6
1944	2,717,986	69.9	1,169,504	30.1	3,887,490	382,109	32.7	9.8
1945	2,749,345	67.1	1,348,756	32.9	4,098,101	391,476	29.0	9.6
1946	2,934,955	60.8	1,889,946	39.2	4,824,902	498,001	26.4	10.3
1947	3,454,647	61.0	2,211,674	39.0	5,666,321	445,355	20.1	7.9
1948	4,174,523	58.9	2,917,509	41.1	7,092,032	417,401	14.3	5.9
1949	3,883,186	58.9	2,708,454	41.1	6,591,640	374,291	13.8	5.7
1950	4,766,778	54.5	3,976,304	45.5	8,743,082	529,621	13.3	6.1
1951	5,993,442	55.4	4,823,900	44.6	10,817,341	603,468	12.5	5.6
1952	6,256,950	58.2	4,490,546	41.8	10,747,497	574,733	12.8	5.3
1953	5,919,501	54.9	4,859,403	45.1	10,778,905	597,760	12.3	5.5
1954	5,667,904	55.4	4,571,613	44.6	10,239,517	556,939	12.2	5.4
1955	6,036,634	53.2	5,300,153	46.8	11,336,787	669,579	12.6	5.9
1956	6,234,514	49.8	6,281,233	50.2	12,515,747	739,228	11.8	5.9
1957	6,036,400	46.6	6,914,206	53.4	12,950,606	776,884	11.2	6.0
1958	5,341,561	41.9	7,397,868	58.1	12,739,429	832,155	11.2	6.5
1959	5,821,729	38.8	9,165,346	61.2	14,987,075	1,066,536	11.6	7.1
1960	6,142,076	40.9	8,871,834	59.1	15,013,910	1,086,115	12.2	7.2
1961	5,922,298	40.4	8,734,599	59.6	14,656,897	1,052,702	12.1	7.2
1962	6,224,850	38.3	10,026,213	61.7	16,251,063	1,234,921	12.3	7.6
1963	6,265,096	36.8	10,739,791	63.2	17,004,887	1,262,156	11.8	7.4
1964	7,045,056	37.8	11,568,138	62.2	18,613,193	1,371,265	11.9	7.4
1965	7,434,414	34.9	13,847,409	65.1	21,281,823	1,622,920	11.7	7.6
1966	9,343,899	36.8	16,022,695	63.2	25,366,594	1,920,755	12.0	7.6
1967	10,203,477	38.2	16,528,817	61.8	26,732,294	2,016,421	12.2	7.5
1968	12,266,825	37.2	20,724,900	62.8	32,991,725	2,341,058	11.3	7.1
1969	13,061,617	36.4	22,808,742	63.6	35,870,359	2,551,174	11.2	7.1
1970	13,877,262	34.9	25,890,412	65.1	39,767,674	2,584,092	10.0	6.5
1971	15,309,317	33.6	30,263,575	66.4	45,545,892	2,767,980	9.2	6.1
1972	18,911,798	34.2	36,370,512	65.8	55,282,310	3,123,673	8.6	5.6

1/ Calculated.

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

Note.--The ratio of duties collected to the value of imports (sometimes referred to as the "average ad valorem equivalent") should be used with great reservation as a measure of the "height" of a country's tariff or of the tariff's restrictiveness of imports. Such a ratio for the schedule of duties as a whole (or even a ratio for most individual tariff categories) is heavily weighted by imports that enter either free of duty or at low unrestrictive rates; it is weighted less by imports that enter at high restrictive rates and not at all by imports that are precluded from entry. Moreover, an upward or downward trend in the "ratio" of duties collected may reflect alterations in the rates of duty applied, changes in the composition of imports from year to year, or changes in the prices of imported commodities.

Appendix table 5-B.--U.S. bilateral trade agreements negotiated between 1934 and 1947 under the Trade Agreements Act of 1934, as amended and extended

Authority and country	Date effective	Date terminated, suspended or superseded
<u>Trade Agreements Act of 1934:</u>		
Cuba-----	9-3-34	Suspended 1-1-48
		Terminated 8-21-63 ^{1/}
Belgium and Luxembourg-----	5-1-35	Suspended 1-1-48
		Terminated 2-10-63
Haiti-----	6-3-35	Terminated 1-1-50
Sweden-----	8-5-35	Terminated 6-30-50
Brazil-----	1-1-36	Suspended 7-31-48
		Terminated 6-19-58
Canada-----	1-1-36	Suspended 1-1-48 ^{2/}
The Netherlands-----	2-1-36	Suspended 1-1-48
		Terminated 12-7-62
Switzerland-----	2-15-36 and 6-6-36	Suspended 8-1-66
		Terminated 12-31-68
Honduras-----	3-2-36	2-28-61 ^{3/}
Colombia-----	5-20-36	Terminated 12-1-49
Guatemala-----	6-15-36	Terminated 10-15-55
France-----	6-15-36	Suspended 1-1-48
		Terminated 12-13-62
Nicaragua-----	10-1-36	Terminated 5-28-50 ^{4/}
Finland-----	11-2-36	Terminated 5-25-50
El Salvador-----	5-31-37	8-8-62 ^{3/}
Costa Rica-----	8-2-37	Terminated 6-1-51
<u>Extension Act of 1937:</u>		
Czechoslovakia-----	4-16-38	Terminated 4-22-49
Ecuador-----	10-23-38	Terminated 7-16-56
United Kingdom-----	1-1-39	Suspended 1-1-48
		Terminated 7-28-62
Canada-----	1-1-39	Suspended 1-1-48
Turkey-----	5-5-39	Terminated 8-4-52
Venezuela-----	12-16-39	^{5/}
Cuba-----	12-23-39	Suspended 1-1-48
		Terminated 8-21-63 ^{1/}
<u>Extension Act of 1940:</u>		
Canada-----	1-1-40 and 12-20-40	Suspended 1-1-48
Argentina-----	11-15-41	^{6/}
Cuba-----	1-5-42	Suspended 1-1-48
		Terminated 8-21-63 ^{1/}
Peru-----	7-29-42	Terminated 10-7-51
Uruguay-----	1-1-43	Terminated 12-28-53
Mexico-----	1-30-43	Terminated 1-1-51
<u>Extension Act of 1943:</u>		
Iceland-----	11-19-43	Terminated 11-11-70
Iran-----	6-28-44	Terminated 8-25-60
<u>Extension Act of 1945:</u>		
Paraguay-----	4-9-47	6-26-63 ^{3/}

^{1/} The original Cuba bilateral agreement was superseded January 1, 1948, when both countries acceded to the GATT. A new and exclusive bilateral agreement with Cuba supplementing the GATT became effective.

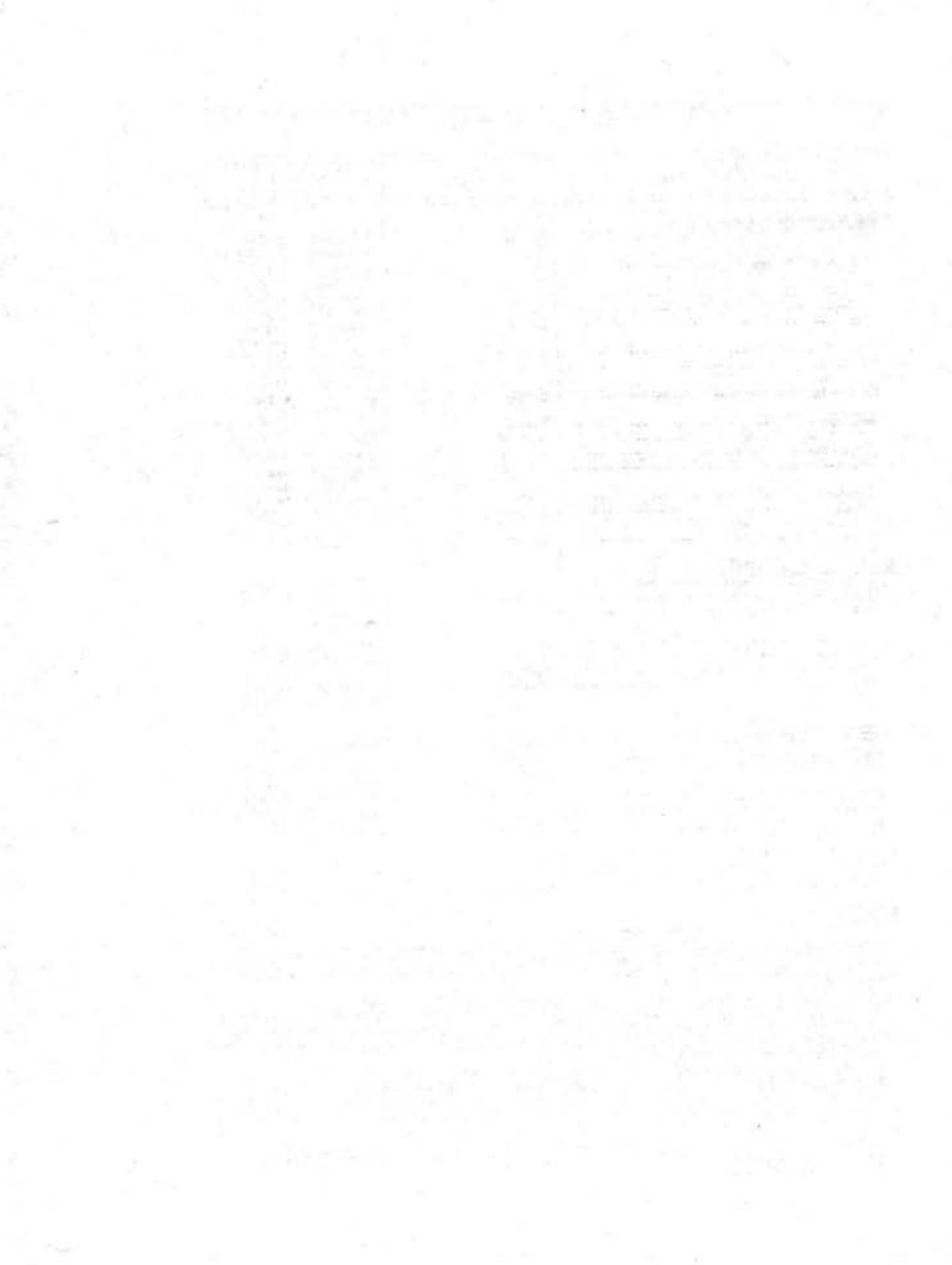
^{2/} Suspended as long as both countries are contracting parties to the GATT.

^{3/} Terminated in part. The schedule of concessions and related provisions were terminated on date indicated, while the remaining provisions relating to most-favored-nation treatment, national treatment in the application of internal taxes, and the administration of import policies on an equitable basis are still in effect.

^{4/} Duty concessions and certain other provisions were terminated March 10, 1938.

^{5/} Terminated in part, June 30, 1972. In an exchange of notes on June 26, 1972 it was agreed that tariffs specified for petroleum in the U.S. schedule to the agreement should be maintained and the most-favored-nation principle was reaffirmed, although an exception is made in the event Venezuela should desire to enter into free trade pacts or customs unions.

^{6/} Argentina acceded to the GATT, effective October 11, 1967. For all practical purposes the trade agreement between the United States and Argentina is inoperative so long as both countries are members of the GATT.



UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 4 OF 11

PART I. TRADE BARRIERS: AN OVERVIEW

CHAPTER VI. NONTARIFF TRADE BARRIERS: A RESUMÉ



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Chapter VI

NONTARIFF TRADE BARRIERS: A RESUMÉ

Introduction

In preparing this report on tariff and nontariff barriers, the Commission has taken as a working definition of nontariff barriers any governmental or private regulation, practice, or policy, other than an ordinary customs duty, that interferes with a normal conduct of trade and tends to distort the volume, composition or direction of trade flows.

The most obvious nontariff barriers are such measures as quotas, which are imposed specifically to control trade. There are other trade distorting measures which are normally imposed to deal with matters not related to trade, but are occasionally intentionally employed for trade-restrictive purposes; and still other measures which are applied exclusively for non-trade-related reasons but which have an unavoidable adverse effect on trade.

The very great increase in public attention given to nontariff trade barriers during the past few years has led many to believe that they are recent innovations being installed in rapidly increasing numbers by governments around the world. Only the term is relatively new to popular usage, however, and there is little, if any, evidence that nontariff trade barriers are more prevalent today than one or two decades ago. In fact, if an inventory could be made of barriers in existence 20 or 25 years ago, it probably would reveal them to be considerably more numerous at that time.

Several developments have contributed to this increased public awareness and attention. First is the enormous increase in world trade, which has brought an ever increasing number of businessmen dealing in an

increasing number of products into contact for the first time with numerous laws, regulations and practices which hinder the freedom they would like to have in conducting their business. A second important development has been that over the past 25 years most tariffs in the major trading nations have been progressively reduced and are now at relatively moderate levels, with the result that other types of limitations or controls upon trade appear more important than they did when the high tariff was the major and frequently impossible obstacle to overcome. Finally, on the part of both governments and private individuals there is an emerging appreciation of the fact that the long term trend in market economy countries toward direct government participation in, and regulation of, more and more areas of economic and social activity means a vast increase in situations which, in the absence of appropriate attention, could become major barriers to trade.

Nontariff Trade Barriers Reported in the Commission's Survey

The practices reported to the Tariff Commission as nontariff trade barriers have been classified under 47 general headings, which in turn have been grouped into six large categories. The six categories and their subheadings are shown in the following table.

Table 6-A.--Categories of nontariff trade barriers used in this report

<p>I. <u>QUANTITATIVE RESTRICTIONS AND SIMILAR SPECIFIC LIMITATIONS:</u></p> <ol style="list-style-type: none"> 1. Licensing requirements 2. Quotas 3. Embargoes 4. Export restraints 5. Exchange and other monetary or financial controls 6. Minimum/maximum price regulations 7. Local content and mixing requirements 8. Restrictive business practices 9. Discriminatory bilateral agreements 10. Discriminatory sourcing 11. Miscellaneous 	<p>III. <u>GOVERNMENT PARTICIPATION IN TRADE:</u></p> <ol style="list-style-type: none"> 1. Subsidies and other aids 2. State trading, government monopolies, and exclusive franchises 3. Laws and practices which discourage imports 4. General government policy problems 5. Government procurement
<p>II. <u>NONTARIFF CHARGES ON IMPORTS:</u></p> <ol style="list-style-type: none"> 1. "Border" taxes 2. Port and statistical taxes, etc. 3. Nondiscriminatory use and excise taxes and registration fees 4. Discriminatory excise taxes, government controlled insurance, film taxes, use taxes and commodity taxes 5. Nondiscriminatory sales taxes 6. Discriminatory sales taxes 7. Prior import deposits 8. Variable levies 9. Consular fees 10. Stamp taxes 11. Miscellaneous special and additional taxes and fees 	<p>IV. <u>STANDARDS:</u></p> <ol style="list-style-type: none"> 1. Health and safety standards 2. Pharmaceutical standards 3. Product content requirements 4. Processing standards 5. Industrial standards 6. Requirements on weights and measures 7. Labeling and container requirements 8. Marking requirements 9. Packaging requirements 10. Trademark problems
	<p>V. <u>CUSTOMS PROCEDURES AND ADMINISTRATIVE PRACTICES:</u></p> <ol style="list-style-type: none"> 1. Antidumping practices 2. Customs valuation 3. Consular formalities 4. Documentation requirements 5. Administrative difficulties 6. Classification of merchandise 7. Regulations on samples, returned goods and reexports 8. Countervailing duties 9. Emergency action
	<p>VI. <u>DISCRIMINATORY OCEAN FREIGHT RATES</u></p>

Complaints, by category and type

The total number of complaints in each of the six categories is given in table 6-B. Slightly more than one-third of the complaints received by the Commission dealt with quantitative restrictions and other specific limitations on trade; 29 percent concerned nontariff charges on imports; and government participation in trade, standards and labeling requirements and customs procedures and administrative practices each drew between 11 and 12 percent. Discriminatory shipping practices were the subject of about 1 percent of the total complaints.

Table 6-B.--Summary count of complaints, by category

Category of practice complained against	Number of complaints			Total
	against--			
	Developed:	LDC's:	Communist:	
	countries:	countries:	countries:	
Quantitative restrictions and similar specific limitations on trade-----	645	960	19	1,624
Nontariff charges on imports-----	546	785	2	1,333
Government participation in trade-----	392	152	10	554
Standards or requirements-----	402	114	4	520
Customs procedures and administrative practices---	273	252	2	527
Total-----	2,258	2,263	37	4,558
Percent-----	49.5	49.7	.8	100.0

Source: Compiled from submissions to the Tariff Commission

Note.--Complaints against discriminatory shipping practices are omitted from this table because most did not specify a country. Sixty-one complaints were received in this category.

The 47 subheadings of the six categories are listed in table 6-C in the order of the number of complaints received under each subheading.

Table 6-C.--Complaints, by type of practice

Type of practice	: Number of : : complaints ::	Type of practice	: Number of : : complaints :
Licensing requirements-----	441	Industrial standards-----	71
Miscellaneous special and additional taxes and fees 1/-----	379	Pharmaceutical standards-----	69
Quotas-----	338	Local content and mixing requirements-----	67
Embargoes-----	316	Restrictive business practices-----	61
Subsidies and other aids-----	223	Discriminatory shipping practices-----	61
"Border taxes" 1/-----	200	Regulations on samples, returned goods and reexports-----	56
Port and statistical taxes, etc.-----	186	Variable levies-----	54
Health and safety standards-----	183	Discriminatory bilateral agreements-----	54
Customs valuation-----	169	Administrative difficulties in customs procedures-----	52
Exchange and other monetary or financial controls-----	163	Consular formalities-----	50
Nondiscriminatory use and excise taxes and registration fees 1/-----	145	Consular fees-----	49
State trading, government monopolies and exclusive franchises-----	138	Stamp taxes-----	47
Documentation requirements-----	132	General government policy problems-----	40
Labeling and container requirements-----	98	Product content requirements-----	39
Nondiscriminatory sales taxes 1/-----	94	Antidumping practices-----	33
Discriminatory excise taxes, government controlled insurance, film taxes, use taxes and commodity taxes 1/-----	86	Arbitrary classification of merchandise-----	36
Prior import deposits-----	84	Miscellaneous quantitative restrictions-----	20
Export restraints-----	81	Marking standards-----	17
Laws and practices which discourage imports-----	78	Processing standards-----	14
Government procurement-----	75	Requirements on weights and measures-----	14
Minimum/maximum price regulations-----	71	Discriminatory sourcing-----	12
		Trademark problems-----	10
		Discriminatory sales taxes 1/-----	6
		Packaging requirements-----	5
		Countervailing duties-----	5
		Emergency action-----	3

1/ The nontariff charges described by respondents in the Commission's survey as "border taxes" usually referred only to value-added taxes, turnover (cascade) taxes, and a very limited number of other consumption taxes levied on imports upon entry. However, under the customary definition, most of the taxes reported under the following headings listed in this table are also considered border tax adjustments:

1. Nondiscriminatory use and excise taxes and registration fees;
2. Nondiscriminatory sales taxes;
3. Discriminatory excise taxes, film taxes, use taxes, and commodity taxes;
4. Discriminatory sales taxes; and
5. Miscellaneous special and additional taxes and fees.

Source: Compiled from submissions to the Tariff Commission.

Countries named in complaints

All industrialized nations and over 50 developing countries were named in complaints submitted to the Commission against nontariff trade barriers. Although less than one-third of U.S. exports go to the developing countries, half of the complaints concerned practices of those countries. As might be expected, the pattern of complaints against developed and developing countries differed, as illustrated below:

	Percent of complaints against --	
	<u>Developed countries</u>	<u>Developing countries</u>
Quantitative restrictions and similar specific limitations on trade-----	28.6	42.5
Nontariff charges on imports-----	24.1	34.7
Government participation in trade-----	17.4	6.7
Standards or labeling requirements----	17.8	5.0
Customs procedures and practices-----	12.1	11.1

The number and categories of complaints against individual countries are shown in table 6-D. The total of complaints against the European Community and its member states greatly outnumbered those received by any individual country. The ten individual countries most frequently named were:

United States	United Kingdom
Japan	Brazil
Mexico	Spain
France	Argentina
Italy	West Germany

Table 6-D.--Total number of complaints, by country, by type of practice complained against

Country	Total	Nontariff charges on imports		Quantitative restrictions and similar specific limitations		Government participation in trade		Standards		Customs procedures and practices		
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Developed countries, total	2,258	49.5	546	41.0	645	39.7	392	70.8	402	71.3	273	51.8
European Community (of six), total	650	14.3	219	16.4	154	9.5	118	21.3	119	22.9	40	7.6
Netherlands	58	1.3	20	1.5	16	1.0	9	1.6	9	1.7	4	.8
Belgium and Luxembourg	59	1.3	28	1.8	14	.9	9	1.6	11	2.1	1	.2
France	150	3.3	42	3.2	34	2.1	42	7.6	24	4.6	8	1.5
West Germany	98	2.2	29	2.2	21	1.3	14	2.5	31	6.0	3	.6
Italy	150	3.3	57	4.3	35	2.2	20	3.6	23	4.4	15	2.8
Other 1/	135	3.0	47	3.5	34	2.1	24	4.3	21	4.0	9	1.7
EFTA (of eight) and Finland, total	578	12.7	186	14.0	174	10.7	89	16.1	95	18.3	34	6.5
Austria	68	1.5	24	1.8	22	1.4	12	2.2	8	1.5	2	.4
Denmark	65	1.4	28	2.1	18	1.1	5	.9	10	1.9	4	.8
Finland	34	.7	17	1.3	6	.4	4	.7	5	1.0	2	.4
Iceland	18	.4	10	.8	3	.2	2	.4	2	.4	1	.2
Norway	61	1.3	16	1.2	24	1.5	10	1.8	8	1.5	3	.6
Sweden	73	1.6	36	2.7	12	.7	9	1.6	14	2.7	2	.4
Switzerland	65	1.4	20	1.5	25	1.5	11	2.0	8	1.5	1	.2
United Kingdom	125	2.7	15	1.1	39	2.4	27	4.9	32	6.2	12	2.3
Portugal 2/	53	1.2	17	1.3	23	1.4	5	.9	3	.6	5	.9
Other 3/	16	.4	3	.2	2	.1	4	.7	5	1.0	2	.4
United States	376	8.2	21	1.6	122	7.5	44	7.9	87	16.7	102	19.4
Canada	90	2.0	22	1.7	20	1.2	15	2.7	14	2.7	19	3.6
Japan	254	5.6	35	2.6	106	6.5	72	13.0	25	4.8	16	3.0
New Zealand	57	1.3	9	.7	19	1.2	7	1.3	12	2.3	10	1.9
Australia	75	1.6	11	.8	14	.9	10	1.8	17	3.3	23	4.4
Ireland	19	.4	5	.4	10	.6	2	.4	2	.4	-	-
South Africa	64	1.4	10	.8	24	1.5	9	1.6	5	1.0	16	3.0
Other developed countries 4/	95	2.1	28	2.1	2	.1	26	4.7	26	5.0	13	2.5
Less developed countries, total	2,263	49.7	785	59.9	950	59.1	152	27.4	114	21.9	252	47.8
Latin America, total	1,003	22.0	331	24.9	416	25.6	49	8.8	63	12.1	144	27.3
Mexico	153	3.4	28	2.1	89	5.5	9	1.6	14	2.7	13	2.5
Brazil	122	2.7	29	2.2	53	3.3	7	1.3	10	1.9	23	4.4
Colombia	88	1.9	22	1.7	47	2.9	3	.5	5	1.0	11	2.1
Argentina	109	2.4	44	3.3	33	2.0	7	1.3	6	1.2	19	3.6
Chile	70	1.5	23	1.7	28	1.7	6	1.1	3	.6	10	1.9
Peru	56	1.2	15	1.1	25	1.5	5	.9	1	.2	10	1.9
Venezuela	55	1.2	8	.6	22	1.4	6	1.1	8	1.5	11	2.1
Uruguay	33	.7	17	1.3	8	.5	1	.2	1	.2	6	1.1
Dominican Republic	32	.7	16	1.2	10	.6	-	-	1	.2	5	.9
Leeward and Windward Islands	20	.4	16	1.2	4	.2	-	-	-	-	-	-
Honduras	15	.3	10	.8	1	.1	-	-	1	.2	3	.6
Ecuador	19	.4	1	.1	12	.7	-	-	2	.4	4	.8
Jamaica	15	.3	3	.2	10	.6	-	-	-	-	2	.4
Other	216	4.7	99	7.4	74	4.6	5	.9	11	2.1	27	5.1
Asia, total	405	8.9	129	9.7	196	12.1	33	6.0	20	3.8	27	5.1
India	82	1.8	12	.9	58	3.6	7	1.3	3	.6	2	.4
Korea	47	1.0	14	1.1	30	1.8	2	.4	-	-	1	.2
Pakistan	38	.8	7	.5	24	1.5	4	.7	1	.2	2	.4
Philippine Republic	42	.9	16	1.2	14	.9	1	.2	2	.4	9	1.7
Indonesia	25	.5	13	1.0	8	.5	3	.5	-	-	1	.2
Ceylon	16	.4	2	.2	11	.7	2	.4	1	.2	-	-
Taiwan	29	.6	9	.7	11	.7	2	.4	-	-	7	1.3
Other	126	2.8	56	4.2	40	2.5	12	2.2	13	2.5	5	.9
Europe and the Middle East, total	463	10.2	146	11.0	197	12.1	45	8.1	26	5.0	49	9.3
Spain	114	2.5	30	2.3	45	2.8	17	3.1	9	1.7	13	2.5
Turkey	65	1.4	24	1.8	29	1.8	5	.9	3	.6	4	.8
Greece	75	1.6	33	2.5	20	1.2	10	1.8	3	.6	9	1.7
Iran	31	.7	16	1.2	9	.6	2	.4	1	.2	3	.6
Israel	29	.6	11	.8	13	.8	1	.2	3	.6	1	.2
Yugoslavia	26	.6	8	.6	14	.9	2	.4	1	.2	1	.2
Other	123	2.7	24	1.8	67	4.1	8	1.4	6	1.2	18	3.4
Africa, total	392	8.6	179	13.4	151	9.3	25	4.5	5	1.0	32	6.1
Egypt	30	.7	9	.7	12	.7	3	.5	1	.2	5	.9
Togo	15	.3	13	1.0	2	.1	-	-	-	-	-	-
Tunisia	20	.4	11	.8	5	.3	2	.4	1	.2	1	.2
Upper Volta	16	.4	10	.8	5	.3	-	-	1	.2	-	-
Other	311	6.8	136	10.2	127	7.8	20	3.6	2	.4	26	4.9
Eastern trading area, total 5/	37	.8	2	.2	19	1.2	10	1.8	4	.8	2	.4
Total, all countries	4,558	100.0	1,333	100.0	1,624	100.0	554	100.0	520	100.0	527	100.0

1/ Includes complaints against the European Community without specifying a country.

2/ With respect to development status, Portugal is a "borderline" country, but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in EFTA.

3/ Includes complaints against EFTA without specifying a country.

4/ Includes Poland and complaints against developed countries without specifying a country.

5/ Excludes Poland.

Source: Compiled from submissions to the Tariff Commission

Note: Due to rounding, percents may not add to totals shown.

Complaints, by sector

For this report, industrial products have been classified into 23 sectors and agricultural products into 9 sectors (see Part III). Respondents in the Commission's survey named in their complaints some products in all 32 of the sectors.

The number and categories of complaints in each of the sectors is shown in table 6-E. Over half of the complaints were in one-fourth of the sectors. The eight sectors drawing the largest number of complaints were:

- Transport equipment
- Chemicals
- Nonelectrical machinery
- Electrical machines and apparatus
- Ores, metals, and metal manufactures
- Beverages and spirits
- Foodstuffs
- Textiles.

The remainder of this chapter is a summarization of the principal non-tariff barriers. These are discussed in greater detail in Part II of this report.

Table 6-E.--Total number of complaints, by type of complaint and product sector

Sectors	Total	Nontariff charges on imports	Quantitative restrictions and similar specific limitations	Government participation in trade	Standards	Customs procedures and practices
Industrial Sectors						
Total, all industrial sectors	3,325	80.7	937	1,184	495	253
I-1 Nonelectrical machinery	296	7.2	50	101	60	43
I-2 Transport equipment	612	14.9	367	149	47	21
I-3 Ores, metals and metal manufactures	217	5.3	47	92	38	17
I-4 Chemicals	394	9.6	64	148	55	43
I-5 Textiles	156	3.8	19	86	17	8
I-6 Electrical machines and apparatus	235	5.7	35	83	49	38
I-7 Pulp, paper and paperboard, and manufactures	83	2.0	24	24	19	2
I-8 Coal, petroleum, natural gas	125	3.0	20	70	29	3
I-9 Mineral products and fertilizers, ceramic products and glass	84	2.0	9	41	18	6
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches	108	2.6	18	41	12	16
I-11 Wood and cork and manufactures	40	1.0	3	11	3	17
I-12 Precious stones, precious metals and manufactures	33	.8	6	18	2	3
I-13 Rubber and rubber manufactures	20	.5	4	7	2	-
I-14 Raw hides and skins, leather and furskins and manufactures	44	1.1	14	25	2	2
I-15 Footwear and travel goods	30	.7	3	18	1	2
I-16 Musical instruments, sound recording or reproduction apparatus	79	1.9	21	19	28	1
I-17 Firearms, ammunition, tanks and other armored fighting vehicles	12	.3	1	6	2	1
I-18 Furniture	16	.4	5	8	2	-
I-19 Toys and sporting goods	28	.7	8	9	1	1
I-20 Photographic and cinematographic supplies	128	3.1	34	51	30	4
I-21 Works of art and collectors' pieces	2	2/	-	2	-	-
I-22 Office and stationery supplies	51	1.2	24	24	2	-
I-23 Manufactured articles not elsewhere specified	57	1.4	4	23	14	6
I- Products not specified	475	11.5	157	126	62	19
Agricultural Sectors						
Total, all agricultural sectors	794	19.3	154	303	108	183
A-1 Foodstuffs	162	3.9	18	65	14	56
A-2 Grains	51	1.2	11	16	21	2
A-3 Animals and products thereof	145	3.5	17	81	5	37
A-4 Oil seeds, fats and oils, and their products	47	1.1	15	21	7	3
A-5 Beverages and spirits	168	4.0	58	41	27	27
A-6 Dairy products	65	1.6	14	31	12	6
A-7 Fish, shellfish and products	51	1.2	3	15	5	22
A-8 Tobacco	43	1.0	13	11	13	3
A-9 Miscellaneous agricultural and forestry products	64	1.6	8	22	4	27
Total 1/	4,119	100.0	1,094	1,487	603	436

1/ Total counts are not the same as those in tables 6-B and 6-D because a single complaint in those tables may involve more than one subject sector and not all complaints specified a product.

2/ Less than 0.5 percent.

Source: Compiled from submission to the Tariff Commission.

Note.--Due to rounding, percents may not add to totals shown.

Quantitative Restrictions and Similar Specific
Limitations on Trade 1/

Quantitative import and export restrictions, the most obvious and easily identifiable nontariff barriers to trade, appear in three basic elemental forms: Embargoes, where trade is prohibited; absolute quotas, where a specified maximum amount of trade is permitted in a given period; or licensing systems, under which administrative officials have discretionary authority to permit trade. Other indirect, more sophisticated and subtle quantitative restrictions include: Exchange controls, where foreign exchange to pay for imports is limited and allocated by kind, quantity, and source of goods; local content and mixing regulations, where specified amounts of local products are required with consumption of a unit of a foreign product; minimum or maximum price controls, permitting trade only above or below stipulated prices; restrictive business practices, under which cartels or similar arrangements control market access; and discriminatory bilateral agreements, where two countries agree to purchase specified amounts of given products from each other before purchases are made from third countries.

The restrictive effects of these controls can vary considerably. Absolute quotas may exceed the level of imports which will enter under existing market conditions or may be extremely restrictive; licensing systems can be "automatic," "liberal" or exceedingly restrictive. Several quantitative restrictions may be applied together, such as a quota and exchange controls, or a quota administered through licensing. Licensing used to administer quotas may restrict imports at announced levels, control

1/ See chapter VIII for a detailed discussion of quantitative trade restrictions.

trade at levels not publicly announced (discretionary controls), or enforce regulations such as sanitary requirements. Even where licensing is "automatic" it is an objectionable barrier to trade because of the uncertainty it creates, the possibilities of delays and discrimination in granting of licenses, and the additional documentation costs. The impact which quantitative restrictions can have on world trade has been demonstrated on a grand scale just recently by the embargo on oil exports by producing countries in Africa and the Middle East.

Quantitative limitations have generally been considered by economists as the most objectionable of all trade barriers. Other methods of limiting trade, such as tariffs, are said to be preferable because they still leave open to consumers the possibility of choosing an imported product (admittedly at a higher cost) and to foreign producers the possibility of improving their position by lowering their own prices. Nevertheless, other restrictions, such as variable levies, government procurement practices, certain industrial standards, or a prohibitive tariff are often equally as successful as quantitative restrictions in quashing trade.

Historically, the United States opposed quantitative restrictions on trade and used the device very little against U.S. imports until the world depression of the 1930's. After World War II, the United States supported the movement away from trade barriers through the General Agreement on Tariffs and Trade (GATT). Although the GATT prohibited the use of quantitative restrictions against imports, there were important exceptions to the prohibition, notably in the case of a country experiencing balance of payments difficulties. Quantitative restrictions continued to be widely applied until the late 1950's and early 1960's when developed countries

began to eliminate many of the restrictions imposed during and immediately after World War II.

Although there are numerous exceptions to the GATT prohibition on quantitative restrictions, the United States has persistently worked through the GATT to reduce remaining quantitative restrictions maintained by its principal trading partners. By the late 1960's a relatively small list of products (mostly agricultural) remained under quantitative restriction in these countries. In some instances, however, "voluntary" export restraints (which are not controlled by GATT regulations) have been used instead of quantitative restrictions on imports. Countries compelled to apply export restrictions argue that the country to which their exports are limited is unfairly relieved of obligations which would ensue if the country had imposed quantitative restrictions on imports, but the restrictive effect of voluntary export restraints is exactly the same as import quotas.

Trade complaints against quantitative restrictions

Quantitative restrictions were the target of nearly one-third of all complaints against trade barriers submitted to the Tariff Commission in the present investigation, and the three basic elemental forms drew two-thirds of the complaints in this area. Twenty-eight percent of the complaints against quantitative restrictions concerned licensing requirements; embargoes and quotas each received about 20 percent of the complaints; and 10 percent were against exchange and monetary controls. Almost 60 percent of the complaints were against quantitative restrictions in developing countries, slightly less than 40 percent were against developed nations, and a few were against countries of the Eastern Trading Area.

U.S. quantitative restrictions drew more complaints than those of any other single nation, but less than the total of complaints against either the European Community or EFTA countries. Over 60 percent of the complaints were against developing nations. Complaints against developed countries primarily concerned quotas, while licensing practices were the object of most of the complaints against LDC's.

The pattern of actual restrictions contrasted sharply with the distribution of complaints received by the Commission. For example, the countries of the European Community represent about half of the counted restrictions but received only 27 percent of the complaints. The United States and Japan, on the other hand, each had about 5 percent of the restrictions, but accounted for about one-fifth (each) of the complaints. About 80 percent of the complaints were in the industrial sector; only 20 percent concerned agricultural products, where some of the more significant restrictions are found.

Consumer costs of quantitative restrictions

Economists and others have devised various estimates of the cost to consumers of quota restrictions on trade (including voluntary export restraints), usually as a theoretical determination of the gross additional amount consumers must pay in a given period because of the increase in prices resulting from limitations on supply. Costs borne by consumers through increased prices due to quantitative restrictions are said to be more burdensome in other countries than in the United States because of the lesser relative importance of foreign trade in the U.S. economy. Various estimates of the costs to the U.S. consumer of U.S. quantitative restrictions have been made, the estimates showing at least several billion dollars of net gains in U.S. welfare if quantitative restrictions were

lifted and a projected increase of nearly \$37 billion in U.S. net welfare over a 15 year period if U.S. quantitative restrictions in place in 1972 were eliminated.

Patterns of quantitative restrictions of the
major trading countries

The Tariff Commission did not attempt an analysis of the trade and price effects of quantitative restrictions, but attempted to measure the frequency of occurrence and general importance of quantitative restrictions applied by the major trading countries. Restrictions in effect in 1970-71 were counted and crudely weighted according to the burdensome nature of a particular restriction (e.g., heavier weights for quotas than for automatic licensing). Chapter VIII presents various analyses of the ranking of use and importance of quantitative restrictions.

Conclusions reached from an analysis of quantitative restrictions in 16 major trading countries indicate that France exhibits the heaviest use of such measures, followed by (in this order) Italy, the United States, West Germany, the United Kingdom, Japan, Netherlands, Belgium-Luxembourg, Canada, Austria, Norway, Portugal, Switzerland, Denmark, Ireland, Sweden, and Australia. The study indicated that among the countries, quantitative restrictions tend to be found on similar products. When the restriction count is weighted by the level of trade, the high concentration of quantitative restrictions in agricultural products is apparent, as well as their heavy use in certain industrial areas by some countries (such as France and Italy). The six product sectors having the heaviest concentrations of quantitative restrictions are foodstuffs; coal, petroleum, and natural gas; animals and animal products; grains; beverages and spirits; and textiles. These sectors account for 70 percent of the total trade-weighted restrictions.

A few countries (e.g., France, Italy, Norway, and Sweden) tend to use quantitative restrictions to complement tariffs, but evidence generally indicates that such restrictions do not substitute for tariffs on a broad product sector basis. A comparison of quantitative restrictions across countries for product sectors revealed that countries tend, broadly speaking, to protect the same products with tariffs, and also to apply quantitative restrictions to the same products.

"Voluntary export restraints" and other export controls

"Voluntary export restraints" are a 20th century innovation in non-tariff barriers. The effect of "voluntary" export restraints is similar to that of a quota for the country which was to receive the exports, but the exporting nation cannot exercise rights of compensation which would be permitted under the GATT if the importing country had imposed the equivalent restrictions on its imports. Many countries have used this device to limit imports from other countries. Japan, which has exercised "voluntary" export controls on numerous products, including steel and textiles shipped to the United States, claims that it was forced into such action by the threat of more stringent protectionist action in the United States. The advantage to the exporting country of such controls is that it can distribute the impact of decreased exports among its producers, and that it may be able to more easily bring about the end of such controls than it could in the case of restrictions imposed by the importing country. European Countries, the United States and Canada have used "voluntary restraint" agreements to limit exports from the major producers of textiles since the 1950's.

Textiles.--Controls on trade in cotton textiles were established among 30 countries under the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA). The LTA, promoted by the United States and sponsored under GATT, became effective in 1962. The agreement allowed importing countries experiencing domestic market disruption to request exporting countries to limit shipments of cotton textiles, or impose import quotas if such requests are not granted. The LTA also provided for bilateral agreements to control trade between countries, a device that has been used by the United States increasingly in recent years.

Numerous textile restraints have also been imposed by Canada, Australia, and European countries, largely directed against exports by Asian textile producers but also against other countries. Many of these restrictions (often pre-dating the establishment of the LTA) were incorporated into the machinery of the LTA, but some are broader than U.S. restrictions, covering manmade fibers and wool as well as cotton textiles.

There was an enormous increase in U.S. importation of manmade fiber textiles, probably resulting from U.S. restrictions on cotton textiles. As a result of pressure from the industry, the U.S. Government obtained agreements with Hong Kong, Korea, Taiwan, Japan, and Malaysia in 1970 and 1971 to control wool and manmade fiber products in a manner similar to that existing for cotton textiles. These five countries accounted for over half of U.S. imports of wool and manmade fiber products in 1971.

The LTA for cotton textiles expired on December 31, 1973, at which time it was subsumed by a multifiber "Arrangement Regarding International Trade in Textiles." The new agreement contains many of the provisions which the LTA had for cotton, but extends the coverage to wool and manmade

fibers. It also establishes an international "Surveillance Body" to supervise its implementation.

It has been estimated that restraints on trade in textiles and apparel annually cost the American consumer \$1 billion.

Steel.--Rapidly increasing U.S. steel imports during the 1960's led the United States to conclude agreements with Japan, the United Kingdom and the European Community to "voluntarily" restrain steel mill product exports to the United States.

Other "voluntary restraints".--In addition to the widely publicized export controls on textiles and steel, lesser known controls have been exercised for some time by Japan over a wide range of goods exported to many countries. During the past few years, some 25 items, other than textiles and steel, have been subject to quantity and price controls when exported by Japan to the United States. These items accounted in 1970 for about 9 percent of Japanese shipments to the United States. Several dozen items have been subject to such controls if shipped to other countries.

The avowed purposes of the Japanese controls are to maintain orderly shipments or orderly marketing. However, they are more often a means of preventing erection of more onerous trade barriers by the importing countries. Japan contends that no other country must enforce "voluntary" restrictions over so many export items. However, "voluntary" restraints apparently are considered preferable to other alternatives.

In 1964, the Meat Import Act set up quotas for U.S. imports of meat of cattle, sheep (except lamb), and goats, with the quota varying directly with U.S. production. In 1968, "voluntary" export restraints were set up, with the burden of the restraint falling upon Australia and New Zealand,

the two major suppliers. In 1972 the quotas, applying to 14 countries, were suspended by the President for the balance of the year to counteract rising meat prices, and have been suspended continuously since then.

In recent years, Mexican exports of strawberries and tomatoes to the United States have been "voluntarily" restrained. In 1968, an agreement was made with Taiwan to limit exports of canned mushrooms to the United States. Efforts have been made to reinstitute a similar agreement with both Taiwan and the Republic of Korea. The International Coffee Agreement, originally set up in 1962, established export quotas to stabilize prices. The program was administered by the International Coffee Organization. The United States and other importing countries which are members of the organization control imports from both member and nonmember countries.

Exports are sometimes controlled for military or strategic reasons, or to conserve domestic supplies, or for political purposes. The United States has employed major restrictions on its export trade with the Communist countries for over 20 years. Japan, the United States, and NATO countries (except Iceland) have had multilateral controls on exports of "strategic" items to Communist countries since 1950. Support for such controls among U.S. allies gradually eroded and the United States began moves to liberalize trade with Communist countries in 1969, culminating in 1972, with liberalization of U.S. trade with the Peoples Republic of China. Several countries have restricted exports of products in short supply. The recent limitations on oil exports from the Middle East have had worldwide attention.

Exchange controls and other monetary and
financial barriers to trade

The term, "financial barriers to trade," refers to restrictions on international movement of payments for goods and services or for the use of financial capital. These restrictions, found principally in developing countries, limit the flow of real goods and services by slowing the flow of trade in a manner similar to tariffs and other nontariff barriers. Common examples of such financial barriers are foreign exchange controls and other regulations on the method and time of payment for imports. Even though manipulations of exchange rates for balance of payments purposes generally are accepted as complying with the rules set up by the International Monetary Fund, exporters consider them to be financial barriers to trade. Many developing countries, such as Brazil, use or have used different rates of exchange for different products (effectively a form of protection).

Another common type of financial barrier, again used particularly by developing countries, is the prior import deposit, which is discussed in chapter VII dealing with nontariff charges on imports.

The Japanese payments system, involving import licensing and apparently a hangover from the time when Japan was in a deficit position in its balance of payments, has been criticized by numerous complainants. The United Kingdom used extensive restrictions on foreign exchange during the devaluation of the pound in 1967.

Financial barriers to trade are sometimes allowed by rules of the IMF and the GATT, and they are sometimes an integral part of a general protection system and domestic economic policy. Thus it is difficult to study them

in isolation. Chapter VIII discusses problems in international exchange rates and IMF rules governing exchange rates and attempts to give an indication of the level of financial restraint and the ease of financial payments flows from various countries. In general, payments from developed countries tend to be fairly prompt, while payments from developing countries tend to be delayed. Countries with balance of payments difficulties tend to have slower payments. Taking into account balance of payments difficulties, Brazil, Venezuela, and to a lesser extent Japan seem to have poorer payments records than warranted by their balance of payments positions. This could be a weak indication that financial restrictions on the outpayment of dollars to the United States might have been stronger than needed by these three countries, given their general financial situations. Generally, there seems to be linkage between balance of payments difficulties, poor international credit ratings, and financial barriers to trade.

Restrictive business practices

Restrictive business practices are practices engaged in by one or more private or public commercial enterprises, or by any combination, agreement, or other arrangement between such enterprises, that restrain competition, limit access to markets, or foster monopolistic control. Where such enterprises possess effective control of trade among countries, the restrictive business practices involved constitute barriers to trade. While governments have been eliminating official barriers to trade, there has been little control or attention focused on trade barriers created by private organizations. Although in 1960, the Contracting Parties to the GATT recommended bilateral or multilateral negotiations to limit restrictive business practices on the petition to one contracting party by another, the procedure

does not seem to have been used. The Treaty of Rome and the Stockholm Convention, respectively establishing the European Community and the European Free Trade Area, contain rules to control restrictive business practices.

Cartels, in which independent business organizations combine to restrain competition, are largely illegal in the United States, whereas in Europe they are permitted and sometimes encouraged. U.S. antitrust laws make the dominance over an industry illegal, while European law tends to make illegal only the misuse of a dominant position, not the dominance itself. European governments and Common Market policy permit and in some cases encourage agreements which tend to rationalize production and regularize markets.

Major types of cartels are: Import cartels, which collectively limit the total amount of specified imported goods, determining the sources of supply and/or fixing the prices and terms of purchase; rebate cartels, which discourage purchases from sources outside the cartel by granting rebates on the purchase price; patent pools, where companies share patent rights and divide markets among participants in the pool; and export cartels, by which competing firms agree to fix export prices or conditions of sale, establish quotas for export, or allocate export markets. Import cartels, rebate cartels, and patent pools are illegal in the United States, but allowed to exist in Europe.

Export cartels are legal in the United States and a number of such cartels exist. In many countries, export cartels are tolerated more freely than other types of cartels. Japanese export cartels are most prominent in textiles, but also exist for chemicals and chemical products as well as in almost all industry groupings.

In addition to national cartels, there are several international cartels, especially prominent in Western Europe (where they were apparently sanctioned or encouraged by both national governments and the European Community). Such cartels account for a sizeable share of international trade in a wide range of raw materials and manufactured products.

A more recent evolution of restrictive business practices is the rapid growth of multinational corporations, with affiliates largely controlled by U.S. parent companies. Although there are indications that multinational corporations may be, on balance, favorable for world trade, in many instances they are alleged to restrain competition in international markets and have a distortive effect on international trade.

In addition to cartels and multinational corporations, large single firms, such as the Nippon Telephone and Telegraph Company in Japan can restrain trade through dominant purchasing power. Another restrictive business practice is the common governmental requirement that transport be carried in national ships and planes. Other restrictive practices include policies of labor unions, which are claimed to exert pressure on importers to cancel orders.

Discriminatory bilateral agreements

Bilateral trade agreements between countries granting special trade privileges to each other discriminate against third countries through such devices as preferential financial arrangements or commitments to purchase prescribed amounts of specified commodities from the bilateral partner before purchases are made from third countries. About three-fifths of the complaints received by the Tariff Commission against discriminatory bilateral agreements were against less developed countries, and the

remainder were equally divided between centrally planned and developed market economy countries (all of the latter were European countries). Such complaints against European countries dealt primarily with discriminatory bilateral agreements with either former colonies or with centrally planned economies.

Discriminatory sourcing is one type of bilateral arrangement which favors specific countries as sources of certain imports. The usual case with this barrier is that a developed exporting country imposes on a developing country the obligation to buy its products as a condition for financial aid, or by offering the products on extremely favorable terms. Such arrangements, which distort commercial choice in international trade, are used in the foreign economic assistance programs of all major countries, including the United States, Canada, and Japan. State trading organizations also commonly exhibit a bias in the sources of their purchases. In other cases, such as French trade with its former African colonies, long-standing trade patterns or cultural ties override economic considerations in choosing the source of imports.

Nontariff Charges on Imports 1/

In most countries, imports must pay a variety of charges in addition to a customs duty. These may be collected at the border, or later in the distribution channel (e.g., at the point of consumption or as the product is being used). Some charges, such as European variable levies, are protective devices used to restrict imports, while others, such as U.S. excise taxes or the tax on value added in Europe, are collected to equalize tax treatment of imported goods with that of domestic output. Some charges such as port taxes are levied in payment for services, while others cover fees for sanitary inspections or the cost of compilation of statistical data on trade. Sometimes import "surcharges" are levied by a country with a serious balance of payments deficit.

Nontariff charges on imports were second only to quantitative restrictions in the number of complaints received in the Tariff Commission's survey of trade barriers. This is perhaps because, like quantitative restrictions, the charges are more highly visible and directly restrictive than many trade barriers. Almost one-fifth of the complaints were against charges, such as sales taxes, use taxes, etc., which generally do not discriminate between imported and domestic products, and several of the complaints were against charges, such as statistical taxes and stamp taxes, which are customarily nominal. Among the charges that were clearly identified as to type, the most frequently mentioned, by far, were the various forms of border tax adjustments, followed by port, statistical and similar entry taxes.

1/ See chapter VII for a detailed discussion of nontariff charges on imports.

About 85 percent of complaints concerned industrial products, and about 15 percent the agricultural area; a division almost identical with the distribution of U.S. trade. By far the largest area of industrial complaint was in the transport sector (two-fifths of complaints), largely concerning automobiles. In number of complaints, no other industrial area approached the importance of transport equipment, but chemicals; nonelectrical machinery; ores, metals and manufactures; electrical machines and apparatus; and photographic and cinematographic supplies were prominent in the complaints.

Of the nine agricultural sectors, the largest area of complaint was in beverages and spirits (one third of complaints), with most of the other sectors receiving roughly equivalent percentages of complaints.

Variable levies

Variable levies are charges on imports in lieu of or in addition to normal customs duties. The levies vary far more frequently than normal customs duties, sometimes daily, and are intended to diminish or eliminate any comparative economic advantage of imports in relation to domestic goods. The most frequent use of variable levies has been to raise the cost of imports to stipulated minimum prices, probably most commonly in connection with domestic agricultural support programs. Variable levies (often with other names, such as "special customs duty") are often collected under laws or regulations other than a country's customs law, and are frequently claimed by the countries applying them not to be customs tariffs and thus not subject to the same treatment in trade negotiations as customs tariffs.

Variable levies have risen to great prominence in the past decade because the European Community made the variable levy an essential element

in its Common Agricultural Policy (CAP). The variable levy thus affects a large segment of world trade and is probably the most important single measure adversely affecting U.S. exports. Variable levies exclude imports from price competition with domestic products just as do import quotas. Some shippers find the variable levy more onerous than import quotas because of the uncertainty for traders caused by the frequent changes in rates and consequent changes in the amounts of imports which are able to enter.

Variable levies are found in several countries outside the European Community, including Austria, Denmark, Finland, Greece, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. In 1971, U.S. agricultural exports to these countries (accounting for over 35 percent of total U.S. agricultural exports in 1971) increased by 9 percent over 1966 levels, while exports to other countries increased by 13 percent.

Variable levies in the European Community.--Under the European Community's Common Agricultural Policy (CAP), the Community has chosen to maintain farm incomes through price supports instead of domestic income supplements. Support prices under the CAP have frequently been set substantially above world market prices, necessitating a control on imports. The variable levy was chosen to prevent imports from interfering with domestic price support programs.

By 1968, the CAP (implementation of which began in 1962) had created a single Community market for most agricultural products. The variable levy, protecting domestic prices, is a basic feature of this system. Except for indirect controls on sugar, there are no production controls; and export subsidies are used to dispose of excess production.

Details vary by product, but in general, the amount of the variable levy is the difference between the lowest offer price on the world market and an internal Community support price. The level of the tax is set so that the lowest cost imports cannot undercut the highest cost producers within the Community; this procedure tends to increase the prices of imports above those for domestic goods. Examples of the ad valorem equivalents of variable levies at a fixed point in time show an extremely wide incidence of duty levels, ranging from 2 percent to 480.2 percent. Rates on individual products are subject to wide fluctuations.

The three new members of the European Community, the United Kingdom, Ireland, and Denmark, have agreed to accept the EC price and marketing systems for agricultural products and the EC price support levels over a staged transition period extending until December 1977. In February 1973, the new members installed CAP procedures for guaranteed or support price, market intervention (price support buying), and variable levies for the major products, which became eligible for export subsidy payments.

Devices used under the CAP--including variable levies to limit or exclude imports, support of internal prices at high levels, a general absence of production controls and export subsidies and other measures to remove excess production--have produced continuing rising agricultural prices (and increasing food costs to EC consumers), impressive increases in EC agricultural production, and an increasing necessity to subsidize the disposal of excess production in the world market.

Trade impact of EC variable levies.--The effect of the EC's variable levy system has been pronounced, relegating the United States and other supplying nations to the role of residual suppliers in the EC market for

products covered by variable levies. Exporting nations have complained that in addition to being deprived of the chance to compete through price, their opportunities have been further limited because of uncertainty of the levels of charges and the different interpretations of regulations among EC member countries.

The impact of the variable levy and its companion measures has been significant. From 1961 to 1970, the value of U.S. agricultural exports to countries outside the Community grew more than twice as much as exports to EC countries. For U.S. export commodities affected by the levy in 1971, the growth of exports from the 1959-61 period was less than one-fourth that of commodities not subject to the levies.

Although the absolute value of U.S. sales of agricultural commodities to the European Community increased between 1961 and 1970, the U.S. share of the import market declined in favor of increased trade among EC member countries. Other third countries have also experienced increasing difficulty in exporting to the Community, thus causing increased competition in other agricultural markets. While the U.S. share of the EC import market declined from 14 percent in 1961 to 11 percent in 1970, the share held by intra-EC trade increased from 20 percent to 36 percent. If the growth of agricultural exports between 1961 and 1971 had followed the same trend as in the 1954-61 period (before the introduction of the CAP), EC imports of U.S. agricultural commodities would have increased 150 percent (instead of less than 50 percent), while intra-EC trade would have increased only 122 percent (instead of 238 percent). As the CAP is extended to the new EC members (the United Kingdom, Ireland, and Denmark), the severity of the impact on U.S. agricultural exports will undoubtedly increase.

Although the aggregate level of U.S. agricultural exports to the Community has increased substantially above levels prior to the CAP, much of the increase has been in products not subject to the variable levy. The slight increase in U.S. exports of products subject to the variable levy in 1968-70 over the 1959-61 levels has been largely due to increased U.S. corn exports, the result of a rapidly expanding livestock and poultry industry within the Community. For some other products covered by variable levies such as rice, wheat and wheat flour, U.S. exports to the Community have shown little growth and U.S. exports to the Community of grain sorghums, barley, oats, and poultry have suffered severe declines from 1959-61 levels. The largest increases in U.S. agricultural exports to the Community have been in oil seeds, oil cake and oil meal, which (along with tobacco) were bound under the GATT in the Dillon round of tariff negotiations and thus not subject to large duty increases through use of the variable levy.

Variable levies in the United Kingdom.--From 1947 through 1971, the United Kingdom's agricultural policy emphasized income supplements to farmers (through a deficiency payments system) rather than price supports. Both import duties and market prices remained relatively low. Movement away from the deficiency payment system for grains began in 1964, with a grains arrangement between the United Kingdom and Argentina, Australia, Canada and the United States. Minimum import prices, normally slightly below world prices were supported by levies (often at nominal rates). After 1964, most other suppliers became parties to the arrangement, which was designed to limit imports at rates below normal world prices. Uncertainty about United Kingdom variable levies was eased by announcement of

anticipated future charges, with the importer receiving the lower charge, if the actual levy on pre-arranged imports differed from the anticipated levy. ^{1/}

In 1971, with the prospective entry of the United Kingdom into the European Community, a complete shift from the deficiency payment system was made toward the EC system of higher tariffs and minimum import prices supported by variable levies. Variable levies were extended to such commodities as beef and veal, certain dairy products, eggs, and poultry. The United Kingdom is to conform to EC agricultural regulations over a 5 year transition period, with staged increases in agricultural support levies, raising the level of protection on over 80 percent of U.S. agricultural exports to the United Kingdom.

U.S. and other third country agricultural exports to the United Kingdom are expected to decline. Declines may be expected in U.S. exports of beef, milk and milk products, poultry, eggs, lard, sugar, wheat, feed grains, and certain fruit. The United Kingdom could become self sufficient in beef and veal and might even achieve a small surplus in grains through entry into the Community. CAP incentives could make the United Kingdom a net exporter of pork, poultry, and eggs.

Variable levies imposed by other countries.--A number of other countries employ variable levies on numerous agricultural products. Countries employing variable levies include Austria, Denmark, Finland, Greece, Spain, and Sweden. Although some of the major U.S. export products (such as tobacco in most of the countries and soybeans and dried fruit in several) are not subject to variable levies, other items of importance in U.S. agricultural exports to these countries are covered by variable levies which suppress trade (e.g., chicken meat to Austria and Greece).

^{1/} For further details see chapter VII, p. 27.

Sweden has exempted a few of its agricultural imports from EFTA countries from variable levies, and Finland has introduced legislation to exempt EFTA agricultural imports from the levies. Denmark is to make its agricultural system conform to that of the European Community over a 5 year transition period.

Border tax adjustments for internal taxes

A border tax adjustment is defined as any fiscal measure which enables imported products to be charged with a tax equivalent to that assessed in the importing country on similar domestic products, and which enables exported products to be relieved of a tax charged in the exporting country on domestic products sold to consumers in the home market. Thus, "border" tax adjustments include taxes on imports not only at the time of importation, but also at any subsequent point in the distribution channel, and any exemption from taxes on exports, in addition to the repayment, upon exportation, of taxes already collected on products which are exported. Under this general definition, virtually all countries make some kind of border tax adjustments on their imports and exports.

Under international practices incorporated into the General Agreement on Tariffs and Trade, indirect taxes (usually called consumption taxes or taxes on products) are considered eligible for border tax adjustments. Direct taxes (e.g., income taxes, profits taxes, etc.) are not regarded as eligible.

Foreign nations rely more heavily upon indirect taxes for government revenue than does the United States. The major consumption taxes in foreign tax systems, with respect to imports, are collected when the goods enter the country, rather than later in the distribution process. Thus, beyond

the regular import duties, products imported by these countries are immediately assessed with border taxes which are generally substantial and highly conspicuous. Moreover, products exported from these countries are shipped abroad at prices substantially below the internal domestic price because the consumption tax is not collected on the exported goods (or will be refunded if it has been collected).

On the other hand, only a few products imported into the United States are subject to a border tax adjustment at the time of entry. Generally, U.S. border tax adjustments are found later in the distribution channel, principally as state and local sales taxes. For the great majority of U.S. products, the differential between domestic and export prices which is attributable to the exemption of imports from internal consumption taxes is far lower than the price differential found in products of most other major trading nations resulting from the exemption of their exports from their domestic consumption taxes.

Many U.S. businessmen feel that their competitive position is prejudiced because the cost of entry of their products into foreign markets bears both U.S. and foreign taxes, while a foreign product's cost of entry into the U.S. market is lowered since it bears less foreign taxes and no U.S. taxes. Most economists argue that the link between border tax adjustments and trade is less direct, though they agree that there may possibly be some temporary adverse trade effects for foreign suppliers in the short-run resulting from border tax adjustments. The European businessman, with his own product subject to the substantial consumption taxes, views the assessment of the same tax upon imports as fair and equitable, but he does regard the remission of the tax on exports as a bonus or subsidy for his operations.

The extent to which foreign border tax adjustments may create a disadvantageous competitive situation for U.S. producers is entirely dependent upon the degree to which direct taxes are shifted forward to be borne by the consumer, and to which indirect consumption taxes are shifted backward to be borne by the producer rather than the consumer. There is little empirical knowledge on tax shifting. Most current economic theory recognizes the possibility of some backward shifting of general consumption taxes onto the factors of production in certain circumstances, and is generally recognized that if tax shifting for either consumption or profits taxes occurs, the extent to which the tax may be shifted depends on general economic factors in the relevant country.

General border tax adjustments, such as those for the value-added tax (VAT) widely used in Europe, under certain economic conditions, can affect trade in a manner similar to an exchange rate change. Changes in tax rates and accompanying border tax adjustments can theoretically disturb trade over short periods of time.

Purpose and operation of border tax adjustment in the tax system.--

Border tax adjustments seek to compensate on traded goods for the price effects of an internal tax. For a long time, the assumption of policy-makers has been that indirect taxes will be very largely, or entirely, passed along to the final consumer.

Border tax adjustments can be trade neutral (having no distortionary effect on trade), or they may distort trade if, for example, a different rate is applied to domestic products consumed in the home market or the mix of economic circumstances requires that the consumption tax is not totally shifted forward to the consumer. The magnitude of the trade

distortion depends on the magnitude of the difference between the border tax adjustment and the domestic price increase at the time of the institution of the indirect tax.

Border tax adjustments in the context of general equilibrium theory.--

A really meaningful economic analysis of border tax adjustments can only be made in the context of all relevant factors which are constantly exerting their force toward a general equilibrium in the economic world. In such a context, where many aspects of the economy impinge on the final results of an indirect tax increase, several points should be remembered. The border tax mechanism can be used to allow an extra improvement to be made in the trade balance during a period of government deflationary economic policy. However, it can also be managed to produce the opposite effect. In the situation where the competitive position of domestic firms is improved through the border tax mechanism, the inflationary policies which enable this can also have strong adverse effects. Any trade gains made in conjunction with border tax adjustments and domestic policies may last only for a short period of time, and the long-run result may be quite different from the short run.

A general classification of taxes and principles of their application.--

Taxes are often divided into two broad categories: direct and indirect. The main point of distinction between direct and indirect taxes is their point of payment in the income/expenditure cycle of the public. Direct taxes are levied directly on individual income; indirect taxes are usually levied on goods and services (therefore, only indirectly on incomes). It is popularly held that the burden of a direct tax cannot easily be shifted to some other persons by the person on whom it is levied, but an indirect tax can be easily shifted on to someone else.

To avoid double taxation of incomes in internationally traded goods, it is longstanding international practice that products be subject either to the taxes of the exporting country (the country of origin principle) or to the taxes of the importing country (the country of destination principle). Since the origin principle is usually applied to direct taxes and the destination principle to indirect taxes, income taxes are generally imposed according to where income is earned, while consumption taxes are imposed according to where goods are consumed.

The destination principle vs. the origin principle in border tax adjustments.--If border tax adjustments were applied according to the origin principle instead of the destination principle, the indirect tax over the long run would be fully absorbed by wages and profits and wages and capital prices would be below what they would have been if the destination principle had been applied (at the same exchange rates). However, consumers' real income would be the same under either the origin or destination principle provided the ratio of total taxes to GNP was the same under both tax adjustment schemes.

If two economies have equal total tax burdens, with all other conditions equal except the tax systems and with a proper constant exchange rate between them, one economy could use the origin principle and the other the destination principle, and neither would suffer a comparative disadvantage in world trade in the long run because of the difference in principles used. Provided wages and profits have had sufficient time to adjust, a country which relies more on the origin principle of taxation (associated with direct taxation) than on the destination principle does not suffer a comparative disadvantage in trade in the long run.

Trade effects of internal tax changes.--Several generalizations can be drawn about the situations that might lead to trade balance changes in conjunction with certain taxation changes. Any movement from the origin to the destination principle creates a possibility for a trade balance movement if other economic conditions permit. An indirect tax increase can cause such a movement if other conditions stay the same, since an indirect tax increase would constitute a movement from the origin principle to the destination principle (relatively) for the entire tax structure. Any movement from the destination principle to the origin principle can create the conditions for a possible deterioration of the trade balance in the short run.

Looking at data for the United States and several major trading partners for the period 1951-70, it appears that absolute differences in indirect tax shares can and do persist between countries over periods in which trade balances have oscillated from surplus to deficit. The data show that from the early 1950's to the mid-1960's, any trade effects that resulted from changes in indirect taxes have probably been in the long run neutral or even a positive factor for the U.S. trade balance. From the late 1960's, some European nations have started to reverse the long term trend and created a possibility for slight temporary improvements in their own trade balance through domestic policies plus border tax adjustment trade effects.

Comparative tax burdens and tax systems.--In examining some general data on taxation in the major trading nations and on tax systems in general, it is seen that taxes have grown relative to GNP for most of the countries over the decades of the 1950's to the 1960's. In the decade of the 1960's,

the tax burden for most countries was quite similar and the U.S. tax burden was slightly below the average. If the tax burden measures exclude social security taxes, the relative tax burden positions remain roughly the same and the U.S. tax burden, though slightly below the average, is often slightly above that of the major Common Market countries. A measure of the direct corporate tax burden as a percentage of GNP shows that the U.S. corporate income tax burden is relatively high compared to most of the other countries studied (except Japan). If the corporate tax burden picture includes the contributions to social security, the corporate tax burden in the United States is about average, is below that of the Common Market countries and has been roughly the same (relative to the mean) over the time period covered (1953-1970).

Direct and indirect taxes in the major tax systems.--It is primarily in the area of the relative mix between direct and indirect taxes in the tax system that most industry complaints are found. Examining the ratio of indirect taxes to total tax collections for the major OECD countries with and without social security taxes, the ratios for the United States have been roughly 20 to 30 percent below the average over the past two decades. Looking at direct corporate income tax collections relative to indirect tax collections, the U.S. ratio, even when corporate social security payments are included, is almost 30 to 40 percent higher than the mean in the 1960's. It also appears that the United States has not changed its mix of indirect taxes relative to the average of all countries very much over the last 20 years. Even when social security payments of business are included, the United States does rely much more on direct business taxes compared to indirect taxes than the average OECD country.

The principal border tax adjustments in selected countries.--The principal indirect taxes in Canada are a manufacturers sales tax, federal selective excise taxes, and provincial sales and excise taxes. The European Community (including the United Kingdom) is using the value-added tax. Presently, two members apply a single VAT rate; three have two rates; two have three rates, and two have four rates. Eventually the VAT rates are to be harmonized for similar goods. The United Kingdom and Italy have only recently adopted the value-added tax. All members of the Community also apply excise taxes on selected products.

The principal consumption tax in Japan is a single-stage "commodity tax" which is levied usually at the manufacture stage on a list of consumer goods other than foods, medicines, and some other essentials. Special Japanese excise taxes are levied on alcoholic beverages, sugar, and hydrocarbon oils.

In the United States, federal excise taxes apply to trucks, buses, and trailers, tires, gasoline, diesel and special fuels, lubricating oil, certain firearms, fishing equipment, sugar, alcoholic beverages and tobacco products. Most states and some local jurisdictions levy excise taxes on a fairly restricted list of products. Retail sales taxes are levied by state and local governments.

The U.S. proof-gallon/wine-gallon system.--A special situation in the application of border taxes which has had much attention for many years is found in the manner in which the U.S. excise tax on distilled spirits is assessed. In the United States, if a beverage tests 100 proof at the time the tax is assessed, it is taxed \$10.50 per gallon; if it is more than 100 proof, it is taxed a proportionate additional amount of the base tax; but if it is below proof, it still pays the full \$10.50 per gallon base rate.

Thus, the beverage which is assessed when it is below proof actually bears a higher tax per unit of proof.

For the domestic product, the tax is assessed at a point in the production process when the product is at or above 100 proof, and before it has been diluted with water to the lower proof at which it is normally bottled. Foreign producers may also have the tax levied at this point in the production process if they ship their product in bulk to the United States and have it bottled after entering the country. If the product is shipped already bottled, it normally has been already diluted and therefore must pay more tax than the competing bottle of domestic distilled spirits. In the strict legal sense, no discrimination can be found in the law. However, when viewed in the context of the customary conduct of a particular trade, a discriminatory result is found in the law's operation.

The effect of this so-called wine-gallon/proof-gallon method of tax assessment is that imported bottled spirits pay a significantly higher tax than domestic products and imported bulk products. Foreign producers of distilled spirits have described this situation as one of the major U.S. nontariff trade barriers.

Other charges

There are numerous other nontariff charges on imports. The better known are consular fees, stamp taxes, statistical taxes, port charges, and import surcharges. The Tariff Commission received almost endless descriptions of charges levied on imports, many of them in the last analysis actually border tax adjustments for internal taxes also assessed on domestic products. Some, such as port fees or import surcharges, are levied solely on imports. Others apply only to imports because there is no domestic production.

In complaints to the Tariff Commission, automobiles, motion picture films, and alcoholic beverages were stressed as products subjected to unusually heavy or discriminatory taxes or charges in many countries.

Automobile taxes and fees

Most countries of the world levy significant taxes or other charges on motor vehicles, especially passenger cars. These varied taxes are particularly numerous and usually at high rates in developing nations. Although these taxes may not appear to discriminate between foreign and domestic production or among foreign suppliers, in practice, the tax schedules tend to levy higher rates on the larger, more expensive models typical of U.S. production. In some cases, the taxes discriminate in favor of local assembly or use of local components. Many of the taxes, although applied to other products, are at higher rates for automobiles.

Film taxes

There are taxes on motion pictures in numerous countries, usually imposed by the national government, and frequently imposed as a theater admission tax. In several countries taxes are imposed solely on foreign-produced films, or the rates are higher on these films. Discriminatory fees or income taxes are applied to foreign films in some countries. Internal film taxes of some countries also discriminate among foreign suppliers. In several countries, proceeds of film taxes are used to aid production of domestic films. Some of the countries reported to apply these types of charges or practices include Algeria, the Arab Republic of Egypt, Argentina, Belgium, Brazil, Chile, Colombia, Denmark, France, Finland, India, Italy, Pakistan, Spain, Taiwan, Thailand, and Turkey.

Alcoholic beverage taxes

Many countries levy a variety of excise, consumption or special taxes on alcoholic beverages. Most of these may be defined as border tax adjustments because they are internal taxes levied equally upon imported and domestic products. Many are "stamp" taxes. Alcoholic beverage exporters and producers also complained of prior import deposit costs, port fees, and consular fees.

A few complaints were received concerning discriminatory tax treatment in relation to products typical of U.S. alcoholic beverage production. France taxes grain spirits at a higher rate than spirits produced from fruit. The U.S. method of assessing duty and tax on distilled spirits was criticized as discriminatory against imports of bottled spirits.

Port charges and maritime taxes

All ports charge taxes or fees on vessels and/or cargo using the port, usually to cover expenses relating to the port or to provide a return on invested capital. In some cases, the fees provide revenue for other purposes, such as to aid the national maritime industry. Fees customarily vary according to kinds of services used or types of cargo shipped. A number of different valuation methods are used. Particularly in developing countries, the charge may run as high as 12 or 15 percent of the c.i.f. value of the shipment.

Complaints against the amount of port charges were made in the Commission survey for shipments to Uruguay, Guinea, Libya, West Germany, Syria, the Arab Republic of Egypt, Turkey, Iran, South Africa, Switzerland, Sudan, Mexico, Taiwan, and Japan.

Statistical and administrative taxes and fees

Statistical fees are imposed in countries to cover the cost of maintaining adequate trade statistics, in a number of cases, applying to both imports and exports. Complaints against these taxes (ranging from 0.1 to 4 percent) were raised against Argentina, Austria, France, Italy, Peru, Switzerland, the Arab Republic of Egypt, and 11 countries of sub-Saharan Africa. In some countries the fee varies by duty status of the product. Italy exempts imports from other EC members from the tax.

Complaints against so-called "administrative" fees were raised against Afghanistan, Malaysia, Tunisia, Yugoslavia, and five Latin American countries.

Prior import deposits

Prior import deposit systems require importers to deposit a percentage of the value of an import (usually in a non-interest bearing account for a fixed term). Since World War II, such systems have been increasingly used to retard the flow of imports by countries with balance of payments difficulties. Countries without such difficulties have sometimes used such systems for control or surveillance of trade. In either case, the cost of imports is increased by preventing alternative productive uses of deposited funds. The amount of such deposits (collected in 20 to 25 countries) ranges from the relatively nominal fees effective in Japan until 1970 to rates in developing countries frequently above 100 percent and as high as 10,000 percent. The length of time the deposit is held also varies by country, and Indonesia was reported to keep deposits. Complaining companies dealt in chemicals, pharmaceuticals, tobacco, tools, photographic supplies and scientific apparatus, and their individual

estimates of resulting sales losses were as high as \$2 million. The GATT contracting parties have allowed the use of prior deposits only in cases of balance of payments difficulties, and have suggested guidelines limiting their duration and restrictive effect.

Consular fees

In many countries (principally developing countries) consular fees or charges must be paid by exporters, usually in relation to the issuance of a consular invoice or other required documentation for imports. Complaints against such charges as high as 7 percent of the c.i.f. value of shipments were raised against 23 countries, 14 of them Latin American countries. In some cases, where the fee was nominal, complaints were made against expenses incurred in fulfilling documentation requirements.

Stamp taxes

"Stamp taxes" are excise taxes paid through the purchase of stamps which must be affixed to articles or documents before they may be lawfully sold, purchased or used. The procedure is a common method for collecting excise tax on tobacco or alcoholic beverages or assessing taxes on the transfer of documents. In the Commission's survey, 47 complaints were received against the West African Customs Union and 21 developing countries, France, and Italy.

Surcharges

"Surcharges" on imports are taxes or levies applied in the same manner as customs tariffs, but in addition to the normal import duty; sometimes collected as a percentage of the normal duty. Nominal surcharges are collected for such purposes as port fees, statistical taxes, administrative taxes, etc.; whereas substantial surcharges are collected to stem

the flow of imports to correct balance of payments difficulties. In some situations, however, the surcharge is the counterpart of an internal tax also applicable to like domestic products.

Denmark, the United Kingdom and the United States have resorted to temporary use of import surcharges for balance of payments reasons in recent years. Other countries for which surcharges were the object of complaint in the Tariff Commission survey included France, West Germany, Greece, Indonesia, Italy, Japan, South Korea, Saudi Arabia, Switzerland, Turkey, 18 Latin American countries, and 7 African countries.

Other "special" taxes

In addition to the taxes discussed above, respondents in the Commission's survey of trade barriers objected to a large variety of other taxes or fees encountered in 7 developed countries and 43 developing nations. Many of these taxes appear to be border tax adjustments for equivalent internal taxes on domestic products, but some are levied exclusively on imports, with the receipts often used to aid national industries. The taxes ranged from nominal rates to 50 percent of the c.i.f. value of the shipment, and in some cases several different taxes were levied on a product simultaneously.

Government Participation in Trade 1/

One of the most important areas of trade distortion--perhaps even the most important--is found where governments directly participate in trade, rather than act as merely administrative overseers of commerce between private individuals. Governments participate in trade as purchasers of goods for governmental use, as buyers or sellers of goods for private use, as producers of goods or services sold to the public, as investors in private industry, and through subsidies or other aids to private business. Governments are likely to give strong attention in their trading activities to political, social, or other noncommercial considerations, as opposed to the economically more efficient market principles of comparative advantage, which generally determine the actions of private traders.

Governments have become the largest single purchaser of goods in every major country. The growth of national economic planning has led to establishment of government monopolies in important products, to the nationalization of basic industries, and to heavy governmental investment or subsidization for industries considered essential for national welfare. Discriminatory administrative decisions by government officials are often less visible as barriers to trade than tariffs or quotas. Problems in precisely identifying or quantifying particular governmental discriminatory practices, combined with the mixture of economic, political, and social goals in state trading activities make problems with governmental trading particularly difficult to address.

1/ See chapter IX for a detailed discussion of government participation in trade.

The existing international rules for the conduct of trade have been developed with private enterprise trade principally in view. The major part of the General Agreement on Tariffs and Trade deals with minimizing governmental regulation or interference with private trade; little is said on how the government itself should conduct trade. In fact, an important area of government trading activity--procurement for government use and not for resale--is specifically excepted from the GATT rules. The provisions dealing with state trading, in effect, have not been implemented, and the same can almost be said for the provisions dealing with subsidies.

In its present survey, the Tariff Commission received 550 complaints concerning governmental participation in trade, of which 40 percent dealt with subsidies and other aids to private industry. One-fourth of the complaints concerned state trading operations, government monopolies, and exclusive franchises bestowed by governments; and 14 percent were against discriminatory government procurement practices. The complaints dealt largely with market-economy developed countries, with Japan receiving 13 percent of complaints and the original six members of the European Community receiving 21 percent. Complaints were received concerning all major industrial and agricultural sectors. Concentrations of complaints in the industrial area were for nonelectrical machinery, chemicals, electrical machinery, transport equipment, and ores and metals. In the agricultural area, the largest concentrations were for beverages and spirits, grains, foodstuffs, and tobacco.

Subsidies and other governmental aids

Governments may grant subsidies explicitly to increase exports, or give more general subsidies to domestic producers. Subsidization of

of domestic producers, although often having domestic purposes such as regional development or national defence, may effectively distort international trade in the same manner as do export subsidies or import duties. Trade distortions caused by subsidies and other governmental aids constitute a major nontariff barrier to trade and are particularly difficult to deal with because of the close relationship between such barriers and basic governmental policies.

The absence of an agreed-upon international definition of subsidies or of a comprehensive list of practices which are considered to constitute subsidization has prevented meaningful international regulation or surveillance of subsidies. There is a wide range of government activity that may be regarded as subsidization, but the principal forms of governmental subsidy are as follows: Cash subsidies (explicit cash payments); tax subsidies (through reduction of a specific tax liability); credit subsidies (loans at preferential interest rates); benefit-in-kind subsidies (provisions of goods and services at prices or fees below market value); and purchase subsidies (government purchases of goods and services at prices above market levels).

GATT provisions on subsidies.--Although the General Agreement on Tariffs and Trade has not been able to define subsidies effectively, contracting parties are required to notify the Contracting Parties of the extent and nature of subsidization if imports or exports are affected. When an export subsidy harms or threatens serious harm to the interests of another contracting party, the subsidizing country is required to consult with the injured country on the possibility of limiting the subsidy. The GATT also permits a contracting party to raise countervailing duties

against subsidized exports which harm or threaten to harm its domestic industry. GATT provisions designed to limit subsidies on primary products have had little effect. Although 17 contracting parties to the GATT have developed a list of practices which are to be illustrative of prohibited subsidies on nonprimary products, compliance with notification procedures has been poor and provisions on consultation to limit subsidies have had little practical effect.

National provisions.--The U.S. countervailing duty statute provided for the assessment of special "countervailing" duties on imports which enter the United States with the benefit of a foreign "bounty" or "grant" (which are roughly earlier synonyms for subsidies), but the statute does not define what bounties or grants are. This is left to the interpretation of the Treasury Department.

Both the European Community and the European Free Trade Association have enacted provisions that attempt to limit government aids to exports that have a restrictive or distortive effect on trade and competition within the two respective groups of nations.

Subsidies which affect trade.--Subsidies may limit imports by lowering costs and prices of competitive domestic products. Provided that foreign demand is sufficiently large and elastic, subsidies which lower the cost for domestic producers or cover losses occasioned by international sales below domestic prices may promote exports. Governments may admit more freely to using import limiting subsidies than subsidies which encourage the export of industrial products, partly because the latter practice is more clearly contrary to rules of the GATT. Examples of import limiting subsidies are the United Kingdom's concessional assistance to its

domestic aluminum industry, assistance given to declining textile industries in several advanced countries, and subsidies to coal production and consumption given in the European Community.

Export subsidies are frequently calculated in relation to actual exports and usually are given directly to exporters. Agricultural export subsidies, principally by direct cash payments on exports or through direct sales by the government at world market prices of goods purchased domestically at higher prices, have been employed by the European Community, the United States, and other countries.

Government aids to export financing.--Credit subsidies constitute probably the fastest growing area of subsidization of international trade in recent years. Export financing at concessional rates and export credit guarantees have been provided by governments of all major industrialized countries for many years. Such assistance occurs principally in the provision of direct loans, guarantees of loans made by commercial banks to foreign buyers of the country's exports, insurance, and guarantee of credit extended by exporters. The purpose of these operations is to finance exports that would not otherwise be purchased.

The United States and most of the major U.S. trading partners have similar arrangements for export financing aids. U.S. assistance is handled through the Export-Import Bank of Washington. Concessional financing by the U.S. government of agricultural exports under various laws has been especially significant. Medium-term and long-term export credits in France are financed by private companies but then refinanced by special government-controlled credit institutions. The Export-Import Bank of Japan also directly finances long-term export credits charging significantly

lower interest rates than commercial banks. The Japanese Government insures exporters against a wide range of risks; even against the risk of tariff increases in export markets. In the United Kingdom, the Export Credit Guarantee Department (ECGD) provides credit insurance to exporters, guaranteed rates of return to banks, and refinancing of bank credit in order to keep export credit rates on a low level. Although concessional financing has largely been used to support sales to developing countries (which have lesser financial liquidity), there is a growing tendency for governments to guarantee financing on concessional terms in transactions between industrialized nations.

Special tax advantages for exporters.---Several governments provide special tax advantages for export activity, usually by exempting or deferring income tax, rebating other direct taxes associated with production of exported products, or by accelerated amortization of assets used in production for export. On the premise that indirect taxes are fully shifted forward to the consumer, while direct taxes, such as income taxes, are fully absorbed, the GATT permits the rebate of indirect taxes for exported goods, but prohibits such rebates for direct taxes. If, however, the forward shifting of indirect taxes is incomplete, a full restitution of indirect taxes for exported goods acts as a subsidy. In Italy, rebates of direct as well as some indirect taxes have been made on exports of certain products, and the U.S. Treasury Department has applied countervailing duties against such subsidies on several Italian products shipped to the United States.

Tax deferral or exemption schemes designed to promote exports in various countries include: Tax exemption for sales income of foreign subsidiaries; special reserves or deductions for expenses incurred in

establishing export markets; and tax incentives for capital investment which results in exports. In the U.S. Revenue Act of 1971, deferral on half of retained export income is provided for Domestic International Sales Corporations (DISC's), which must confine activities almost entirely to selling and related activities. Tax deferrals last as long as profits are reinvested in export activities, and have thus been criticized as export subsidies, even though some countries criticizing the United States have similar tax deferrals for exports.

Export promotion services.--Governments of all developed countries and many developing countries provide various services to foster exports, generally including research of potential export markets, trade missions, trade fairs, and marketing assistance. In the Tariff Commission survey, many U.S. producers complained that they did not get assistance from the U.S. government equal to that granted to their competitors by foreign governments.

Subsidies in specific economic sectors.--Some economic sectors are widely subsidized in numerous countries. The coal and petroleum industries are strongly assisted by governments that wish to sustain indigenous energy resources. Subsidies granted to the coal industry in the European Community, Japan, the United Kingdom, and Canada may have adversely affected U.S. exports. The petroleum industry receives special tax privileges in the United States and most other countries, and receives direct grants in some countries. West Germany, the United Kingdom, and France give large grants to their computer industries and governments of the latter two countries directly participate in the industry. A number of industrialized countries, such as France, West Germany, and Japan subsidize the electronics industry, with Japanese aids particularly strengthening the competitive position of Japanese products in the U.S. market.

Complaints of U.S. electronics manufacturers regarding Japanese subsidization of its electronics industry are challenged by the Japanese and by interested U.S. importers, who claim that U.S. assistance to the domestic electronics industry has been incomparably greater than the Japanese government's assistance to its own industry, if the massive U.S. research and development subsidies for defense and space are taken into account.

Although the United States does not subsidize the film industry, all major U.S. trading partners and many other countries do, sometimes leading U.S. film companies to produce abroad.

Shipping and shipbuilding is widely subsidized. A number of countries, including the United States, support the shipping industry by practicing "flag discrimination," i.e., permitting only national ships to engage in certain commerce. Countries such as the United States, Canada, and Italy also subsidize their shipping and shipbuilding, in order to gain domestic self-sufficiency. U.S. subsidies are much higher than those of other countries, with the U.S. government subsidizing over half of construction costs. Major exporters of ships, such as Japan and West Germany, subsidize shipbuilding.

Other industries which countries typically subsidize are the aircraft, steel, paper and pulp, and textile industries. Some industries are subsidized when they are located in so-called development areas (principally in the European Community and the United Kingdom). U.S. subsidies are devoted principally to atomic-, space-, and defense-related projects and medical research, whereas in other countries, subsidies are frequently aimed far more directly at general products for industry or consumers.

These latter subsidies act more directly as stimulators to exports or for import substitution in the subsidized industries.

Subsidies are widely applied in agriculture. Most industrialized countries materially aid their domestic agriculture, and at the same time protect it against import competition. In addition to aid through direct payments and purchases of surpluses, governments aid agriculture indirectly with subsidies for services, transport, research, etc. These widespread subsidies have led to low and unstable world prices and major distortions of world production and trade in many affected farm products. Subsidies and export surpluses generated under the Common Agricultural Policy of the European Community (most evident in grains, dairy products and sugar on the world market) have adversely affected U.S. exports. In spite of extensive subsidies of food production in Japan, the most important single export market for U.S. agricultural products, Japanese food imports from the United States have increased markedly.

U.S. agricultural programs and policies have far-reaching effects on world trade in agricultural commodities. Stabilization of domestic prices to protect farm income affects such export commodities as wheat, corn, cotton, rice, tobacco, grain sorghum, milk, and soybeans. In addition to the indirect encouragement of agricultural exports through domestic price-support programs, some exports are directly encouraged, particularly to assist the economic development of needy countries. Direct U.S. export assistance payments for certain agricultural commodities have declined sharply in recent years with the reduction of support prices for several major export crops to or nearly to world price levels.

A large number of complaints dealing with subsidies and other aids were received in the Tariff Commission survey, largely concerning developed countries. About one-fourth of these complaints were against the original six members of the European Community; one-fifth were against Japan; 17 percent were against EFTA countries; and about 4 percent were against the United States. All agricultural sectors were mentioned; the industrial sectors most frequently mentioned were nonelectrical machinery, electrical machinery, transport equipment, photographic and cinematographic supplies, and sound recording or reproduction apparatus.

Discriminatory state trading

State trading is defined here as the buying or selling by state enterprises, or by private enterprises upon which the state has conferred some exclusive privilege, of products or services destined for consumption by the public. State trading does not include purchase or sale of goods or services by governments for their own use and not for resale. State trading usually is conducted by special agencies operated for a specific purpose and organized as a branch of government or as a public or private corporation. Such bodies frequently may hold a monopoly for the buying or selling of a particular product or group of products.

Virtually all trade of Communist countries is conducted by state agencies. In market economy countries, state monopolies in selected products traditionally were instituted to raise revenue, to regulate the supply or price of staple commodities, or for social control, and involved such products as salt, matches, tobacco, alcohol, and (less frequently) certain staple foodstuffs. State trading in market economies has increased tremendously in the past few decades because of persistent foreign exchange

shortages (particularly in developing countries) and because of the increased use of national economic planning. State trading is also the unavoidable accompaniment of the nationalization of an industry. Some governments have monopolized trade in certain products for national defense purposes.

Whereas private business must normally operate on commercial principles, state trading is strongly influenced or determined by noncommercial considerations. A state enterprise may discriminate against foreign suppliers simply by a decision not to buy or by charging an unduly high markup on the imported product when it is resold in the domestic market (with the same effect on imports as a tariff). State monopolies may also discriminate among foreign suppliers.

State export monopolies have been used to facilitate exports on the world market when domestic prices are above the world level; to control exports in order to maintain a specified world price level; or to prevent the exportation of a product needed by domestic industry.

In the GATT, state enterprises are instructed to give nondiscriminatory treatment to imports or exports and make purchases and sales solely in accordance with commercial considerations. Import monopolies are not allowed to afford protection to domestic products in excess of that afforded by tariffs, and they must disclose import markups upon request to the Contracting Parties.

In the Tariff Commission survey, complaints concerning state trading and discriminatory practices by government monopolies involved virtually every developed market economy country and 39 developing countries. Products in 17 of the 23 industrial sectors and all of the 9 agricultural

sectors were involved. Complaints against the major trading partners of the United States involved controls on trade in alcoholic beverages in Canada, West Germany, and Japan; tobacco monopolies in France, Italy and Japan; controls on trade in grains in Canada and Japan, and state controls on trade for a number of other products, such as steel, and radio and television broadcasting.

Although the United States has relatively few areas of state trading at the federal level, the magnitude of these operations, principally in connection with the disposal abroad of surplus agricultural commodities and the purchase and sale of strategic raw materials for stockpiling, has been such as to place the United States among the world's top state traders. The federal government also controls trade in helium and fissionable materials. In addition, a number of state governments control the distribution of alcoholic beverages.

Discriminatory government procurement

Governments are the largest single purchasers of goods and services in most countries of the world, with U.S. government purchases, for instance, accounting for as much as 21 percent of the gross national product. The importance of governments, quasi-official bodies, and government-affiliated organizations as purchasers increases daily. Although governments usually exhibit some concern to allow all or most of their domestic producers the opportunity to share in supplying public purchases, there is generally discrimination in government procurement against foreign sources in favor of domestic suppliers. While governments may openly favor domestic suppliers, as in the Buy-America Act of 1933, in many cases countries discriminate against foreign suppliers informally, rather than openly through public laws and regulations.

In addition to the inherent psychological bias in favor of dealing with fellow nationals, one of the main practices that inhibits foreign participation in government procurement is the insufficient publicity given to the solicitation of bids and in the disclosure of the criteria on the basis of which contracts are to be awarded. The principle techniques used in the solicitation of bids for government purchases are: Public tender, where invitations to bid are publicized widely; selective tender, where invitations are limited to selected suppliers; and single tender, where the purchasing authority contacts one supplier only. Although public tender is the most important tendering procedure in the United States, Belgium, and Luxembourg, most U.S. trading partners, such as Japan, the United Kingdom, and most European Community countries predominantly use selective and single tender. It is generally recognized that selective and single tender lend themselves to discriminatory practices more readily than public tendering.

Although governments generally use commercial criteria in evaluating bids, most procurement authorities have some freedom to introduce other criteria in awarding contracts, thereby permitting price or other preferences to be given to domestic suppliers. Bidding requirements or advance technical requirements may further disadvantage foreign bidders. Procurement policies may discriminate unequally among foreign bidders, and domestic preferences may be extended to only some domestic suppliers. Governments typically show more discrimination in procurement of certain goods, such as military goods or products of high technology, than for other goods. In some countries, discrimination against foreign suppliers may be particularly used in regard to large contracts.

International concern with procurement practices.--Only recently have governments begun to show much concern over discrimination against their industries in procurement by other governments. Indeed, discrimination in the purchase of products by a government for its own use is expressly permitted in the General Agreement on Tariffs and Trade. More attention has been recently focused on this question, however, partly because of the increasingly large percentage of purchasing by the public sector in most countries. The United States, with published regulations specifically spelling out the degree of discrimination to be applied against foreign bidders, has been an obvious target of criticism from other countries.

A series of formal discussions of procurement practices, begun in the early 1960's in the OECD, eventually led to an effort to develop an international code of conduct covering government procurement. Although substantial progress has been made in developing such a code, major difficulties remain. U.S. trading partners have urged the elimination of U.S. buy-American margins, while not acceding to U.S. demands to eliminate their more covert forms of de facto discrimination against foreign suppliers.

In the European Community, a recent directive attempted to limit discrimination by member states against other EC firms in the award of public works contracts. Another proposed directive would eliminate such discrimination in public procurement of certain products. Similarly, a set of rules has been developed among countries of the European Free Trade Association to promote nondiscriminatory treatment for members of the Association in purchases by their governments, nationalized industries, and semipublic enterprises.

Trade impact of discriminatory procurement.--Only extremely rudimentary and fragmentary data are available to indicate the amount of imported products purchased by governments in comparison with their purchases of domestic products. One rough estimate found that the bias against imports in U.S. government procurement was equivalent to that which would result from the imposition of a 42 percent rate of duty. A similar bias was found for French government procurement.

Trade complaints.--Complaints concerning government procurement received by the Tariff Commission were levied against all the major market-economy developed countries and 13 developing nations. In order of numerical importance, complaints were against the European Community (one-third of complaints), the United States (one-fourth), and members of the European Free Trade Association as it existed prior to 1973 (one-fifth of complaints).

Examples of discriminatory procurement.--In some cases, discrimination in government procurement has been formally required, such as the West German, United Kingdom, or Italian preferences given to domestic industries in economically depressed areas. Another example of formally required discrimination is the West German "bilateral reciprocity" in military purchases in order to offset balance of payments effects of the maintenance of U.S. forces in Germany. In many cases, however, the purchasing authority favors domestic suppliers even though not legally required to discriminate. Frequently in France, Japan, and the United Kingdom, discrimination is facilitated by the many contracts not awarded on the basis of open public bidding. Technical standards in countries such as France and the United Kingdom also act to discriminate against foreign suppliers. Canada and numerous other developed countries give preference

(e.g., 10 percent) to domestic suppliers of goods in considering bids. The United Kingdom has favored Commonwealth suppliers over foreign suppliers in awarding contracts.

In the United States, the Buy-American Act of 1933 set up formal margins of preference to be granted domestic suppliers for government procurement. Much higher margins of preference (50 percent instead of 6 or 12 percent) are used by the U.S. Department of Defense in military procurement. U.S. laws provide for preference to be granted for certain social groups, such as the blind and prisoners. Many state and local governments also discriminate against foreign suppliers.

Miscellaneous government practices which impinge upon trade

In addition to governmental practices under the five major classifications of nontariff barriers, the following practices, applicable to numerous countries, were criticized. Traders complained that trade has been hindered by governmental practices which have led to international monetary problems; by "buy national" campaigns; by government limitations and regulations on commercial aviation, which indirectly limit the sale of aircraft; and by difficulties in repossessing large purchase items on which the purchaser has defaulted in payment. General complaints against the United States included the "extra-territorial" extension of U.S. anti-trust laws; the threat of restrictive legislation on U.S. imports; the insufficient cooperation between business and government in foreign trade matters; import restrictions and uncertainty resulting from application of escape-clause provisions of the Trade Expansion Act of 1962, and the provision of section 337 of the Tariff Act of 1930 dealing with unfair

practices in import trade; and difficulties in obtaining immigration clearance to bring foreign nationals to the United States for training in the use of U.S. produced equipment.

The close relationship between the Japanese government and Japanese business was said to aid Japanese exports and deter imports. Spain and some other developing countries were criticized for requiring importers to purchase some products directly from the original manufacturer, rather than from secondary distributors. U.S. exporters to some Communist countries felt that sales were inhibited because they had to deal with a central purchasing agency.

Standards as Technical Barriers to Trade 1/

Standards are laws, regulations, specifications, or other requirements with respect to the properties of products or the manner, conditions, or circumstances under which products are produced or marketed. These requirements usually deal with: A product's quality, purity, component materials, dimensions, level of performance, or other important characteristics; the health, sanitary, safety, technical, or other conditions or circumstances under which a product is produced or marketed; and the product's packaging or labeling. Standards perform an extremely constructive and necessary role in commerce and trade, but they sometimes impede international trade and can be used as protective devices against import competition.

Detailed product standards allow international traders to exactly identify products without seeing them and are thus extremely useful. A very large--and perhaps the major--part of standards are established for purposes unrelated to commerce or trade. Primarily, such standards are intended to protect the public health, safety, and welfare by providing rules for safeguarding plant, animal, or human life and for protecting or informing consumers.

Many standards affecting international trade were originally initiated by local governments to protect the public health, safety, and welfare or initiated by nongovernmental organizations as industries developed, and eventually became accepted at the national level. In many countries, import standards regulations have been affected by a distrust of the quality

1/ See chapter X for a detailed discussion of standards as technical barriers to trade.

of foreign products. Such regulations can be (and have been) used for protection for domestic producers.

Trade barrier effects of standards

Although some standards, such as controls on pesticides, are imposed to restrict or control certain materials or substances, most standards are imposed not to restrict the use of products, but to assure that they meet certain levels of performance, quality, purity, safety, or sanitary conditions. Standards generally are not intended to discriminate among products by their origin. Nevertheless, many standards become "technical barriers to trade" and inadvertently impinge more severely upon imports than upon domestic output.

Differences among national standards (language, measurement systems, climatic and environmental conditions) often create restrictive effects on international trade, as do diverse requirements for testing, production, inspection, and certification. Inspection requirements during production are often especially troublesome to foreign suppliers and can amount to a virtual embargo. Regulations can particularly hinder international trade if they are expensive, are based on characteristics peculiar to national production, foster uncertainty as to the acceptability of merchandise, are administered in a discriminatory fashion, or cause extra delay and expense, or allow too brief a time for adapting. Bodies establishing standards may purposely base requirements on national production in order to restrict imports through building codes, fire regulations, etc. In spite of the discriminatory application of some product standards, standards are not

presently classed among the serious barriers to trade. Nevertheless, they hold the potential for becoming one of the greatest of trade barriers if concerted international action is not taken to avoid this.

At all levels of government, concern for consumer protection, the environment, and the ecology has expanded standards in many areas. The U.S. Consumer Product Safety Act, for example, has set up a regulatory commission which may issue mandatory safety standards for any consumer product. Mandatory standards for products are being issued in numbers and coverage scarcely imagined only a few years ago.

The development of standards and their enforcement

Standards may be mandatory or voluntary. Mandatory standards are those with which there is a legal obligation to comply. Health and safety standards and other legally mandatory standards are generally issued by local, regional, or national governments. Voluntary standards (where there is no legal obligation to comply) are usually issued by various professional, manufacturing, or consumer nongovernmental organizations. Voluntary standards sometimes become quasi-mandatory in effect, for example, when they are incorporated into building codes promulgated by the government. Government procurement specifications also often support voluntary standards. Where the market for a product is dominated by a buyer or seller of a product, as in the case of a public utility, standards may also become mandatory in practice.

International groups enacting standards depend on participating countries to implement the standards. The formulation of international standards is centered principally in two international nontreaty organizations,

the International Standards Organization (ISO) and the International Electrotechnical Commission (IEC). The membership of the two organizations consists of the national standardization bodies (often nongovernmental) of the participating countries. Other international standards organizations include the International Bureau of Weights and Measures, the International Organization of Legal Metrology, the U.N. Food and Agriculture Organization, the U.N. Economic Commission for Europe, and the Organization for Economic Cooperation and Development. Some international organizations exist to establish standards in limited geographical or political areas.

Some organizations which develop voluntary standards can give a mandatory effect to their standards through the domination of markets, the use of monopoly power, refusal of insurance, control of an established quality mark, or similar methods, even without legal authority for making standards mandatory. In absence of legal or de facto enforcement authority, compliance is normally a matter of agreement between the manufacturer of a product and the consumer. Independent testing facilities are often used to determine compliance.

International harmonization of standards

In evidence of the restrictive trade effect of divergent national standards, regional trading blocs such as the European Free Trade Association and the European Community began to harmonize disparate standards among their members almost immediately after formation. Of all the categories of nontariff barriers, those resulting from standards, because of their nature, probably present the greatest opportunity for amelioration or

removal, and there is general recognition that an international program of harmonization can greatly reduce the restrictive effects of standards. The attempt to establish machinery to harmonize standards and to achieve reciprocal acceptance of harmonious standards, however, is a difficult endeavor.

Agreements within regional organizations of nations, and bilateral and multilateral agreements on standards have furthered progress in harmonization of standards; and it is anticipated that some regional agreements which have been established will be expanded to include all interested nations. Problems include the lack of legal authority on the part of federal governments and central bodies of regional organizations to make commitments on behalf of private groups and smaller jurisdictions. Another problem is the diversity of jurisdictions administering standards and the lack of easily accessible information centers for traders.

The United States is moving toward a more active role in international activities to harmonize standards. Legislation is currently pending before the Congress (the International Voluntary Standards Cooperation Act of 1973, S. 1761 and H.R. 7506) to provide a formal arrangement between the U.S. government and industry in the standards field in order to enable and facilitate U.S. participation in international standards agreements. Several governmental and private organizations are working to harmonize standards both within the United States and on the international level.

For over two years, the contracting parties to the General Agreement on Tariffs and Trade (GATT) have been attempting to develop a code of conduct to assure that standards and certification procedures do not impede trade. The completion and ultimate international approval of the code is

expected to be accomplished in the new round of multilateral trade negotiations which began in September, 1973.

Trade complaints against standards

In the Tariff Commission's survey of trade barriers, there were a total of 520 complaints against standards and related regulations said to hinder trade. Health and safety standards were the subject of 35 percent of the complaints, and labeling and container requirements drew 19 percent, followed by industrial standards, pharmaceutical standards, and product content requirements. Although over three quarters of the complaints were against developed countries, there were a large number of developing nations also included in the complaints. U.S. standards drew more complaints in the Commission's survey than those of any other single nation, but less than the total of complaints against members of the European Community or the European Community or the European Free Trade Association.

Industrial sectors drew 58 percent of the complaints; agricultural sectors, 42 percent. Over three-fourths of the complaints in the industrial area fell in 7 of the 23 industrial product sectors: Nonelectrical machinery; chemicals; electrical machines and apparatus; transport equipment; ores, metals, and manufactures; wood and cork and manufactures; and professional, scientific, and controlling instruments. Five of the nine agricultural sectors received virtually all standards complaints in the agricultural area, while a negligible number were received concerning grains, tobacco and oil seeds. For both the agricultural and industrial sectors, health and safety standards were the largest topic of complaint.

Second and third in importance for industrial products were industrial or product standards, and marking requirements; while second and third in importance for agriculture were complaints concerning labeling and container requirements, and product content requirements.

Industrial and product standards

Industrial and product standards relate principally to weights, measures, container sizes, nomenclature, quality, product content, production processes, safety, ecology, and environment. This is the largest of the four major subdivisions of standards and affects the largest value of trade among the four. Regulations have been greatly expanding in virtually all countries, particularly in the areas of environment and product safety. Electrical and electronic equipment and automotive products, two sectors which are closely regulated by virtually all countries and which are of particular importance for U.S. exports, illustrate this development.

Electrical and electronic equipment standards.--A European organization called the Multipartite Accord for Assessment and Certification of Electronic Components, including all members of the European Community and the European Free Trade Association, provides for the establishment of standards for electronic components, a system of quality control inspection, and harmonization of specifications and inspection procedures in member countries. The Accord is now administered through the European Committee for Coordination of Electrical Standardization (CENEL). As the arrangement initially developed, it held the probability of virtually excluding U.S. products from the European market. However, members of the Accord approved a U.S. request for membership in 1971, but the U.S. Government has not

established the necessary administrative machinery for participation. If fully implemented without U.S. participation, the Multipartite Accord could harm U.S. exporters and adversely affect U.S. employment, the balance of trade, and balance of payments.

Standards for automobiles and farm and industrial vehicles.--Motor vehicle safety and emission laws have been enacted increasingly both in the United States and other countries, particularly in Europe. Specifications under the new laws vary widely. For U.S. exporters, the new standards are often difficult to meet and inspection is time-consuming and costly. In some cases, U.S. products must be certified abroad, rather than being tested in the United States.

Standards in the European Community (of six)

The European Community has undertaken a program of harmonization of industrial and product standards, with member states required to incorporate harmonized standards into national legislation. Of the 25 directives issued in the program by the EC council, 12 concerned automobile standards. Requirements that containers for liquid foods be exclusively in metric units are particularly difficult for U.S. exporters. U.S. exporters of seeds encounter difficulties in getting seeds tested and approved for importation into the Community. Wine standards under the Community's Common Agricultural Policy inhibit U.S. exports of wine.

Complaints of standards hindering U.S. exports to individual members of the Community concerned the following products: Gold jewelry in France and Italy; container-board liners and aircraft in France and Germany;

hardware in Germany and the Netherlands; spirits and pressure vessels in France, Germany, and Italy; steam generating equipment in France, Germany, and Belgium; gas appliances and hybrid seeds in France; and film, welding and cutting equipment, and scientific apparatus in West Germany.

Canada

Standards in Canada for electric ranges necessitate reengineering of U.S. products. The number of can sizes for retailing of certain foods is restricted, and five standard U.S. can sizes are prohibited. U.S. fruit and vegetables which do not meet grade and quality standards of any U.S. marketing order cannot be imported from the United States but may be entered from other countries.

United States

Complaints against U.S. industrial standards were directed principally against the Department of Transportation standards for high pressure gas cylinders; Coast Guard inspection of safety equipment on U.S. flag vessels; Federal Housing Administration standards for window glass; Department of Agriculture marketing orders on vegetables and fruit; safety and emission standards for motor vehicles; Underwriters Laboratory guarantee of inspection on products such as electrical appliances and apparatus, medical equipment, and gas and oil burning equipment; standards of professional and industrial associations covering products such as plumbing, heating, and fire-fighting equipment, lumber, pressure vessels, boilers, industrial fans, bicycles, and steel. Many of the organizations which discriminate against foreign products have their seal of approval required by local jurisdictions, effectively restricting foreign imports. The American Society of Mechanical Engineers and the National Board of Boiler and

Pressure Inspectors, both faced with antitrust suits by the U.S. Department of Justice, were forced in 1972 to permit foreign manufacturers who meet requirements to use approval stamps on an equal basis with domestic manufacturers.

The United States was also criticized by domestic manufacturers for its failure to adopt the metric system, thus restricting acceptance of U.S. products overseas.

Other developed countries

The following U.S. exports were said to meet industrial and product standards barriers in other major countries: Electrical equipment or electrical appliances in Denmark, Finland, Norway, and Sweden; aircraft in the United Kingdom, Switzerland, and Japan; articles of precious metal in the United Kingdom, Sweden, Switzerland, and Japan; distilled spirits in the United Kingdom and Japan; fertilizers in Finland; shoes in Norway; lawn mowers in Sweden; canned food in Australia; and packaged food, medical and clinical apparatus, and sensitized photographic supplies in Japan.

Labeling and marking requirements

In industrialized countries, the growing concern for consumer protection is bringing an increasing number of products under labeling requirements and expanding information required on labels. Although labeling may create inconvenience and supplemental cost, labeling and marking requirements are mostly nuisances rather than major obstacles to trade. In some cases, however, the cost of compliance may become significant, especially if information required is detailed and differs considerably from one country to the next. For most firms involved, the international harmonization

of labeling and marking requirements would reduce costs, and could result in substantial trade increases for low volume articles.

Most industrialized nations and many developing countries have extensive lists of commodities which must be marked to show the country of origin. "Marks of origin" requirements are probably the most universally criticized of all labeling regulations and are often said to be imposed to protect domestic industry rather than to inform and protect the consumer. The United Kingdom, Japan, Canada, and the European Community have formally complained that U.S. requirements for "marks of origin" are excessive and more difficult to meet than those of most countries. U.S. firms importing rubber products, brass and copper tubing, steel shapes and bars, pipe, wire rod, hardwood products, radio parts, and valve and pressure gauge parts also criticized U.S. mark of origin regulations. Relaxation of requirements for marks of origin on individual items could result in substantial increases in business for some U.S. importers.

The method required for labeling country of origin can significantly affect the cost of complying with the regulation. France, for instance, requires mark of origin for some canned foods to be embossed on the end of the can, a more expensive procedure than supplying the information on the label.

In many countries, labeling requirements for alcoholic beverages and pharmaceutical products are especially complex and costly to comply with. Information required frequently varies by country. Label approval for importation of alcoholic beverages into the United States is complex and sometimes causes long delays or spoilage. U.S. exports of wine to Western

Europe are severely inhibited by appellation of origin requirements, prohibiting use of names such as "champagne" or "chianti," even if it is clear that wines involved are produced in the United States. Most nations also maintain complex labeling requirements for pharmaceutical products. International harmonization of these requirements would greatly facilitate trade.

Labeling requirements were the subject of complaint in relation to the following countries and products: Austria, citrus fruit; Canada, textile goods, adhesives, marine paints, engine additives, polyester resins; Federal Republic of Germany, oranges and lemons, canned shrimp, poultry and game products; Japan, canned foods and general requirements on all products (metric units are used and dual labeling is prohibited); Mexico, textiles and apparel; Saudi Arabia, electrical equipment, canned soups and juices; South Africa, all goods (shifting to metric units); United States, labeling requirements on imported goods in general, fiber products, clothing, fish and seafood products, cocoa, chocolate and confectionery products, watch movements; several less developed countries, canned food products.

Health and sanitary standards

Laws to protect the health of humans, animals, and plants exist in all countries. The health and sanitary standards of many countries (including the United States) were the subject of complaint. Most of the complaints concerned regulations on the use of food additives, regulations governing meat, poultry and seafood, and phytosanitary requirements for agricultural products. A number of complaints concerned the spreading ban on the use

of DDT. Common complaints were that trade was hampered by differing regulations among countries concerning food additives and pesticides or that inspection requirements were costly, repetitive, or impossible to meet. In a number of cases, there are blanket prohibitions against importation of products of certain countries or areas.

Health and safety standards drew complaints against numerous countries. Complaints concerned restrictions on meat and poultry, fruit (especially treated fruit), live animals, and many other products. Complaints against meat and/or poultry restrictions were made against France, West Germany, Italy, Sweden, Denmark, Finland, Norway, Austria, Australia, the United Kingdom, Canada, New Zealand, and Switzerland. Complaints concerning restrictions on fruit were made against the European Community as a whole, West Germany, Italy, the United Kingdom, Austria, Finland, and Australia. Complaints against restrictions on importation of live animals were made against Denmark, Austria, Finland, Norway, Australia, and New Zealand.

In the United States, all imported foods are subject to inspection by the Food and Drug Administration and there are specific laws controlling some agricultural products such as meat, poultry, and milk and cream. Importation of plants is rigidly controlled.

U.S. regulations are often different from those in other countries and U.S. health and sanitary regulations prohibit numerous products and make importation of other products difficult (as do such regulations in other countries). In some cases, such as the State of Maryland's virtual prohibition of products containing imported shellfish, complainants feel that the regulations are discriminatory in intent.

Japanese restrictions on food additives are claimed to differ entirely from those of the United States and many European countries. Japan has rigorous inspection requirements and prohibitions on many imported food products and plants.

Numerous complaints were also received against health and sanitary requirements in South Africa, Ireland, and a number of developing countries.

Pharmaceutical and veterinary standards

Complaints against the burden of pharmaceutical and veterinary standards principally concerned requirements for testing, plant inspection, special documentation, and the use of a specific pharmacopoeia. Testing requirements especially were cited as causing unreasonable delay and expense. Several countries do not accept the validity of tests and approval by the U.S. Food and Drug Administration. French regulations virtually exclude pharmaceutical imports. Italy does not recognize foreign tests. Japanese testing requirements differ from those of the United States.

Both U.S. and foreign firms complained against several U.S. requirements, including compulsory inspection of plants in the country of exportation by U.S. inspectors and repetition in the United States of research and tests.

Pharmaceutical regulations in developing countries cause problems to traders because of language requirements for documentation, conformance to any of a variety of pharmacopoeia, certification requirements, and restrictions on distributors. Some countries only permit importation of products not produced domestically.

Customs Procedures and Administrative Practices 1/

Administrative procedures and customs matters other than rates of duty frequently impinge upon the free flow of trade. Obstacles can be found in tariff classification systems, customs valuation, documentation requirements, consular formalities, antidumping practices and other administrative practices connected with the international exchange of goods. Although some of these matters, such as tariff nomenclature and customs valuation, are intimately connected with rates of duty, it has become customary in various organizations dealing with international trade to classify as "nontariff" all matters affecting trade other than the tariff rates themselves. Overly complex or strict procedures, regulations, and administrative practices may involve substantial costs to the trader and create uncertainty, especially in countries where customs officials have broad discretion in customs classification and valuation for duty and tax purposes.

In the Tariff Commission's survey of trade complaints involving customs procedures and administrative practices, the most frequent complaints involved customs valuation practices (one-third of complaints) and documentation requirements (one-fourth of complaints). About 52 percent of the total complaints were against developed nations, with 19 percent of the total concerning the United States and 8 percent concerning the European Community (of six). Valuation practices were the principal concern in developed nations, while documentation requirements drew slightly more complaints than valuation practices in developing countries.

1/ See chapter XI for a detailed discussion of trade barriers in customs procedures and administrative practices.

Chemical products were the subject of an unusually large number of complaints. These complaints reflected concern with documentation requirements and regulations on samples for pharmaceuticals and drugs maintained by many countries, as well as customs valuation practices of the United States. For other products, the distribution of complaints conforms fairly closely to the trade importance of the sectors.

The fact that many countries have worked to improve government administrative procedures to minimize the inconvenience and cost of customs and administrative procedures to traders is reflected in the Tariff Commission's survey of trade barriers, where complaints involving these practices were named in only about 12 percent of all complaints received.

Customs valuation

When ad valorem tariff rates are used, the value assigned to imported merchandise is as important as the tariff rate itself in determining the amount of duty to be collected and the valuation may be of greater concern to the importer than the tariff rate applied. In the 1920's and 1930's, concern was voiced on the need for international standards of customs valuation in the League of Nations. Broad principles of customs valuation were included in the General Agreement on Tariffs and Trade in 1947, and in 1949, an international convention set up the Brussels Definition of Value as a comprehensive valuation standard, designed to comply with general provisions contained in the GATT. Countries adhering to the Brussels Valuation Convention 1/ agree to incorporate the Brussels Definition into their customs laws. An additional 58 countries nominally apply the Brussels Definition of Value without being members of the Valuation

1/ In 1973, 26 countries, including most of Western Europe and Japan.

Convention. The United States, Canada, Australia, New Zealand, and South Africa are the principal market-economy developed countries which do not use the Brussels Definition.

There is a general consensus that as far as possible, customs valuation should be uniform and impartial with respect to products and suppliers, should be based on simple principles and have predictable results, should be based on commercial values in competitive transactions, and should not be used as an auxiliary tool to provide tariff protection to domestic industries. Although some complaints against valuation practices deal with practices contravening these general principles, many complaints have arisen because a procedure differs from the one familiar to the complainant.

A summary comparison of valuation practices.--The customs value of imported goods under the Brussels Valuation System is a notional concept of valuation; that is, it is based on the "normal price" of a good, defined as the price the good would fetch, if delivered to the buyer at the place of importation at the time the import duty becomes payable, assuming a sale in the open market between a buyer and seller independent of each other. Goods are dutiable based on this value regardless of whether the goods are actually traded at the time or under the conditions set up in the valuation model. Although the concept of the Brussels Valuation System is simple, and normally permits the use of the c.i.f. transaction price; the application of the system may become complex, especially in determining "normal prices" for non-arms length transactions.

Most nations not employing the Brussels Definition of Value use "positive" valuation systems, defining value in terms of the price at which and conditions under which goods are actually sold. Consequently,

positive valuation systems require two or more standards for valuation, with secondary standards to be applied in a ranked order when conditions of the preferred standard are not met. A second difference of valuation standards employed by all major market-economy developed countries which do not use the Brussels Definition is that the generally preferred value for customs purposes is the value in the country of exportation, exclusive of transportation and other charges (loosely speaking, the f.o.b. value); as opposed to the value at the point of importation (loosely, the c.i.f. value) used in the Brussels Definition. In several countries, and particularly developing nations, customs duties are assessed upon values calculated from "official prices" or "minimum prices" determined by the government.

Australian customs valuation is based on the higher of (1) the actual f.o.b. transaction price adjusted to disallow any special discount, or, more commonly (2) "current domestic value," i.e., the value of identical goods sold for domestic consumption in the country of export plus all charges for placing goods free on board at the port of export. In addition, there are additional duties on certain imported goods also made in Australia, based on an established "support value."

The basic method of Canadian customs valuation is the use of the "fair market value" of the imported goods in the exporter's country; or if this cannot be determined, cost of production plus an allowance for gross profit. Under certain circumstances (e.g., for used goods), government officials may prescribe the manner in which dutiable value is to be determined.

The U.S. Tariff Act of 1930, as amended, provides for nine standards for customs valuation of imports. The basis for valuation of the great bulk of U.S. imports is "export value" in the country of origin, or where this is not appropriate, "United States value" or "constructed value," both of which are estimates of "export value." Valuation on the basis of the selling price of competitive U.S. products (the "American selling price") is used for benzenoid chemicals, certain rubber-soled footwear, low-value wool knit gloves, and certain canned clams. For 1,015 ("Final List") articles, the primary value to be used is the "foreign value" (wholesale value in the exporting country) or "export value," whichever is higher. The Final List also contains many benzenoid chemicals subject to valuation on the basis of an American selling price standard which differs somewhat from the ASP standard applied to goods not on the Final List.

Complaints against customs valuation.--By far the most numerous of the complaints against customs valuation received in the Tariff Commission's trade barrier survey came from U.S. exporters who objected to the prevalent use of c.i.f. values for customs purposes in most other countries. Because U.S. import duties are chiefly on an f.o.b. basis (which are lower than the c.i.f. values because they do not include freight and insurance charges), U.S. producers and exporters apparently look upon assessment on the c.i.f. value in other countries as inherently unfair.

Several countries assess duties on the "domestic value" of merchandise in the country of origin if it is higher than the invoice value for the imports being considered. This practice drew complaints principally against Canada, Australia, New Zealand, and South Africa.

A large number of developing countries were criticized for using "arbitrary" values for assessment of duties. Several of these use "official values" set by the government, rather than some form of commercial value, for customs purposes. Particularly singled out for criticism in this respect were Mexico, Brazil, Argentina, Venezuela, and Peru.

A problem in virtually all valuation systems is establishing a correct customs value for imports not shipped as arms-length transactions between independent unrelated parties. Most countries adjust upward the invoice values of such imports to establish the customs value. As multinational corporations and exclusive distributorships spread around the world, problems arising from non-arms-length transaction multiply. The upward adjustment of invoice values for customs purposes in non-arms-length transactions is commonly referred to as "uplift," especially in countries using the Brussels Definition of Value. Japan, the United Kingdom, France, and Italy were particularly mentioned in complaints to the Commission concerning uplift procedures.

The American selling price valuation method used by the United States for four products (benzenoid chemicals, rubber footwear, low-priced wool knit gloves, and canned clams) has long been a major target of criticism. The ASP system usually results in the collection of a substantially larger amount of duty than would be collected if the actual value of the imported goods were used. Valuation of imports based on value of merchandise produced in the importing country is not permitted under the General Agreement on Tariffs and Trade, except, as in the U.S. case, where the system was being applied before the country's accession to the GATT. ASP valuation is applicable to less than 1 percent of total U.S. imports. Many U.S.

imports covered by ASP tariff provisions are subject to other valuation standards in the U.S. system (when found not to be competitive with a U.S. product).

A more general complaint leveled by traders against the U.S. customs valuation system is the complexity of the system which has nine specific detailed standards, ranked in the order of precedence for application, but varying with the type of merchandise. The complexity of the system, especially in regard to the so-called Final List provisions, is said to cause considerable confusion.

Documentation requirements and consular formalities

Every country requires some form of documentation to be submitted on products crossing its borders. Such documents are required for a variety of reasons, such as the compilation of commercial statistics, the determination of import duties, the regulation of trade, or other purposes. A serious detriment to trade in terms of costs to the exporter or importer is recognized to exist in the cost of complying with documentation requirements which are excessive in terms of quantity, complexity, formality, and the time consuming procedures associated with obtaining or clearing the documents. A recent study found that an average international shipment requires 46 different documents in about 360 copies requiring 64 hours of preparation and processing time.

Several nations, among which are Canada, Australia, New Zealand, South Africa, the United States, and a number of South American countries, require a special customs or consular invoice on merchandise shipped to them. Some nations also require these invoices to be certified at a consulate nearest the port of shipment of the cargo. Venezuela recently equated

the revenue it received from consular invoices to a tariff of 3.5 percent ad valorem.

Strong criticism has been raised against the complexity of the U.S. customs invoice and the detail of information required. Use of certificates of origin, often required by countries controlling trade with particular nations, have been protested as expensive, inconvenient, and an unnecessary invasion of confidential business information.

Nearly three-fifths of complaints concerning documentation requirements (including virtually all complaints against consular formalities) in the Tariff Commission survey related to less developed countries. Among developed countries, the United States received the most complaints concerning documentation requirements, with complaints commonly against the U.S. special customs invoice for imports, documents required for U.S. exports under programs of the Agency for International Development, or requirements for products under U.S. export control programs. The following requirements drew complaints against other developed countries: Special customs invoices for imports in Canada, Australia, New Zealand, and South Africa; documentation requirements on pharmaceuticals and drugs in Italy, Netherlands, United Kingdom, and Japan; authenticity requirements for bourbon whiskey in France, Netherlands, United Kingdom, South Africa, New Zealand and Japan; certificate of origin in Italy; complicated declaration of value in Australia; homologation certificates for boats in Italy; textile samples attached to each of four copies of invoices on textile shipments to South Africa; and extremely detailed documentation for certain products imported into Japan.

Regulations on samples, returned goods and reexports

Although most governments among the major developed countries have made some provisions in line with the idea that customs duties should not be collected on commercial samples and advertisements used to solicit sales, or on imported products returned or destroyed because of defect or non-conformance with purchase contracts, the administrative procedures which have been established for such transactions are frequently cumbersome, expensive, and time consuming. Complaints relating to samples, returned goods, and reexports received by the Tariff Commission were about equally divided between developed and developing countries. Many complaints dealt with quantitative limitations on pharmaceutical samples and advertising matter. A number of developing countries were criticized for assessing duties on samples or imposing complex and long procedures to obtain permits for duty-free entry. The United States and several other countries were criticized for having complex procedures for refund of import duties when imported products are reexported.

Customs classification of merchandise

Tariff nomenclatures (classification systems of goods by tariff category) have developed into extremely complex and detailed instruments. Tariff classifications by customs officials frequently lead to disputes as to the proper classification (and duty rate) applicable to imports. The growing complexity of these systems led to a world-wide movement to a standardized customs nomenclature. The majority of nations today classify their imports according to the Brussels Tariff Nomenclature. Canada and the United States are the only major trading nations which do not use this system. Because the classification nomenclatures of these two countries differ

substantially from the widely used standard system, they have been criticized as constituting barriers to trade.

"Arbitrary" classification practices.--The Tariff Commission received several complaints against the United States and other countries concerning "arbitrary" classification by customs officials, resulting in the importer paying higher duties than he deemed appropriate. Australia was criticized for its "substitute notice system," whereby customs officials may charge duties on chemicals and textiles at the rate applicable to a similar product. Chemicals producers, particularly, felt that the guidelines were so broad that they encouraged arbitrary decisions, higher rates of duty than appropriate, and created uncertainty. Similarly, uncertainty as to duty rates was said to result from the rate differentiation made in the Canadian tariff schedule between products "of a class or kind made in Canada" and products not made in Canada, with the former subject to higher rates of duty.

Antidumping practices

"Dumping" is international price discrimination, or the practice of selling in foreign countries at prices below those charged in the home market of the exporter. Under the GATT, dumping is regarded as objectionable if it distorts natural trade patterns, i.e., causes or threatens material injury to national industry (existing or developing industry). Most major trading nations have laws or regulations which assess special "antidumping duties" on dumped goods in order to raise the dumping price to the level of home market prices. In the late 1950's and early 1960's, charges became widespread that antidumping procedures were being used to provide additional protection for domestic industry, rather than just to

correct an unfair trade practice. Time-consuming administrative practices in U.S. antidumping cases were particularly criticized; and U.S. exporters especially criticized the abrupt and arbitrary nature of Canadian antidumping procedures.

An International Antidumping Code, intended to supplement and interpret GATT regulations on antidumping, was negotiated during the Kennedy round. With the exception of Australia, New Zealand, and South Africa, most major trading nations have signed the Code. The Code established rules of conduct for administrative practices in antidumping proceedings and set up a Committee on Antidumping Practices to examine antidumping actions and reconcile international differences. After controversy within the United States as to whether the Code was consistent with the U.S. Antidumping Act of 1921, the U.S. Congress, in 1968, resolved that any differences between the Code and the Act should be resolved in favor of the Act.

Of the parties to the International Antidumping Code, the United States had by far the highest level of antidumping activity in 1971-72. The frequency of complaints against Australia and South Africa (neither of which is party to the Code), would seem to indicate that they are also active users of antidumping proceedings. The less frequent dumping activity by some countries than others is undoubtedly partly attributable to a difference in commercial policy views of the countries on the matter of dumping; but it might also be partly due to the application of other measures to imports which their customs officials consider to be below normal value.

Among complaints on antidumping practices submitted to the Tariff Commission, complaints were raised against Australia and South Africa for the lengthy application of provisional antidumping duties before a final finding is made (affecting U.S. exports of chemicals and saws to Australia) and dumping duties imposed through unfair customs valuation (affecting U.S. chemical and wood exports to South Africa). Some complainants felt that South African antidumping duties had been imposed where there was no serious injury or threat of injury to South African producers. Although many of the more onerous Canadian antidumping practices were revised after Canadian adherence to the International Antidumping Code, complaints against the new system were received concerning the method of valuation in antidumping proceedings, particularly in transactions between related firms.

After the Antidumping Code was negotiated, the U.S. Treasury Department modified its administrative procedures to hasten action in antidumping cases. Nevertheless, there is continued severe criticism of U.S. antidumping practices by U.S. importers and foreign governments. A number of major countries have charged that certain practices of the U.S. treasury Department and findings of the Tariff Commission violate the Antidumping Code.

Countervailing duties

Countervailing duties are special duties in addition to regular duties, imposed on imported products, if, under designated circumstances, these products benefit from foreign subsidies. Under the GATT, the subsidization to be countervailed must threaten to injure or retard the development of a domestic industry. Although not explicitly defining a subsidy,

the GATT states that exemption of exported goods from indirect taxes applied to domestic consumption does not constitute a subsidy.

U.S. regulations provide for countervailing duties on imports (excluding duty-free imports) equal to bounties or grants bestowed by another country on the production or export of the product. Although the GATT requires a determination of injury before imposition of countervailing duties, the U.S. statute (which pre-dates the GATT) does not require an injury determination. Great discretion is left to the Secretary of the Treasury to determine whether a subsidy is involved and whether countervailing duties are applicable.

Few countries actually resort to countervailing, often employing other protective devices instead. In the United States, countervailing action has been infrequent. Since 1967, however, there has been an upsurge of countervailing action in the United States, against French subsidies (1968-69) and certain Italian and Canadian exports. The Canadian case (against certain tires) was the first instance where the United States countervailed against regional development subsidies. Although there has been significant subsidization of agricultural exports by the European Community in recent years, there have been few cases where the U.S. Government has chosen to apply countervailing duties (most of the products have been subject to absolute quotas).

Although critics of the U.S. countervailing duty practices (particularly the absence of a requirement for an injury finding) have proposed an international code on countervailing duty practices along the lines of the antidumping code, there has been no agreement, partly due to disagreements between the European Community and the United States. The U.S. position

has been that countervailing should be discussed in the broader context of subsidization, especially agricultural subsidization. The European Community has not wanted to discuss agricultural subsidization, but has desired to focus on the removal of the U.S. exemption from the requirements to find injury before countervailing. A solution of the problem of subsidies in international trade would automatically wipe out the practice of countervailing as well.

Discriminatory Ocean Freight Rates 1/

Many U.S. producers and exporters reported to the Tariff Commission that discriminatory treatment in ocean freight rates greatly weakens their ability to compete abroad and enhances the competitive strength of foreign industries in the U.S. market. For example, ocean freight rates on many commodities from the United States to Japan are higher than the rates from Japan to the United States on the same products. The differences frequently are large, ranging from 20 percent to well over 100 percent. Moreover, since most foreign tariffs are applied on a c.i.f. basis, and most foreign consumption taxes, such as the value-added taxes in Europe and the commodity taxes in Japan, are applied on a landed cost, duty-paid basis, the effects of the discriminatory rate treatment are multiplied.

Differences in ocean freight rates charged on the same item moving along reciprocal trade routes are called shipping disparities. This disparity problem, which is prevalent in all U.S. outbound shipping routes, apparently adversely affects only U.S. shipping trade, and not the shipping trade of other major trading nations. Such disparities have been said to contribute to the U.S. balance of payments deficit and export malaise. While acknowledging the disparities, both American and foreign shipping lines defend the discriminatory rate structures as economically just and necessary.

Shipping liners are ships which operate along definite routes on fixed schedules, usually hauling only general, rather than bulk or liquid

1/ See chapter XII for a detailed discussion of discriminatory ocean freight rates.

cargo. Liners are usually organized in conferences which control freight rates for shipping in only one direction (e.g., from the United States to Japan). Conferences, which have highly complex and intricate rate structures, are likely to employ different systems of rates, even though many conferences have members in common. The conference system, developed in the 19th century as a reaction against cutthroat competition, allows shipping lines to cooperate to offer dependable scheduled service at uniform charges. The system benefits both the shipowner and the shipper, the latter being assured of stable rates and treatment equal to that of his competitors.

Although the conference system fosters stability, it also has significant drawbacks. U.S. outbound rates are substantially higher than comparable outbound rates from other industrialized countries, both in shipping to other industrialized countries and to "third market" ports. Thus, U.S. exporters are put at a competitive disadvantage in relation to exporters of other industrialized countries in shipping to third country markets.

Although the shipping conferences are a kind of international monopoly, the U.S. government allows the conferences to set ocean freight rates in foreign commerce and U.S. conference members have been exempt from antitrust action since the early 1900's. The Federal Maritime Commission (FMC), established in 1961, is empowered to disapprove of particular discriminatory conference rates, and the FMC has been active in efforts to influence the conferences. However, conferences are not national bodies, and moves to control foreign-owned steamship companies and foreign-based conferences have created difficult international situations, with other nations objecting to U.S. interference.

Shipping lines which are members of conferences usually have no tie to their national manufacturing sector, with the exception of Japanese lines. This means on one hand that there is little basis for a conference to favor a particular national exporting interest, and on the other hand, that U.S. conference member lines, although aware of the U.S. disparity problem, are not likely to surrender the profits afforded to them by high freight rates.

It is not surprising that each shipping conference has a very personalized rate structure, since the commodity classification system is incredibly complex, and the application and interpretation of criteria for rates differ. Shipping rates for U.S. products reflect the fact that the value of a commodity is a major measure in determining freight rates and that U.S. unit prices tend to be higher than those of its trading partners. Another conference criterion for rates is the cost of ship operation, the greatest component of which is the cost of loading, stowing and unloading. It is possible that the presence in a conference of American liners, with their much higher expenses, may well create a need for a higher rate structure in order to allow the American liners to operate at a profit.

The conferences feel that differences in outbound and inbound rates on identical products are justified because the "product mix" of the entire cargo may be different in one direction than in another. The conference tries to charge what it thinks the traffic will bear and not to raise rates so high that a shipper's product is priced out of the foreign market, thereby denying future business to the conference.

Several U.S. laws have set up regulations requiring the transport of at least a fixed percentage of special types of government-owned or

financed cargoes in U.S. flag commercial ships. A number of other countries have also adopted cargo preference measures. The elimination of competition for government-owned cargo through the cargo preference system tends to create upward pressure on freight rates, resulting in increased disparity in outbound and inbound shipping rates.

Although some of the most exorbitant discriminatory U.S. outbound rates have an end result of adding only a few percent on the overseas selling price of the U.S. exports, this addition to the price can price marginally competitive U.S. products out of a foreign market. There are several alternatives to paying conference rates. The normal conference rates may be avoided if a shipper is able to hire an entire charter vessel, instead of a conference vessel; if a shipper does not require regularly scheduled service and can use a tramp ship instead of a conference vessel; or if a shipper agrees to ship exclusively within the conference for a particular length of time, he may be eligible for a lower schedule of rates. There is also official machinery within the conference for handling requests for rate changes.

In addition to the above possibilities for shippers to obtain lower rates, strong national shippers councils in countries such as Japan and the United Kingdom have shown themselves very able to obtain results from conferences in areas where governmental agencies have been ineffective. U.S. shippers councils have not developed strength comparable to councils in other countries, and such bodies might be liable to antitrust action in the United States.

The shipping rate disparity issue could possibly be entirely ended through the growing trend toward containerization. Standard containers

and container ships would tremendously simplify commodity rate classifications, end the disparity issue, and make the conference rate system immeasurably simpler.

part 2

nontariff trade barriers

Report to the
Committee On Finance
of the United States Senate
and its
Subcommittee On
International Trade

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 5 OF 11

PART II. NONTARIFF TRADE BARRIERS

CHAPTER VII. NONTARIFF CHARGES ON IMPORTS

CHAPTER VIII. QUANTITATIVE RESTRICTIONS AND SIMILAR
SPECIFIC LIMITATIONS ON TRADE



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Chapter VII

NONTARIFF CHARGES ON IMPORTS

Introduction

"Nontariff charges" is the term which has been coined in international trade discussions to loosely describe the very large variety of fees, levies and taxes which must be paid on imports into most countries in addition to a customs duty. The term is used in this report to cover all taxes and other governmental fees which are attached to internationally traded goods except a regular customs duty, an antidumping duty, or a countervailing duty. It includes so-called "surcharges" and "surtaxes," which are actually customs duties levied on top of a country's normal customs tariff. Many of these charges are essentially the same as customs duties, but are considered separately from the regular tariff for a variety of reasons. The statutory basis for collecting the charges usually is separate from the regular tariff schedule; the charges may be imposed only temporarily, or they may be regarded separately for other reasons which appear to differentiate them (albeit superficially) from regular customs duties.

There is a large variety of charges other than customs duties which imports into most countries must pay. Some of these charges are collected at the border when the imported product enters the country; others are collected later in the distribution channel, such as the point of final sale to the consumer or sometimes as the product is being used; and some, indeed, are even collected before the goods leave the exporting country.

Some of the charges, such as the "variable levy" now applied to agricultural imports into most of Europe, are purposely intended to discriminate against imported products and protect domestic output. On the other hand, some charges, such as U.S. excise taxes and the tax on value added (TVA), prevalent in a large part of Europe, are collected at the border with a view to assessing imported products with the same tax applied to domestic output (although there is frequent debate over the equality of treatment of imports under these taxes). Some levies, such as port taxes, are considered charges for services rendered; many countries collect a fee for required sanitary or other inspections. In some countries a fee is collected on both imports and exports to cover the cost of tabulating statistical data on the country's trade. Many countries from time to time, to cope with an acute balance of payments deficit, have levied import "surcharges" in addition to the regular customs duty. These are only a few examples; the variety of names and purposes assigned to the charges seems almost endless.

Nontariff charges on imports were second only to quantitative restrictions in the number of complaints received in the Tariff Commission's survey of trade barriers. This is perhaps due to the fact that, like quantitative restrictions, they are more highly visible and more restrictive to the trader than many other forms of trade barriers. Table 7-A presents a summary count of these complaints, by type of charge. It is interesting to note that almost one-fifth of the complaints were against charges, such as sales taxes, use taxes, etc., which generally do not discriminate between imported and domestic

Table 7-A.--Summary count of complaints made against "nontariff" charges on imports, by type of charge

Type of charge <u>1/</u>	Number of complaints			Total
	against--			
	Developed:	LDC's	Communist:	
	countries:		countries:	
1 : "Border taxes" <u>1/</u> -----	156	44	-	200
2 : Port and statistical taxes, etc-----	39	150	-	189
3 : Nondiscriminatory use and excise taxes	:	:	:	:
: and registration fees-----	63	81	1	145
4 : Nondiscriminatory sales taxes-----	51	43	-	94
5 : Discriminatory excise taxes, govern-	:	:	:	:
: ment controlled insurance, film	:	:	:	:
: taxes, use taxes, and commodity	:	:	:	:
: taxes-----	51	35	-	86
6 : Prior import deposits-----	12	72	-	84
7 : Variable levies-----	47	7	-	54
8 : Consular fees-----	3	46	-	49
9 : Stamp taxes-----	16	31	-	47
10 : Discriminatory sales taxes-----	3	3	-	6
11 : Miscellaneous special and additional	:	:	:	:
: taxes and fees-----	105	273	1	379
: Total-----	546	785	2	1,333
: Percent-----	41.0	58.9	.1	100.0

1/ Charges have been classified by type in this table as they were described in submissions to the Tariff Commission by respondents in the Commission's survey of trade barriers. Charges described by the respondents as "border taxes" usually referred only to value added taxes, turnover (cascade) taxes and a very limited number of other consumption taxes levied on imports upon entry. However, under the customary definition, most of the taxes reported under the following types of charges listed in the table are also considered border tax adjustments.

3. Nondiscriminatory use and excise taxes and registration fees
4. Nondiscriminatory sales taxes
5. Discriminatory excise taxes, film taxes, use taxes, and commodity taxes
10. Discriminatory sales taxes
11. Miscellaneous special and additional taxes and fees.

Source: Compiled from submissions to the Tariff Commission.

products (types 3 and 4 in the table) and that several of the complaints were against charges, such as statistical taxes and stamp taxes, which are customarily nominal. Among the charges that were clearly identified as to type, the most frequently mentioned, by far, were the various forms of border tax adjustments, 1/ followed by port, statistical and similar entry taxes. A large number of the complaints identified the charges only as "special taxes," "additional fees," etc.

A perusal of responses in the Commission's survey shows a consistent theme: Traders object to any additional charge or cost which they encounter in distributing their products, regardless of whether the charge is large or small or discriminates between imported and domestic articles. Some of the charges are substantial, and give rise to particularly strong objections. The general sentiment is found in a brief submitted by a U.S. steel producer, for example, stressing the cumulative effect of border tax adjustments on products shipped to European Community countries. "The value-added tax, which is a significant charge, is levied on the duty-paid value of the product. The rates and additional charges, the compounding effect of their assessment, and their resultant penalty to the high-priced foreign supplier over the low-priced supplier are punitive to our trade." According to a representative of the U.S. tanning industry, "such supra-customs charges are defended on the ground that they do not represent tariff rates but reflect internal tax policy. The contention is nonsense; border taxes or border excise taxes are nothing more than a device to evade treaty obligations." Other respondents

1/ It should be noted that charges reported as "border taxes" in table 7-A were probably not more than one-fifth of the total number of complaints actually concerned with some form of border tax adjustment.

felt that such charges nullify tariff reductions agreed to in the Kennedy Round. A spokesman for the U.S. electronics industry, for example, states that "while the post-Kennedy Round duties are lower in both countries (the United States and Japan) for most electronic products, the Japanese have carefully retained significantly higher rates of duty on most categories not also subject to a border tax. For the categories of electronic products subject to the border tax, the combined weight of the tax and duty far exceeds the level of monetary charges imposed in the form of duties on the like products imported from Japan into the United States."

Many charges are sharply progressive or so designed in other ways as to make them more burdensome for the imported product. This is particularly true of taxes imposed upon automobiles which are usually based on horsepower or cylinder capacity. According to the association representing U.S. automobile manufacturers, "their burden on larger U.S. vehicles, as compared to traditionally smaller overseas produced vehicles, is commonly four or five times (and often over 10 times) as great."

Some of the charges complained of are the direct result of other requirements pursuant to certain regulatory procedures. For example, a domestic distiller also dealing in imported spirits reported that it is often "necessary to request a permanent customs inspector on the premises with the cost and expense of such inspector being attributed to the importer. Statutory and regulatory changes to eliminate such inspections, or curtail it for a more efficient manner, would moderately increase imports."

The most vociferous complaint concerning U.S. nontariff charges came from domestic importers of distilled spirits. They have long expressed opposition to the wine-gallon/proof-gallon method of imposing internal revenue excise taxes on imported spirits. The importers of bottled spirits contend that this system favors the domestic producer and bulk imports of 100 proof spirits which are later reduced in proof and bottled in the United States, and discriminates against the imports of bottled spirits. One important distributor states that "removal of this barrier or adjustment so that both bottled and bulk spirits are taxed on a similar basis would increase imports significantly."

Table 7-B shows the distribution of complaints against nontariff charges, by country and type of charge. The bulk (59 percent) of the complaints were made against charges encountered in the less developed countries. Port charges, statistical taxes and similar entry fees and prior import deposits drew far more complaints against developing countries than against the developed nations; but even in the developed countries, the total of complaints against the various forms of border tax adjustments far surpassed all other categories.

Two-fifths of the complaints received against developed nations were charges encountered in the European Community; one-third were against EFTA members; about 6 percent against Japan; 4 percent against Canada; and 3 percent against the United States. For developed countries, about three-fourths of the complaints were concerned with the various forms of border tax adjustments.

The distribution of complaints against nontariff charges among the various product sectors is shown in table 7-C. About 85 percent

Table 7B.--Number of complaints made against "nontariff" charges on imports, by country and type of charge

Country	Total		Type of charge ^{1/}										
	Number	Percent	1	2	3	4	5	6	7	8	9	10	11
Developed countries, total-----	546	41.0	156	39	63	51	51	12	47	3	16	3	105
European Community (of six), total-----	219	16.4	87	17	24	7	22	1	18	1	13	-	29
Italy-----	57	4.3	18	10	2	2	5	1	-	1	6	-	12
France-----	42	3.2	16	2	5	3	8	-	-	-	6	-	2
West Germany-----	29	2.2	13	4	4	1	2	-	-	-	-	-	5
Belgium and Luxembourg-----	24	1.8	11	-	5	1	4	-	-	-	-	-	3
Netherlands-----	20	1.5	12	-	6	-	2	-	-	-	-	-	-
Other ^{2/} -----	47	3.5	17	1	2	-	1	-	18	-	1	-	7
European Free Trade Area (of eight) and Finland, total-----	186	14.0	48	11	28	20	10	6	26	1	1	1	34
Sweden-----	36	2.7	10	-	6	2	1	-	11	-	-	-	6
Denmark-----	28	2.1	7	5	3	3	3	-	3	-	-	1	3
Austria-----	24	1.8	6	1	1	-	1	-	7	-	-	-	8
Switzerland-----	20	1.5	4	3	1	4	2	1	2	-	-	-	3
Finland-----	17	1.3	7	-	6	-	1	1	1	-	-	-	1
Portugal ^{3/} -----	17	1.3	2	-	2	3	-	-	1	1	1	-	7
Norway-----	16	1.2	7	-	5	-	1	-	-	-	-	-	3
United Kingdom-----	15	1.1	3	1	2	5	-	2	1	-	-	-	1
Iceland-----	10	.8	-	-	2	3	1	2	-	-	-	-	2
Other ^{4/} -----	3	.2	2	1	-	-	-	-	-	-	-	-	-
Japan-----	35	2.6	6	3	2	2	9	2	1	-	-	-	10
Canada-----	22	1.7	2	1	3	8	-	-	1	-	-	1	6
United States-----	21	1.6	3	4	-	1	3	-	-	-	-	-	10
Australia-----	11	.8	-	-	-	6	1	-	1	-	-	-	3
South Africa-----	10	.8	-	-	2	2	3	-	-	-	1	1	1
Other developed countries ^{5/} -----	42	3.2	10	1	4	5	3	5	-	1	1	-	12
Less developed countries, total-----	785	58.9	44	150	81	43	35	72	7	46	31	3	273
Latin America, total-----	331	24.9	3	73	44	18	8	40	1	36	9	-	99
Argentina-----	44	3.3	-	11	4	4	2	7	-	3	1	-	12
Brazil-----	29	2.2	-	9	1	-	-	2	-	1	-	-	16
Mexico-----	28	2.1	-	7	4	1	2	1	1	3	1	-	8
Chile-----	23	1.7	-	2	5	2	1	5	-	4	-	-	4
Colombia-----	22	1.7	-	2	1	2	1	8	-	4	1	-	3
Uruguay-----	17	1.3	-	7	1	-	-	3	-	2	-	-	4
Dominican Republic-----	16	1.2	-	3	2	-	1	3	-	1	-	-	6
Leeward and Windward Islands-----	16	1.2	-	4	4	1	-	-	-	-	-	-	7
Peru-----	15	1.1	-	6	2	-	-	1	-	2	1	-	3
Honduras-----	10	.8	-	1	2	2	-	-	-	2	-	-	3
Other-----	111	8.3	3	21	18	6	1	10	-	14	5	-	33
Africa, total-----	179	13.4	21	37	10	12	8	13	-	3	7	1	67
Togo-----	13	1.0	-	3	-	1	1	-	-	-	2	-	6
Tunisia-----	11	.8	-	3	4	-	-	1	-	-	-	-	3
Upper Volta-----	10	.8	-	2	-	-	1	-	-	-	1	-	6
Other-----	145	10.9	21	29	6	11	6	12	-	3	4	1	52

Table 7-B.--Number of complaints made against "nontariff" charges on imports, by country and type of charge--Continued

Country	Total		Type of charge ^{1/}										
	Number	Percent	1	2	3	4	5	6	7	8	9	10	11
Europe and the Middle East, total-----	146	11.0	13	21	15	5	9	14	2	2	12	1	52
Greece-----	33	2.5	6	2	5	-	1	5	-	-	6	-	8
Spain-----	30	2.3	7	1	3	1	4	2	2	-	-	-	10
Turkey-----	24	1.8	-	8	-	-	2	2	-	1	4	-	7
Iran-----	16	1.2	-	3	1	-	1	3	-	-	-	-	8
Israel-----	11	.8	-	-	1	3	1	2	-	-	1	1	2
Other-----	32	2.4	-	7	5	1	-	-	-	1	1	-	17
Asia, total-----	129	9.7	7	19	12	8	10	5	4	5	3	1	55
Philippine Republic-----	16	1.2	-	-	-	-	3	-	3	-	3	-	6
Korea-----	14	1.1	1	2	3	-	2	1	2	-	-	-	3
Indonesia-----	13	1.0	-	3	-	1	-	1	-	-	-	-	8
India-----	12	.9	-	-	2	-	2	-	-	1	-	-	7
Other-----	74	5.6	6	14	7	4	6	-	2	1	3	-	31
Eastern trading area ^{6/} -----	2	.2	-	-	1	-	-	-	-	-	-	1	1
Total, all countries-----	1,333	100.0	200	189	145	94	86	84	54	49	47	6	379

^{1/} Charges have been classified by type in this table as they were described in submissions to the Tariff Commission by respondents in the Commission's survey of trade barriers, as follows:

- | | |
|--|---|
| 1.. "Border taxes" | 6. Prior import deposits |
| 2. Port and statistical taxes, etc. | 7. Variable levies |
| 3. Nondiscriminatory use and excise taxes and registration fees | 8. Consular fees |
| 4. Nondiscriminatory sales taxes | 9. Stamp taxes |
| 5. Discriminatory excise taxes, government controlled insurance, film taxes, use taxes, commodity taxes. | 10. Discriminatory sales taxes |
| | 11. Miscellaneous special and additional taxes and fees |

It should be noted that charges described by the respondents as "border taxes" usually referred only to value added taxes, turnover (cascade) taxes, and a very limited number of other consumption taxes levied on imports upon entry. However, under the customary definition, most of the taxes reported under the following types of charges are also considered border tax adjustments:

3. Nondiscriminatory use and excise taxes and registration fees; 4. Nondiscriminatory sales taxes; 5. Discriminatory excise taxes, film taxes, use taxes, and commodity taxes; 10. Discriminatory sales taxes; and 11. Miscellaneous special and additional taxes and fees.

^{2/} Includes complaints against the EC without specifying a country.

^{3/} With respect to development status, Portugal is a "borderline" country, but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.

^{4/} Includes complaints against EFTA without specifying a country.

^{5/} Includes Ireland, New Zealand, Poland and complaints against developed countries without specifying a country.

^{6/} Excludes Poland.

Source: Compiled from submissions to the Tariff Commission.

Note:--Due to rounding, percents may not add to the totals shown.

Table 7-C.--Number of complaints made against "nontariff" charges on imports by type of charge and product sector

Sector	Total		Type of charge ^{1/}										
	Number	Percent	1	2	3	4	5	6	7	8	9	10	11
Industrial													
Total all industrial sectors-----	937	85.6	125	159	61	73	57	80	8	56	37	5	276
I-1 : Nonelectrical machinery-----	50	4.6	9	5	2	1	1	7	-	3	4	-	18
I-2 : Transport equipment-----	367	33.5	38	75	26	38	35	16	-	16	11	3	109
I-3 : Ores, metals and metal manufactures-----	47	4.3	9	7	1	2	-	5	-	2	6	-	15
I-4 : Chemicals-----	64	5.9	8	19	5	1	2	6	-	6	4	1	12
I-5 : Textiles-----	19	1.7	1	2	-	3	1	3	1	1	1	-	6
I-6 : Electrical machines and apparatus-----	35	3.2	11	3	1	3	-	4	-	3	1	-	9
I-7 : Pulp, paper and paperboard, and manu- factures-----	24	2.2	2	4	2	3	1	4	-	2	1	-	5
I-8 : Coal, petroleum, natural gas-----	20	1.8	2	1	6	-	-	1	1	1	2	-	6
I-9 : Mineral products and fertilisers, ceramic products and glass-----	9	.8	1	3	-	-	-	1	-	2	1	-	1
I-10 : Professional, scientific and control- ling instruments, photographic apparatus, clocks and watches-----	18	1.6	5	2	-	-	-	3	-	3	-	-	5
I-11 : Wood and cork and manufactures-----	3	.3	1	1	-	-	-	-	-	-	-	-	1
I-12 : Precious stones, precious metals and manufactures-----	6	.5	1	-	-	2	-	-	-	-	-	-	3
I-13 : Rubber and rubber manufactures-----	4	.4	-	1	1	-	-	-	-	-	-	-	2
I-14 : Raw hides and skins, leather and fur- skins and manufactures-----	14	1.3	2	3	-	-	1	3	2	-	1	-	2
I-15 : Footwear and travel goods-----	3	.3	1	-	1	-	-	-	-	-	-	-	1
I-16 : Musical instruments, sound recording or reproduction apparatus-----	21	1.9	5	-	2	3	-	2	-	1	1	-	7
I-17 : Firearms, ammunition, tanks and other armored fighting vehicles-----	1	.1	-	-	-	-	-	-	-	-	-	-	1
I-18 : Furniture-----	5	.5	-	-	-	-	1	-	-	1	-	-	3
I-19 : Toys and sporting goods-----	8	.7	3	1	-	-	1	-	1	1	-	1	-
I-20 : Photographic and cinematographic sup- plies-----	34	3.1	-	1	10	-	10	5	-	-	-	-	8
I-21 : Works of art and collectors' pieces-----	-	-	-	-	-	-	-	-	-	-	-	-	-
I-22 : Office and stationery supplies-----	24	2.2	-	4	1	6	-	4	-	1	1	-	7
I-23 : Manufactured articles not elsewhere specified-----	4	.4	2	-	-	-	1	-	-	1	-	-	-
I- : Products not specified-----	157	14.3	24	27	3	11	3	16	3	12	3	-	55
Agricultural													
Total all agricultural sectors-----	157	14.3	10	11	21	6	9	4	50	2	2	-	39
A-1 : Foodstuffs-----	18	1.6	1	1	1	1	-	1	11	-	-	-	2
A-2 : Grains-----	11	1.0	-	1	-	-	-	-	9	-	-	-	1
A-3 : Animals and products thereof-----	17	1.6	1	1	1	-	-	-	10	-	-	-	4
A-4 : Oil seeds, fats and oils, and their products-----	15	1.4	3	-	-	-	-	-	7	-	-	-	5
A-5 : Beverages and spirits-----	58	5.2	6	7	12	5	7	1	2	1	2	-	15
A-6 : Dairy products-----	14	1.3	-	1	-	-	-	-	7	-	-	-	6
A-7 : Fish, shellfish and products-----	3	.3	1	-	-	-	-	-	-	-	-	-	2
A-8 : Tobacco-----	13	1.2	-	-	7	-	2	2	-	-	-	-	2
A-9 : Miscellaneous agricultural and forestry products-----	8	.7	1	-	-	-	-	-	4	1	-	-	2
Total ^{2/} -----	1,094	100.0	138	170	82	79	66	84	58	58	39	5	315

^{1/} Charges have been classified by type in this table as they were described in submissions to the Tariff Commission by respondents in the Commission's survey of trade barriers, as follows:

- | | |
|---|---|
| 1. "Border taxes" | 6. Prior import deposits |
| 2. Port and statistical taxes, etc. | 7. Variable levies |
| 3. Nondiscriminatory use and excise taxes, and registration fees | 8. Consular fees |
| 4. Nondiscriminatory sales taxes | 9. Stamp taxes |
| 5. Discriminatory excise taxes, government controlled insurance, film taxes, use taxes, commodity taxes | 10. Discriminatory sales taxes |
| | 11. Miscellaneous special/additional taxes and fees |

It should be noted that charges described by the respondents as "border taxes" usually referred only to value added taxes, turnover (cascade) taxes, and a very limited number of other consumption taxes levied on imports upon entry. However, under the customary definition, most of the taxes reported under the following types of charges are also considered border tax adjustments: 3. Nondiscriminatory use and excise taxes and registration fees; 4. Nondiscriminatory sales taxes; 5. Discriminatory excise taxes, film taxes, use taxes, and commodity taxes; 10. Discriminatory sales taxes; and 11. Miscellaneous special and additional taxes and fees.

^{2/} Total counts are not the same as those in tables 7-A and 7-B because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to the totals shown.

of the complaints were in the industrial area, 15 percent in agricultural products, a division almost identical with the distribution of U.S. trade. In the industrial area, almost two-fifths of the complaints were in the transport equipment sector. These complaints concerned principally automobiles, a prime target for fees and taxes of all types all over the world which have been carefully documented and reported by U.S. automobile manufacturers. No other industrial sector drew more than about 7 percent of all the complaints submitted in the industrial area. The largest percentages were in chemicals; nonelectrical machinery; ores, metals and manufactures; electrical machines and apparatus; and photographic and cinematographic supplies.

In the agricultural area, about one-third of the complaints fell in the beverages and spirits sector. The remainder were more or less evenly distributed, except that very few were made in the sector for fish and shellfish.

The remainder of this chapter discusses the more important types of nontariff charges under three headings: Variable levies, border tax adjustments for internal taxes, and other nontariff charges.

Variable Levies

"Variable levy" is the term commonly used for certain charges assessed on imports in lieu of, or in addition to, a normal customs duty. For regular customs duties, rates of assessment remain relatively fixed for long periods of time; the variable levy changes (usually rather frequently--sometimes daily--and often is dependent upon world market prices), hence the name. Like regular protective customs duties, variable levies are assessed on imported products for the specific purpose of increasing their cost in relation to domestic products in order to diminish or eliminate any comparative economic advantage the import may have in competing with the domestic product.

Some countries have resorted to variable levies when a stringent but flexible control is desired over the level of imports. Variable levies probably have been used most frequently to raise the cost of an imported product to a minimum import entry price; and probably the most common application has been to raise the landed cost of imported agricultural products to a level which has been predetermined by authorities administering domestic agricultural programs as necessary to prevent imports from interfering with the operation of the program. In such cases, the variable levy is often an integral part of the domestic agricultural program, and because of its use in this manner, the term, in popular parlance, is confined to

charges on agricultural imports under such conditions. 1/ For convenience, the term is used here in this popular sense, but will cover all variable charges on agricultural imports, regardless of how they are designated officially by the country applying them. 2/ Because variable levies are usually collected under laws or regulations other than a country's customs laws, countries applying such levies frequently maintain that the levy is not a customs tariff, and hence not subject to the same considerations and treatment in trade negotiations as customs tariffs.

Variable levies are not new; they have been employed by several European nations for many years. However, during the past decade they have risen to great prominence because the European Community made the variable levy an essential element in its Common Agricultural Policy (CAP), thereby spreading application of this import control device over a large and important segment of world trade. As a consequence, today the variable levy is probably the most important single measure adversely affecting U.S. exports.

As used in the European Community's CAP to equalize imported and domestic prices, the economic effect of a variable levy is the

1/ Variable charges on industrial product imports are given other designations, such as "special customs duty," "special tax," "minimum import price requirement," "arbitrary surtax," etc., even though the amount of the charge may be determined in a manner similar to the agricultural product levies.

2/ Semantic problems arise from the fact that some countries apply several variable charges to agricultural imports, only one of which is designated a "variable levy." The European Community, for example, applies a "variable levy," a "variable component," an "additional duty" and a "compensatory tax."

same as import quotas in that the importer cannot increase his sales by reducing prices. Some shippers contend that the CAP's variable levy is more restrictive than a quota because quotas at least provide some secure level of access, whereas under the EC's levy, imports are relegated to an unpredictable residual supply position after domestic supplies are exhausted. In addition, trade is further hampered by the element of uncertainty as to the amount of the charge which will be collected on any particular shipment. When the levy itself is moderate, exporters tend to complain less about the level of charges than about the general uncertainty that prevails under a variable levy system. Frequent changes in the variable charges cause difficulty in calculating market prices and hamper forward planning. Information concerning changes in levies is often not available promptly.

Complaints were registered with the Commission about variable levies on imports of agricultural products into the European Community, Austria, Denmark, Finland, Greece, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The total effect of these levies on U.S. or world trade cannot be determined with any degree of exactness. Together these countries have been important recipients of U.S. agricultural exports, taking over 35 percent of the total value of such exports in 1971. While exports to these countries in 1971 were 9 percent above 1966, exports to other countries increased by 13 percent.

Variable levies in the European Community

Implementation of the Common Agricultural Policy (CAP).--The European Community is the largest market for U.S. agricultural exports. It comes as no surprise, therefore, that development and implementation of the Community's Common Agricultural Policy has been of primary concern to the United States.

The Treaty of Rome lists the following agricultural policy objectives, which the CAP was created to achieve: (1) Increasing agricultural productivity, (2) maintaining a fair standard of living for the rural population, (3) stabilizing markets, (4) assuring regular supplies, and (5) maintaining reasonable consumer prices. In the CAP, the Community has chosen to maintain farm incomes through price supports rather than through domestic income supplements. Internal price support levels generally have been set substantially above world market prices, thus necessitating a control on imports to prevent their interference with the price support program. The variable levy was chosen for this purpose.

Implementation of the CAP began in January 1962, with adoption of a series of regulations establishing common arrangements governing marketing of commodities or groups of commodities, and by mid-1968, under the CAP regulations, a single Community market had been created for most agricultural products. These regulations differ as dictated by conditions of production and marketing, but most have certain characteristics. The most pervasive element is reliance on a minimum import price and some form of variable levy to protect and insulate

the domestic price from lower world prices. There are no controls on production, except for certain indirect controls on sugar. Export subsidies are provided for the disposal of excess domestic production.

In general, the amount of the variable levy is the difference between the lowest offer price on the world market and an internal Community support price, although details vary from product group to product group. For dairy products, wheat, rice, and coarse grains, the levy is equal to the difference between the designated minimum import price and the lowest offer price for a commodity from outside the Community at the port handling the heaviest volume of trade to the area with the least adequate supply of that commodity. For pork, poultry and eggs, a compound levy is applied which is derived from the difference between EC and world market prices for the feed grain required to produce each kilogram of the product plus 7 percent of the cost (including feed cost) of producing and marketing the domestic product. If the import price plus the compound levy is below established minimum prices, a supplementary levy is applied to bring the price up to the minimum. For beef, fruits and vegetables, and wine, if the import offering price plus duty is below established minimum prices, a levy is applied to bring the price up to the minimum. In all cases the minimum import price is set at a level calculated to raise the cost of imports to the support price for the domestic product in the principal deficit market in the Community. Because the amount of the levy is determined on the basis of the difference between the lowest offer price from any source and the minimum import price, and then is applied

to all imports regardless of origin, shipments arriving with prices higher than the lowest offer price have their landed cost raised above the support price level for the domestic product. Consequently, imported products frequently have their prices increased above those for domestically produced goods. ^{1/}

The height of the EC's variable levy charges is illustrated by the ad valorem incidence of the levies on selected products in 1970 shown in table 7 - D. Because of problems in calculating an ad valorem incidence of variable levies (the frequent and substantial variations in the amount of the levy and insufficient detail in import statistics), the figures given can only be taken as approximate indications. The incidences shown in the table are calculated by using unweighted averages of monthly levies and import prices. Moreover, the variable levy incidence can change substantially over time because of variations in world market prices and in the amount of the levy. For example, in contrast to the data shown in the table, levies on August 1, 1972, were equal to 122 percent of the lowest c.i.f. price for wheat imports, and 84 percent for corn. The products in the list are representative of about \$1.5 billion of the Community's estimated \$1.8 billion of agricultural imports in 1970 subject to variable levies.

^{1/} This description of the determination of the amount of EC variable levies greatly oversimplifies extremely complex arrangements. The reader interested in more accurate details can refer to The Common Agricultural Policy of the European Community, Executive Branch GATT Study No. 12, prepared at the request of the Senate Finance Committee's Subcommittee on International Trade, or to Foreign Agricultural Report No. 55: The European Community's Common Agricultural Policy, issued by the U.S. Department of Agriculture, or to the actual regulations issued by the Community.

Table 7-D.--Ad valorem equivalents of EC variable levies on selected agricultural products in 1970

Product	: Ad valorem :: : equivalent ::	Product	: Ad valorem :: : equivalent ::
	: <u>Percent</u> ::		: <u>Percent</u> ::
Live hogs-----	42.2	Barley-----	69.7
Baby chicks, less than 185 grams-----	3.6	Corn-----	47.4
Beef, frozen, sides-----	<u>1/</u> 33.3	Grain sorghum-----	74.0
Pigmeat, carcass/half carcass-----	42.2	Rice, husked (brown rice)-----	105.6
Whole poultry, with giblets-----	33.5	Rice, milled, bleached, long-----	181.6
Turkeys, whole-----	24.1	Wheat flour-----	50.8
Turkey breasts-----	24.1	Wheat groats and meal-----	50.3
Smoked ham-----	42.2	Lard, edible-----	42.2
Canned poultry, 57% or more meat-----	25.7	Olive oil, virgin-----	2.0
Milk powder, fat 1.5% or less, no sugar added-----	150.5	Sugar, white, undenatured-----	196.4
Butter, fat 85% or less-----	480.2	Sugar, raw, undenatured-----	133.3
Cheddar cheese-----	133.8	Lactose-----	61.3
Eggs, fresh/preserved-----	66.2	Canned peaches, sugar added-----	<u>1/</u> 4.6
Eggs, dried, whole without shell-----	82.3	Fruit cocktail, sugar added-----	<u>1/</u> 4.8
Non-durum wheat-----	101.9	Eggs and milk albumin, dried-----	26.7
Durum wheat-----	79.7		

1/ In addition to the levy, the products are also subject to a customs duty, which in 1970 was 20 percent ad valorem for beef sides, 24.4 percent for canned peaches, and 23.2 percent for fruit cocktail.

Source: Compiled from data furnished by the U.S. Department of Agriculture.

The United Kingdom, Ireland, and Denmark became members of the European Community on January 1, 1973. Under the Treaty of Accession, the new members agreed to accept the EC price and marketing systems for agricultural products and the EC price support levels, over a transition period extending to December 1977. During the transition period, the new members will adjust to the variable levies on imports from third countries, at the same time eliminating import charges on trade between the original EC member states and themselves. In February 1973, the new members installed the EC's Common Agricultural Policy involving guaranteed or support prices, market intervention (price support buying), and variable levies for the major products, and these items became eligible for export subsidy payments. The acceding countries are to adjust in stages 1/ to EC guaranteed prices, by December 31, 1977.

The combination of devices which make up the CAP for the various product groups--some type of variable levy charge to limit or exclude imports and assure minimum price levels for imports which do enter, support of internal prices at high levels, a general absence of production controls, and export subsidies and other artificial measures to remove excess production from the internal market--have produced continuing rises in prices for agricultural products in the Community (with rapidly increasing food costs to the EC consumer), impressive increases in EC production of agricultural products, and an increasing necessity to subsidize the disposal of surplus supplies in the world market.

1/ Staged adjustments vary by product and country, with some elements of the CAP adopted on February 1, 1973 without a transition period, and other elements adopted in stages over a transition period; full adjustment is to be completed by January 1, 1978.

Trade impact of EC levies.--The effect of the EC's variable levy system on trade in agricultural products has been pronounced. The removal of nearly all trade barriers to internal EC trade coupled with the application of variable levies to imports from third countries has relegated the United States and other supplying nations to the role of residual suppliers of variable levy products, since they are not permitted to compete in price with domestic products in the EC market. Exporting nations have complained that in addition to being deprived use of this basic and elemental means for competing, their opportunities are further diminished because of uncertainty of the level of the charges and differences in interpretations of regulations among member countries of the Community.

The general trend in EC agricultural trade reveals the impact of the variable levy together with the other companion devices that make up the CAP. While the value of U.S. exports of agricultural products to countries outside the Community grew by 90 percent from 1961 to 1970, exports to EC countries increased by only 43 percent. The 1971 U.S. export value of commodities affected by the levy increased by only 23 percent above the average during 1959-61, compared to a 98 percent gain in commodities not subject to levies; the corresponding gains for 1972 exports amounted to 48 percent and 125 percent, respectively.

Despite the fact that the value of EC purchases of U.S. agricultural commodities has increased since 1961, 1/ the U.S. share of their import market 2/ declined from 14 percent in 1961 to 11 percent in 1970.

1/ It should be noted, however, that there were many other controls which severely restricted European imports in these earlier years.

2/ Includes intra-EC imports.

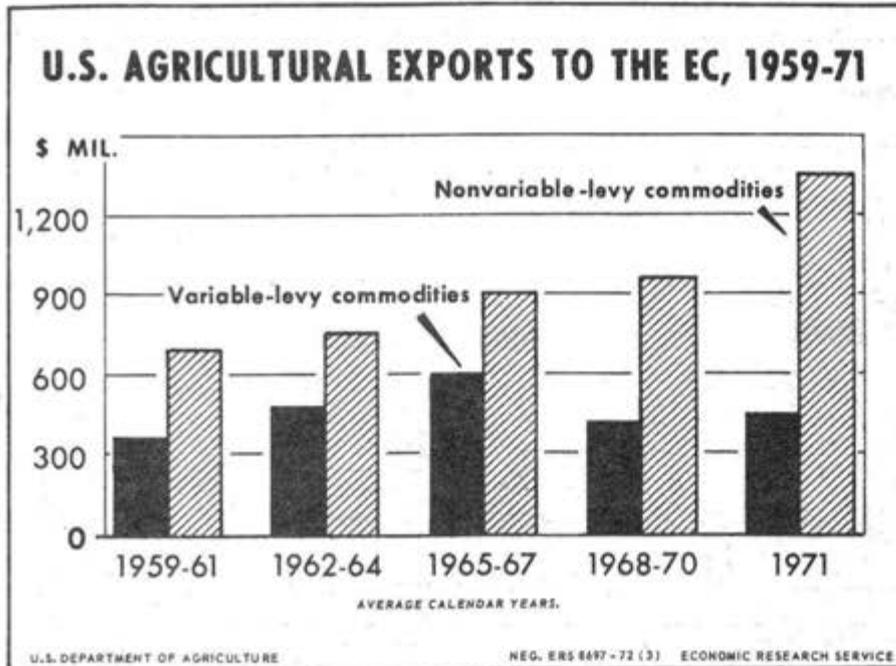
The same is true of other third countries (including the recent new members, the United Kingdom, Ireland, and Denmark) whose share of the EC market declined from 64 to 51 percent. Third countries have found it increasingly difficult to export to the EC and have stepped up their sales efforts in other agricultural markets, thus stiffening competition with U.S. exports in those areas. Meanwhile the share of intra-EC trade in its expanding market increased from 20 percent to 36 percent. The value of intra-EC trade increased almost 2-1/2 times from \$1.8 billion in 1961 to \$6.1 billion in 1970.

An extrapolation based on the level of trade in 1954-61 indicates that U.S. exports to EC countries could have performed considerably better had the variable levy not been in effect. If the same trends had continued, the value of EC imports of U.S. agricultural commodities during 1961-70 would have increased by 150 percent to \$3.0 billion instead of an actual gain of less than 50 percent to \$1.8 billion. Moreover, the intra-EC trade level would have increased 122 percent instead of the actual gain of 238 percent. In less specific terms it seems evident that U.S. exports of agricultural products to the Community would have been considerably better without the CAP.

The severity of the impact will undoubtedly increase as the CAP is extended to the new EC members, the United Kingdom, Ireland, and Denmark, which accounted for \$621 million in U.S. agricultural exports during 1972.

U.S. exports of agricultural products to the EC during 1971 amounted to \$1.8 billion, almost \$750 million above the average level during the three years just prior to application of the variable levy;

during 1972, they amounted to \$2.1 billion (table 7-E). This might be construed to indicate that the existence of the Community has stimulated demand sufficiently to offset the restrictive effects of the levy. However, a commodity-by-commodity analysis reveals that the impact of the CAP has been severe enough on some commodities to jeopardize the overall value of future U.S. agricultural exports. The chart below shows the strong downward trend which has occurred in variable levy product shipments into the Community in contrast to the upward trend of other products.



The principal U.S. agricultural exports to the European Community which have been assessed variable levies are feed grains (corn, grain sorghums, barley, and oats), wheat and wheat flour, rice and poultry.

Table 7-E.--U.S. agricultural exports to the European Community: Value of variable-levy and nonvariable-levy commodities, calendar year averages, 1959-61, 1962-64, 1965-67, and 1968-70; annual 1970, 1971, and 1972

(Millions of dollars)							
Commodity	Average				Annual		
	1959-61	1962-64	1965-67	1968-70	1970	1971	1972
Million dollars							
Variable-levy commodities ^{1/} :							
Feed grains-----	208	306	441	295	324	345	395
Corn-----	95	200	329	273	287	300	376
Grain sorghums-----	54	59	71	15	21	20	13
Barley-----	40	38	28	3	6	25	5
Oats-----	19	9	13	4	10	^{2/}	1
Wheat, including flour----	96	61	91	73	78	60	95
Rice-----	11	14	18	27	21	18	17
Poultry-----	26	36	23	12	11	8	10
Other ^{3/} -----	23	66	26	16	13	17	22
Total variable-levy items-----	364	483	599	423	447	448	539
Nonvariable-levy commodities:							
Oilseeds-----	130	192	283	338	418	534	649
Oil cake and meal-----	19	61	139	198	228	271	265
Tobacco-----	89	105	125	134	124	162	169
Fruits, ^{4/} fresh and dried and nuts-----	28	32	42	49	54	56	67
Variety meats, fresh or frozen ^{5/} -----	14	23	35	37	42	51	58
Corn byproducts, feed ^{6/} ----	1	6	18	33	34	34	52
Cotton, excluding linters-----	217	142	69	33	19	53	61
Tallow ^{5/} -----	38	29	32	23	33	33	28
Hides and skins-----	22	21	26	21	18	34	54
Vegetables ^{4/} and preparations-----	13	27	18	19	22	21	27
Other ^{7/} -----	126	125	114	90	120	132	140
Total nonvariable-levy items-----	697	763	901	975	1,112	1,381	1,570
Total-----	1,061	1,246	1,500	1,398	1,559	1,829	2,109

^{1/} Grains, poultry, and pork were subject to variable levies beginning on July 30, 1962; rice on September 1, 1964; and beef and dairy products on November 1, 1964.

^{2/} Less than \$0.5 million.

^{3/} Includes rye, beef, pork, and veal (except variety meats), lard (for food) dairy products, and eggs.

^{4/} Although fruits and vegetables are subject to supplementary levies, they have only been applied in very recent years and the effect cannot be determined. Therefore, for this analysis they are considered as nonvariable-levy commodities.

^{5/} Although canned poultry, tallow, and variety meats are subject to variable levies, these cannot exceed the amount of import duties bound in GATT.

^{6/} Mainly corn gluten feed and meal, which are nonvariable-levy commodities, but may contain small quantities of other corn products, subject to variable levies.

^{7/} Includes canned poultry, fruit preparations, fruit juices, canned fruits, vegetable oil, and fats.

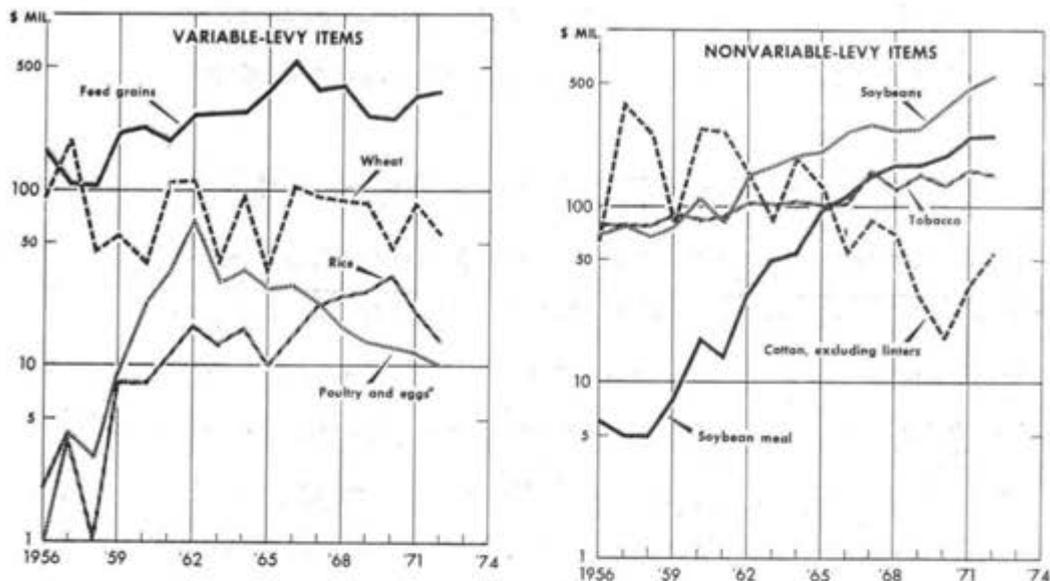
Source: U.S. Department of Agriculture.

Other products subject to variable levies include rye, veal, pork, lard for food purposes, dairy products, eggs, and sugar. ^{1/} Table 7-E compares U.S. exports to the Community of specific commodities assessed variable levies with the performance of commodities not assessed with the levies.

The 1968-70 average export level for commodities subject to a variable levy is slightly above the average of the pre-levy period of 1959-61, but had it not been for the sharp increase in exports of one commodity, corn, the increase in variable levy commodities would have been nil. The increased exports of U.S. corn resulted from the demand of a rapidly expanding livestock and poultry industry--a result itself of the CAP--and was accompanied by greatly accelerated corn production in the Community as well as an expansion in intra-EC trade. Exports of rice in 1971 and 1972 were above the pre-levy period, but they were below peak levels attained during the late 1960's. Exports of grain sorghums, barley, oats, and poultry have sustained severe declines below 1959-61 levels. Wheat and wheat flour exports were down in the late 1960's as well as during 1970 and 1971, but by 1972 they had regained the level prior to the levy. The following chart compares annual U.S. export performance of the major variable levy and nonvariable levy product groups.

^{1/} In addition, beef, wine, and fruit and vegetables are subject to a supplementary levy when the import offering price is below established minimum prices. A levy is also assessed on various products processed from agricultural products; e.g., yogurt, spaghetti, macaroni, and prepared glazings, etc. A levy is also charged on the sugar added content of such items as confectionery, certain chocolate goods, milk crumb and gingerbread; a levy is charged on the flour added content of certain bread and pastries. See appendix table 7-A at the end of this chapter for a list of items subject to the variable levy when imported into the European Community.

U.S. AGRICULTURAL EXPORTS TO THE EC, BY PRINCIPAL COMMODITIES



YEAR ENDING JUNE 30. ○ EXCLUDES CANNED POULTRY. COMMODITIES SHOWN MADE UP OVER 3/4 OF TOTAL RECENTLY. VERTICAL SCALE IS LOGARITHMIC.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 5819-72 (8) ECONOMIC RESEARCH SERVICE

The principal agricultural commodities not subject to the EC variable levy include oil seeds, oil cake and meal, tobacco, variety meats, certain corn byproducts, cotton, tallow, and hides and skins. The total value of U.S. exports in 1971 to the Community of commodities not subject to the variable levy ^{1/} amounted to \$1.4 billion, or some \$680 million above the 1959-61 average; during 1972, they amounted to \$1.6 billion. The export values of these commodities in 1971 and 1972

^{1/} Including several items which became subject to variable levies in very recent years. It is too early to determine the impact of the levy on these products and therefore they are included in the non-variable group for this analysis.

represented about three-fourths of the value of U.S. agricultural products exported to the Community in each of these years. The largest increases, by far, have been accounted for by exports of oil seeds, oil cake, and oil meal. These products, plus tobacco, accounted for about 70 percent of the 1971 and 1972 values of exported commodities not subject to the variable levy.

Bindings under the GATT of duties for oil seeds and oil seed products which were agreed to by the European Community during the Dillon Round of tariff negotiations have prevented the inclusion of these products in the variable levy system. Otherwise, in all probability, these products would have been included since certain of these oil seeds are domestically subsidized and production is increasing. Exports during 1971 were valued at \$805 million, some \$655 million above the 1959-61 average; in 1972, they amounted to \$914 million.

U.S. exports of tobacco to the Community benefitted from two circumstances: Rising demand for U.S. qualities and trade sanctions by the United Nations against Rhodesia. Exports of tobacco increased from an average of \$89 million during the 1959-61 period to \$162 million in 1971 and \$169 million in 1972. CAP regulations have recently come into effect on tobacco which will tend to insulate the EC market (including associated areas of Africa, as well as Greece and Turkey) from world prices and have a significant effect on EC production. An important factor in possibly limiting future U.S. exports is a "buyer's premium" paid to manufacturers who buy EC produced tobacco. A proposed percentage excise tax would also discriminate against high quality U.S. products.

U.S. exports of variety meat products to the European Community amounted to \$51 million during 1971, or more than 3-1/2 times the 1959-61 level; during 1972, exports amounted to \$58 million. Although such products are subject to variable levies, the combined duty and levy cannot exceed certain rates bound in the GATT. U.S. production is competitively priced in the Community and exports are expected to increase.

Substantial growth in the EC livestock market and levies on grain imports stimulated large exports of corn byproducts for the mixed feed industry (\$34 million in 1971 and \$52 million in 1972 compared to \$1 million in 1959-61). Exports are expected to continue to increase.

In contrast to larger sales to the Community since 1959-61 of most commodities not subject to variable levies, declines have taken place in exports of raw cotton and tallow. Cotton has sustained the most severe reduction (from \$217 million in 1959-61 to \$53 million in 1971 and \$61 million in 1972) primarily due to expanded use of manmade fibers coupled with the reduction in U.S. production and larger foreign cotton output. Demand for U.S. tallow is expected to again increase and exports to the European Community should recover the slight declines registered in recent years. Hides and skins have already shown a significant increase in 1972 (\$54 million) after having declined to \$18 million in 1970. Exports had been \$22 million during the 1959-61 period.

Variable levies in the United Kingdom

From 1947 through 1971, the underlying feature of the United Kingdom's agricultural policy was a deficiency payment to farmers to

compensate for any difference between the price realized on the market and an established guaranteed price. Domestically-produced commodities competed in the market with imported products, on which there were relatively low duties, and under this plan, market prices remained relatively low.

Movement away from the deficiency payment system began in 1964, when modifications were introduced into the grain program, primarily to reduce costs to the government. Minimum import prices were established, and incorporated in a grains arrangement which the United Kingdom entered into with Argentina, Australia, Canada, and the United States. The arrangement provided for the use of levies to protect the United Kingdom market from suppliers willing to sell below the minimum prices. After 1964, most other suppliers became parties to the arrangement. ^{1/} The minimum prices were set at levels normally slightly below world prices. The ad valorem equivalent of levies collected on most products were nominal (for example, less than 1 percent on wheat, wheat flour, and corn).

Under the system which the United Kingdom installed, the uncertainty factor of the variable levy was eased somewhat by the method of application. Anticipated levels of future charges were announced on which forward contracts could be registered by the Ministry of Agriculture. A registration fee was paid and a certificate issued

^{1/} The series of agreements on grains (negotiated in 1964, 1967, and 1971) was separate from the international wheat agreements, but wheat, as well as other grains, was covered. The agreements were terminated on December 29, 1972, prior to the entry of the United Kingdom into the European Community.

to the importer quoting the rate of levy appropriate to the month of shipment. If the actual rate of levy in force at the time of import differed from the certified quotation, the importer paid whichever rate was lower.

In 1971, in light of the prospective entry of the United Kingdom into the European Community and the need to harmonize the United Kingdom agricultural support system with that of the Community, fundamental changes were made in the United Kingdom's agricultural policy involving a complete shift from the deficiency payment system to a system of higher tariffs and minimum import prices using variable levies on imports. The use of variable levies was thus extended to such commodities as beef and veal, certain dairy products, eggs, and poultry meat.

As already mentioned above, the United Kingdom, in the Treaty of Accession to the Community, has agreed to accept the Community's Common Agricultural Policy, thus bringing under a variable levy all products subject to this device under the CAP. During the five-year transition to complete conformance to EC agricultural regulations, the United Kingdom will be making staged upward adjustments in its support prices to reach the EC price support level, with corresponding adjustments in its variable levy charges. This will entail substantial increases in protective charges levied by the United Kingdom on imports of most agricultural products from non-EC sources from the relatively nominal levels of the past few years to levels of the Community (see table of ad valorem equivalents under discussion of the EC variable levy). The

shift to the Common Agricultural Policy raises the level of protection on over 80 percent of U.S. agricultural exports to the United Kingdom. 1/

According to a study by the U.S. Department of Agriculture, 2/ the overall import requirements of the United Kingdom will be significantly reduced by 1975 as a result of their entry into the European Community. A Michigan State University study indicates that expansion of intra-EC trade resulting from EC enlargement will be extensive and the potential shifts in trading patterns will be substantial. "This, along with a projected rate of increase in output greater than the rates of increase in utilization will result in diminishing export opportunities for third country suppliers..." 3/

U.S. agricultural exports to the United Kingdom during 1968-70, after the modification of their deficiency payment system of grains,

1/ United Kingdom tariff rates on several of the items on which protection is being increased have been bound under the GATT. The GATT rules pertaining to the formation of a customs union state that the duties and other regulations of commerce imposed in the union shall not on the whole be higher or more restrictive than the general incidence of duties and regulations applicable in the constituent territories prior to formation of the union. Under the provisions of Article XXIV of the GATT, a detailed examination and negotiation is being conducted concerning the enlargement of the European Community. The EC Council has announced that its position in these negotiations is that any increase in protection (largely on agricultural products) in the United Kingdom and other acceding countries is compensated by reductions in the acceding countries' tariff rates (chiefly on industrial products) to the generally lower levels of the Common External Tariff.

2/ Summary of United Kingdom: Projected Level of Demand, Supply, and Imports of Agricultural Products, 1970, 1975, and 1980, ERS Foreign 248, U.S. Department of Agriculture, July 1969.

3/ The Impact on U.S. Agricultural Trade of the Accession of the United Kingdom, Ireland, Denmark, and Norway to the European Economic Community, research report No. 11, Institute of International Agriculture, Michigan State University, 1971.

averaged \$382 million, 15 percent below the 1958-60 average level. U.S. exports during 1971 amounted to \$438 million and accounted for about 9 percent of agricultural product imports by the United Kingdom. Some of the most important U.S. export items to the United Kingdom face declines. Among these are beef, milk and milk products, lard, sugar, wheat, feed grains, and certain fruit. Indeed, as indicated by the Michigan State University research study, it is entirely possible that the United Kingdom's entry into the European Community could bring about self sufficiency in beef and veal and their deficit in cereals might not only be reduced, but a small surplus could appear. Furthermore, the incentives of the CAP could result in the United Kingdom becoming a net exporter of pork, poultry, and eggs.

Variable levies imposed by other countries

Austria.--Variable levies are applied to several animals and certain products thereof, poultry, certain tuber or root vegetables, certain cereal grains and flour or meal thereof (except rice), sugar beets, certain animal fats and meat preparations, sugar, molasses, and confectionery, chocolate and certain products thereof, tapioca, certain pastries, jams and jellies, animal feeds, and chemical products containing agricultural materials. Incomplete data on the amount of levies collected on Austrian imports in 1968 indicate that the ad valorem incidence of the various levies ranged as follows: Fresh and frozen meat, 4-40 percent; cheese, 0-23 percent; wheat, 18 percent; corn,

50 percent; flour and other milling products, 24-95 percent; prepared or preserved meats, 30-40 percent; sugar and confectioneries, 24-148 percent. The levies act to exclude U.S. exports. For example, the U.S. Foreign Agricultural Services reported in 1972 that if U.S. chicken meat could be delivered to Austria without the import levy, the competitive advantage now enjoyed there by non-U.S. products would be eliminated. The United States supplied only 2.3 percent of Austria's chicken imports in 1971.

Sales of U.S. agricultural commodities in Austria during 1971 amounted to \$10 million, some \$3 million less than during 1966, but \$2 million more than the 1967-70 average; in 1972 sales amounted to \$11 million. The largest U.S. export to Austria, tobacco, is not assessed variable levies. Other items which represent significant U.S. sales to Austria include unmilled corn, and prepared fruits and nuts.

Denmark.--In its programs to improve farm income, Denmark has emphasized quality production in agricultural products and evolved a highly integrated system of production and marketing. Prior to its accession to the European Community, variable import levies to protect these programs were applied to imports of milk powder for animal feed, wheat, rye, barley, oats, corn, millet and grain sorghum, and certain cereal flour and meal. In a recent year, the ad valorem incidence of the levy on wheat was 27 percent; on corn, 15 percent; and on other grains, from 17 to 39 percent. As a new member of the European Community, Denmark has begun the 5-year process of conforming its agricultural program to the EC's Common Agricultural Policy, under which

variable levies will be brought into line with those of the Community. According to the U.S. Foreign Agricultural Services, Denmark would have incurred a \$750 million loss annually if she had remained outside the enlarged Community. The consequences for Denmark of nonmembership would have been a gradual cutback in agricultural production to a level of home-market self-sufficiency.

The total value of U.S. exports of agricultural commodities to Denmark was \$104 million in 1971, some \$18 million above 1966, and \$27 million more than the 1967-70 averages; in 1972 exports amounted to \$102 million. Tobacco and soybeans, which are not subject to variable levies, are by far the leading commodities shipped to Denmark by the United States.

Finland.--Variable levies are applied to imports of certain types of meat, dairy products, corn, fats and oils, prepared foodstuffs, food residues, and oil cake. In a recent year, the ad valorem incidence of the Finnish levies were as follows: Fresh or frozen meat, 4-53 percent; dairy products, 9-183 percent; corn, 56 percent; fats and oils, 0-328 percent; prepared meats, 21-142 percent. Efforts are under way to liberalize trade in agricultural commodities with EFTA countries, and Finland has introduced legislation which would eliminate this trade from the import levy charge.

Total exports of U.S. agricultural commodities to Finland in 1971 amounted to \$13 million, some \$3 million less than in 1966, but about \$1 million above the 1967-70 average; in 1972 exports amounted to \$16

million. Tobacco and dried fruit, which are not subject to variable levies, account for the largest part of U.S. agricultural exports to Finland.

Greece.--A variable levy is applied to imports of poultry meat and (since August 1971) dry milk. Poultry meat imports into Greece are subject to an import duty and a variable charge, the total incidence of which in a recent year was 30 percent. About one-sixth of this amount was attributable to the variable levy. Frozen broiler imports into Greece during 1971 were more than 40 percent below the previous year, with those from the United States down by 58 percent. The decline has been attributed to increased domestic production, under the protection of high import levies. The rationale given for the imposition of the levy on dry milk was to encourage use of domestic milk and discourage illegal addition of dry milk (along with water) to fresh milk.

Spain.--Since 1963, variable levies have been applied to various meats, poultry, fish, vegetables, fruit, cereals, oil seeds, vegetable oil, and fish meal. Satisfactory data on the ad valorem incidences of these levies are not available.

Sales of U.S. agricultural commodities to Spain in 1971 amounted to \$180 million, some \$10 million less than during 1966 and \$6 million less than the 1967-70 average; in 1972 exports amounted to \$300 million. Soybeans, the principal U.S. agricultural export to Spain, were not subject to a variable levy until the fall of 1973.

Sweden.--Variable levies are applied to various live animals, certain meats, fish, dairy products, vegetables, cereals (except rice), flour and meal and certain products thereof, certain oil seeds, animal and vegetable fats and oils, prepared foodstuffs, sugar and molasses, chocolate, certain food and industry residues, and certain miscellaneous chemical products containing farm commodities. 1/ The levies serve to protect Sweden's domestic production and at the same time provide revenue to help subsidize exports of agricultural commodities. Countries of the European Free Trade Association are exempt from the levies on some products, although agricultural commodities are not generally included in the EFTA Agreement.

The levels of charges are reviewed and are subject to change periodically as domestic and world prices change. A minimum price acts as a trigger for the application of the variable tax. For most products the levies are fixed as long as domestic prices remain within pre-determined price limits. The charges are generally made according to the net weight of an item rather than the actual relationship of the landed value to the domestic price as in the case with most other countries' variable levies. Therefore, not all imports of a particular product are raised to the same level and some competition between exporters is retained. However, the levy is sometimes so high that the imported product is unable to compete with the domestic product (e.g., the levy

1/ In addition to the variable levy, many of these products are, upon importation, also subject to "compensatory fees" which are import charges corresponding to charges on domestic production in Sweden (e.g., slaughter fees, manufacturing fees, etc.).

on corn has recently been \$66 per metric ton) thus relegating importers to a position of residual suppliers. Illustrative approximate ad valorem incidences of the Swedish variable levy charges in a recent year are as follows: Fresh or frozen meat, 0-124 percent; dairy products, 5-183 percent; fresh, frozen or dried vegetables, 0-212 percent; grains, 0-110 percent; milled grains, 0-133 percent; fats and oils, 0-120 percent; prepared meats, 0-78 percent; fruit juices, 20 percent.

Sales of U.S. agricultural commodities to Sweden in 1971 amounted to \$57 million, some \$4 million above the 1967-70 average but some \$4 million below the level of 1966; in 1972 exports amounted to \$58 million. Fruit, fruit preparations, and tobacco are by far, the principal U.S. agricultural exports to Sweden. Tobacco is not subject to a variable levy.

Switzerland.--Variable levies are applied to certain live animals; meats, fish, dairy products, leguminous vegetables, cereals, certain oil seeds, sugar beets, forage, certain animal fats, certain vegetable oils, prepared meats, cocoa shells and husks and waste, certain wines, certain residues from food industries, prepared animal fodders, and straw and hay for animal feed. Satisfactory representative data on the level of the variable levy charges separate from other fixed charges assessed on imports of these products are not available.

Sales of U.S. agricultural commodities to Switzerland in 1971 amounted to \$83 million, some \$12 million above 1966, and \$11 million above the 1967-70 average; in 1972 exports amounted to \$113 million. Tobacco, which is not subject to a variable levy, is by far the largest U.S. export commodity to Switzerland.

Border Tax Adjustments for Internal Taxes

In the Tariff Commission's survey of trade barriers, vehement protests were received from important segments of U.S. industry against "border taxes" levied on imports by many foreign countries, and particularly European nations. Such charges have become one of the most contentious issues in the general public's discussion of trade barriers. The subject is one of the most complex and difficult in the NTB field.

"Border taxes" defined

When the American businessman speaks of "border taxes", he generally has in mind the charges, other than import duties, which countries in continental Europe have been collecting for many years on their imports, simultaneously with import duties, to offset or compensate for national general consumption taxes (particularly turnover taxes of the cascade and value-added type) 1/ which are applied

1/ "Turnover" taxes are taxes levied on the transfer of products from one owner to another. There are three types:

1. Single-stage taxes, which are levied at a single stage of the production or distribution process (e.g., manufacturers excise taxes, retail sales taxes);
2. Cascade taxes, which are levied at each transfer of a product on the product's cumulative value without credit for taxes paid at any prior state; and
3. Value-added taxes, which are also levied at each transfer of a product, but with credit for taxes on the preceding transfer until the product is sold to the final customer, at which point no credit is given. Allowing credit for prior taxes leaves as the tax base the value added in the production process, which goes to capital as profits and labor as wages.

to domestic products. His concept may also extend to the taxing nation's "refund" of such taxes on its exports.

In international considerations of the border tax adjustment issue, a more comprehensive definition has been used. In order to deal with the full range of problems which these tax adjustments present, it has been considered most convenient to define border tax adjustments as any fiscal measure which enables imported products to be charged with some or all of a tax charged in the importing country on similar domestic products and which enables exported products to be relieved of some or all of the tax charged in the exporting country on domestic products. Thus, "border tax adjustments" include the imposition of taxes on imports not only at the time of importation, but also at any subsequent point in the distribution channel, and any exemption from tax on exports in addition to the repayment, upon exportation, of taxes already collected on products which are exported.

This general definition of border tax adjustment is used for this report. Under this definition, virtually all countries, including the United States, make some border tax adjustments on their imports and exports.

The "border tax" issue

Under fairly longstanding international practices, which were incorporated into the General Agreement on Tariffs and Trade when it was drafted, indirect taxes (taxes usually referred to as consumption taxes or taxes on products) are considered eligible for border tax

adjustments, while direct taxes such as income taxes, profits taxes, payroll taxes, and social security charges are not regarded as eligible. 1/

Foreign countries rely more heavily than the United States does upon indirect (consumption) taxes for government revenue. In foreign tax systems, the major consumption taxes are generally types which, with respect to imports, are collected when the goods enter the country, rather than at later stages of distribution. Therefore, in addition to the regular import duties, products imported by these countries are immediately assessed with taxes which are both substantial 2/ and highly conspicuous. Moreover, products exported from these countries are shipped abroad at prices substantially below the internal domestic price by virtue of the fact that the consumption tax is not collected on the exported goods (or will be refunded if it has been collected).

On the other hand, very few products imported into the United States are subject to a border tax adjustment at the time of entry.

(The most important are alcoholic beverages, tobacco products, gasoline

1/ A full discussion of GATT provisions on this matter is found in "Tax Adjustments in International Trade: GATT provisions and EEC Practices," Executive Branch GATT Study No. 1., Committee on Finance, U.S. Senate, April, 1973.

2/ In France, for example, a standard effective rate of 23 percent applies to most goods; in West Germany, most goods are taxed at the rate of 11 percent. Before the United Kingdom changed to a value-added tax in 1973, the United Kingdom purchase tax (which could be assessed either at the time of importation or at a later stage of distribution, depending upon the method of distribution) was levied at four rates: 12.5 percent, 20 percent, 33 1/3 percent and 50 percent; a wide range of consumers' home products and automobiles paid the 33 1/3 percent rate; jewelry, furs, gold watches, and similar articles paid the 50 percent rate.

and lubricating oil.) Most U.S. border tax adjustments are found later in the distribution channel, and occur principally as state and local retail sales taxes. For all but a very few U.S. products, the differential between domestic and export prices which is attributable to the exemption of exports from internal consumption taxes is substantially lower than the price differential found in products of most other major trading nations resulting from the exemption of their exports from their domestic consumption taxes. 1/

A large percentage of American businessmen regard this situation as grossly unfair to them in their efforts to compete with foreign producers both in markets abroad and in the United States. Their general complaint is that when selling abroad they bear the burden of the substantial U.S. direct taxes (corporate income taxes, etc.) plus the significant indirect taxes of the foreign country; when selling in the United States, the imported product of their foreign competitors has been relieved of a substantial part of its national tax burden through the border tax adjustment process, and bears none of the U.S. direct taxes.

1/ Border tax adjustments in Europe operate similarly to the various state sales taxes in the United States. If an article imported into the United States is sold in a state with a sales tax, the seller adds the tax to the price and passes it on to the consumer. If a domestic product is exported to another state or to a foreign country, no sales tax is charged by the exporting state. (Article I, section 9, of the U.S. Constitution prohibits the laying of a tax or duty on articles exported from any state.)

Thus, the United States does, in effect have widespread "border tax adjustments" on traded goods, since sales taxes are charged on imported goods when sold and are not paid on goods destined for export. The difference is that in Europe the taxes are actually levied as the imported goods cross the border, while in the United States they are paid usually at the time of final sale. Another important difference is that most of the European tax rates are substantially higher than those in the United States.

One U.S. corporate executive describes the situation thusly:

...The use of indirect taxes by our major trading partners disadvantages the United States which relies primarily on direct taxes as the major source of national receipts.

The disadvantage to the U.S. manufacturer is very substantial. A European or Japanese manufacturer absorbs in his costs the domestic taxes imposed in his country on products sold for domestic consumption, but his costs are reduced on products exported because a substantial portion of these taxes is rebated when he sells the product for export. When these exports enter the U.S., the foreign manufacturer does not have to pick up any part of the U.S. tax bill, since the U.S. does not have a border tax. Therefore, the foreign manufacturer's costs are favorably affected by the remission of part of his domestic tax burden, while his costs reflect no part of the U.S. tax burden.

The U.S. manufacturer faces an opposite situation. His U.S. tax costs are not reduced when he exports since we have no border tax rebates. In addition, his export costs are increased by the obligation to pay at the border of the foreign country a portion of a foreign country's tax burden in the amount of the border tax imposed.

The unfairness to the United States of such a situation is obvious and serious, and, in my judgment, is a major reason why the U.S. trade balance will not improve. 1/

The view of the European businessman is only partially at variance with that of the American. The European, having his own product subject to rather substantial consumption taxes, regards the assessment of the same tax upon imports as fair and equitable. 2/ However, he tends to look upon the remission of the tax on exports as a bonus or subsidy for his operations. For example, a Parisian clothier,

1/ Remarks by Fred J. Borch, Chairman of the Board, General Electric Company in "United States International Economic Policy in an Interdependent World," a report to the President submitted by the Commission on International Trade and Investment Policy, July 1, 1971, page 330.

2/ It is perhaps noteworthy that those American businessmen whose products have been subject to significant Federal excise taxes also share this view, and that U.S. producers of these products (such as automobiles, alcoholic beverages, and tobacco products) usually do not consider border tax adjustments discriminatory.

with a branch store in Washington, D.C., has advertised in a Washington newspaper that he is able to sell his French-made clothing in Washington at approximately the same price as in his Paris store because "the French government pays a 23 percent subsidy on exports of French products," (meaning that the 23 percent value-added tax levied by the French government is not collected on exports).

In sum, the U.S. businessman feels that his cost of entry into foreign markets, and hence his competitive position, is prejudiced by the fact that the price of his product bears both U.S. and foreign taxes, while the cost of entry of foreign products into the U.S. market is lower, and their competitive position enhanced, by the fact that they bear little, if any, foreign taxes and no U.S. taxes.

Professional economists generally disagree with this position of the business community on border tax adjustments. Economists argue that the link between border tax adjustments and trade is less direct, and any distortion of competitive conditions less severe, than some businessmen claim. Most economists agree that there may possibly be some temporary adverse trade effects for foreign suppliers resulting from border tax adjustments. However, the academic research which has been done on the subject has been inconclusive.

Under a particular set of market conditions, foreign border tax adjustments may prejudice the competitive position of individual U.S. products (or individual U.S. producers). The extent to which foreign border tax adjustments may create a disadvantageous competitive situation for U.S. producers (which, in any event, would be limited to the

short run) 1/ depends entirely upon the extent to which direct taxes, such as profits taxes, are actually shifted forward to be borne by the consumer rather than the producer, and the extent to which indirect consumption taxes are shifted backward to be borne by the producer rather than the consumer.

Tax shifting is a matter on which there is much theory but an abysmal absence of empirical knowledge. Most current economic theory recognizes that there may be some backward shifting of general consumption taxes onto the factors of production under certain circumstances. However, there is hardly any consensus on the possibility of shifting profits taxes forward to the consumer, and present theory on this point has been described by one writer as "in utter disarray." 2/ Views range from absolutely no shifting forward to more than a complete shifting forward! However, it is generally recognized that if tax shifting for either consumption or profits taxes does take place, the degree to which the tax may be shifted depends on general economic factors in the relevant country such as the demand for the product, actions of the monetary and fiscal authorities, the stage of the business cycle, and the extent to which the producers are oligopolistic. Also, economists argue that any trade disturbances caused by internal tax changes plus changes in border tax adjustments are short-run phenomena because trade imbalances usually lead to some form of compensatory adjustment (exchange rate adjustments, inflationary pressures, etc.)

1/ In the long run, other economic adjustments will take place which counterbalance or even the disadvantage.

2/ James A. McNamara, Tax Adjustments in International Trade, the Border Tax Dispute, in the Journal of Maritime Law, January, 1972.

and that permanent differences in tax rates and direct-indirect tax structures among countries do not result in permanent trade distortions. 1/

The differences between businessmen and economists on the border tax issue arise in part because of their differing points of view on the subject. The economist looks at the overall effect of border tax adjustments on the economy as a whole, whereas the businessman may view the question primarily from the experience of his individual product, which may differ greatly from the experience of the economy as a whole.

The tax adjustment problem has been considered and debated internationally in the OECD, the GATT and in bilateral discussions between countries. A major interest of the United States in these discussions was to explore possible ways of changing current border tax adjustment practices to compensate for the imperfections in the present arrangement. The general result that emerged from all of these discussions has been a consensus that, at least for the present, no one seems able to devise a more practical or preferable alternative to the existing GATT rules. The situation has been summed up thusly: "... the tax adjustment problem is not imaginary. It may well be, however, that the existence of an arrangement preferable to the present GATT rules is imaginary; alternatives to the GATT rules are not promising." 2/

1/ Long-term differences in tax rates and total tax burdens do create incentives for capital to migrate from higher tax to lower tax countries; however, this effect is not the direct subject of this report.

2/ Paul Wonnacott, "Tax Adjustments on Internationally Traded Goods," in United States International Economic Policy in an Interdependent World, Washington, D.C. July 1971 (The Williams Commission Report).

The remainder of this discussion is chiefly in terms of the macro effects of border tax adjustments, rather than the effect which they may have on individual products.

The purpose and operation of border tax adjustments
in the tax system

The rationale for border tax adjustments is to compensate on traded goods for the price effects of an internal tax. For a century or more, the working assumption of policymakers has been that indirect taxes will be very largely, if not completely, passed along to the final consumer, in the form of price increases if the producer pays the tax, or in the form of a surcharge on sales if the tax is collected at the time of sale. This position rests upon the teachings of some classical and turn-of-the-century economists that all consumption taxes are fully reflected in the final price of the product, or in other words, fully shifted forward to the consumer.

Historical evidence can be found to indicate that there is a link between changes in indirect taxes and changes in general price levels. Certainly there is the possibility of full forward shifting, although this may not occur in every case. If it is assumed for the moment that indirect taxes are fully passed on to the consumer, the rationale for border tax adjustments, as they are commonly used, can be explained by a simplified example.

An example of a trade neutral border tax adjustment.--Germany has a value-added tax (VAT) of 11 percent. Suppose product X sells on the world market for \$100 c.i.f. at a German port and that Germany has a

tariff of 10 percent on that product, bringing the landed price of imports up to \$110. Before the VAT was instituted, a German manufacturer could compete with the imported product by making and selling the same article for \$110 on the German market. However, after the VAT was enacted, he must pay an 11 percent tax on his sales of the product. Under our assumption that the 11 percent VAT will be included in the final price to the consumer, the German producer could not compete with imports unless they too were charged the 11 percent VAT as a border tax adjustment. Consequently, all goods destined for the German market (both domestic and imported) are charged the same VAT. ^{1/} The German buyer will select between the domestic and imported products on the basis of price, quality, etc., but not on the basis of any final price differential caused by the German value-added tax system.

Now suppose a large German export item, product Y, is able to compete on the world market when selling for \$200 f.o.b. at a German port and that there is no German tariff on the article. Because of the 11 percent VAT, a German buyer would pay \$222 for product Y, whether it is imported or domestic. These conditions would mean that a German producer, selling either to the domestic or export market, would have to manufacture and sell product Y in Germany for \$200 to compete with imports. If the German producer is not to be penalized in the external world market, the 11 percent value-added tax must not be collected on

^{1/} This is the "destination principle" of taxation where, for taxes associated with products, all goods destined for domestic consumption are taxed. Besides being trade neutral (if the exact border tax adjustment is made), the tax coverage will be complete because all individuals have all of their consumption taxed whether the products purchased are of domestic or foreign origin.

his exports. Thus, the VAT is not collected (or is rebated, if already collected) on goods destined for foreign markets.

If the forward price shifting assumptions are correct, the German VAT system with its associated border tax adjustments should result in German domestic price levels (to the final buyer) being about 11 percent above the world price level at the German border, inclusive of the German tariff. ^{1/} Under this situation, a foreign exporter to Germany could not complain about the 11 percent tax adjustment on his product at the German border since an equivalent article bought in the German market from a German producer bears the same 11 percent tax. Also, foreign producers could not complain about unfair competition on world markets from German exports which have been relieved of the 11 percent internal German consumption tax. In other words, the tax is totally neutral insofar as its having a discriminatory effect on trade.

Examples of border tax adjustments which distort trade.--In the light of this hypothetical example predicated on the theory that consumption taxes are totally paid by the ultimate consumer, two situations are immediately apparent where border tax adjustments would not have a neutral effect on trade. One, of course, is the obvious case when a different rate is actually applied to imports and exports than is applied to domestic products consumed in the home market. The second,

^{1/} Any comparison between domestic and foreign prices must be made through an exchange rate. The assumption here is that German domestic prices would exceed foreign prices by 11 percent at the given exchange rate (which presumably is the same as that which would have existed without an 11 percent internal tax because the border tax adjustment compensated perfectly for any trade effects that the tax might have caused).

less obvious, situation is when the mix of economic circumstances is such that the consumption tax is not totally shifted forward to the consumer. ^{1/}

In both of these cases, the border tax adjustment does not equal the domestic price increase (the forward shifting of the tax) that occurred when the internal consumption tax was instituted, and if no other conditions in the economy have changed (e.g., changes in the exchange rate for the nation's currency), a trade distortion may result. However, its magnitude will not depend upon the magnitude of the indirect tax or the border tax adjustment, but on the magnitude of the difference between the border tax adjustment and the domestic price increase at the time of the institution of the indirect tax. The German example can be used again to illustrate the two ways this could happen.

An example of trade distortion because the border tax adjustment does not equal the domestic tax rate.--Suppose Germany imposed an 11 percent VAT but made a 13 percent tax adjustment at the border. Assume domestic prices rose by 11 percent. This would mean that a domestic buyer would tend to choose the domestic product over the imported one

^{1/} A third case where some would argue trade distortion in connection with border tax adjustments is where indirect tax rates differ on the same products in different countries. For example, if the consumption tax of a particular product is higher in country A than in country B, some in country B would argue trade discrimination because the higher tax in country A discourages consumption and, therefore, the exports of B's product to A. However, this case is not the traditional border tax adjustment problem. Any problem arising from such a tax rate difference lies more in the area of disagreement in countries' values of what economic activities and/or consumption should be encouraged or discouraged by taxation.

because the tax would be 2 percent greater on the imported product. Similarly, if a German exporter were rebated 13 percent, he would be able to sell at 2 percent below world price levels and would be receiving an export subsidy. This procedure would have roughly the same effect on German trade as a 2 percent devaluation of the deutsch mark. 1/ If the border tax adjustment was less than the internal tax (as has happened) of course the trade distortion would be in the opposite direction: German imports would be assisted and exports penalized. In the situation where the border tax adjustment exceeds the internal tax, the foreign businessman could indeed complain about the unfairness of the German border tax adjustment, but he would have to acknowledge that the unfairness was measured by the 2 percent differential between the VAT and the border tax adjustment rather than the 11 percent VAT. In the situation where the border tax is less than the internal tax, the German businessman would have cause to complain. 2/

1/ This would assume the VAT was applied to all goods and services at the same rate.

2/ In this latter case the domestic consumer would be able to escape part of the tax burden by buying imports. In the former case where the border tax adjustment exceeded the domestic tax rate, the domestic consumer who used imports would have a total tax burden greater than the 11 percent tax rate.

This illustrates a general principle regarding the relationship between border tax adjustments, internal taxes, and the total tax burden of individuals earning and spending their incomes in the taxing country. A tax covering all consumption (an indirect tax) or a tax covering all income (a direct tax) or a combination of both taxes which allows no escape is trade neutral; a tax which allows some escape of the burden or which imposes a burden greater than the tax rate is not trade neutral. For example, if individuals can escape part of a consumption tax by buying imports not fully covered by a border tax adjustment, the country's trade balance will suffer (imports being relatively cheaper will grow while exports being priced above the world prices will decline). On the other hand, a tax and border tax adjustment which gives a trade-price advantage to a country puts a tax burden on the domestic taxpayer that exceeds the tax rate (as previously illustrated).

The first case of a valid argument that border tax adjustments may distort trade was particularly relevant when many European countries relied on the cascade tax as their chief form of indirect taxation. ^{1/} Turnover taxes were paid whenever a product was sold from one firm to another on the cumulative value of the product without credit for tax paid at any prior stage and, therefore, the burden of tax carried on goods depended on the degree of vertical integration of firms in the total production process. Since border tax adjustments were to be allowed for the total tax burden on domestic goods, the amount of the adjustment varied from product to product. Various averaging methods were used in different countries to calculate the total indirect tax burden carried by various domestic products, and thereby determine the rate to be applied in border tax adjustment.

Even the most fair minded assessments under such a system were bound to result in hidden subsidies for some goods and hidden tariffs for others. Depending upon the balance of these opposing forces, the net effects on the entire economy would be like either a currency devaluation or revaluation. This problem, associated with a cascade tax system, is disappearing as most of the major European countries convert

^{1/} France has had a value-added tax since 1954, but most other countries in continental Europe had a cascade form of tax until fairly recently. Under a 1964 decision of the Council of Ministers of the European Community, member states were to harmonize their tax systems by the adoption of a VAT by 1970. This schedule was met by West Germany (1968), Netherlands (1969), and Luxembourg (1970). Belgium did not move to a VAT until 1971 and Italy until 1972. Austria, Denmark, Ireland, Norway, Sweden, and the United Kingdom have also adopted the VAT.

to the value-added tax under which the border tax rate adjustment exactly equals the VAT rate. 1/

An example of trade distortion from incomplete forward tax shifting.--To examine the second case where border tax adjustments may distort trade (because the indirect tax is not totally shifted forward into final price increases), suppose again the example where the 11 percent VAT is matched by an 11 percent border tax. In this case, however, assume that the German government manages to keep the German price rise following imposition of the VAT to 9 percent by monetary and/or fiscal policies which depress wages (or their increases) 2 percent, so that the firms still make acceptable profits under a 9 percent (tax inclusive) price to the consumer. 2/ The German consumer will again choose the domestic product because it costs only 9 percent more after the institution of the VAT, while the import costs 11 percent more. The difference of 2 percent acts like a tariff on imports. Also, since the German exporter has had his wage costs depressed by 2 percent in relation to foreign wage costs, he has a 2 percent price advantage on world markets for his VAT-free exports. This situation would have an

1/ Numerous cases can be cited where foreign suppliers feel the "border tax adjustment" applied to their product (either at the border or at a subsequent stage of distribution) is greater than the internal tax on the domestic product with which they are competing. Such inequalities usually arise when tax rate structures differentiate between products, or classes of a product, and have the ultimate result of different tax rates on domestic and foreign products which are competitive at least to some degree. For example, in many countries of the world, tax rates on automobiles are, for various reasons, structured to discriminate against the higher horsepower, larger cars. Another case is found in the U.S. method of assessing federal excise taxes on distilled spirits, under which, although a single rate is applicable to foreign and domestic spirits, the foreign spirits, if bottled abroad, bear a heavier tax.

2/ The deflationary policy would probably not lower wages 2 percent in the real world, but would prevent them from rising as fast as they were in the predeflationary situation.

effect on the trade balance similar to a 2 percent devaluation (or an import tariff plus an export subsidy). 1/

In this second example of trade distortion from a border tax adjustment, it is clear again that the measure of the discriminatory price effect on trade is not the 11 percent rate of the border tax adjustment, but rather the 2 percentage points difference between the border tax and the domestic price rise inclusive of the VAT and other economic effects. Even though the price effect is small, however, it can have quite an impact on trade if it covers most physical goods that cross borders in trade. Nevertheless, as will be seen later, there are good arguments that over a longer period of time "devaluation" effects of border tax adjustments in conjunction with other policies may be canceled out by other changes in the economy. 2/ It is also worthwhile noting that if indirect tax increases are prevented from being passed on in price increases by deflationary policies of the government, domestic producers, even though possibly benefitting from

1/ If Germans bought the same quantities of imports under the new 11 percent tax rate, their total tax burden would exceed 11 percent. For that part of income spent on domestic goods, 2 percent is foregone in terms of (after tax) lowered wages and profits and 9 percent is taxed away as domestic goods are consumed, giving a total tax burden of 11 percent on this portion of their income. However, for that portion of income spent on imports, the 2 percent is foregone on the income side while 11 percent is taxed away on expenditures for imports for a total burden of 13 percent. Hence, as long as some imports are purchased under this system, the total tax burden will exceed 11 percent.

2/ For example, a large price-trade advantage would cause a trade surplus which might necessitate a revaluation of the currency or devaluations of currencies of trading partners. Such an exchange rate change would neutralize the temporary trade advantage caused by the internal tax and mismatched border tax adjustment. Another possibility might be that a large trade surplus, by earning large amounts of foreign exchange, would increase the money supply (in the absence of neutralizing action by the monetary authorities). This would inflate domestic prices, erasing the trade-price advantage (i.e., the backward shifting) that caused the trade surplus.

a small devaluation-like effect of the border tax, also may suffer adverse effects from the government's deflationary policies which prevented the price rise.

"Cost of entry" analysis applied to border tax adjustments.---Many of the briefs concerning border tax adjustments which were submitted to the Tariff Commission in the present investigation claimed to show, for a selected sample of products, that the "cost of entry" into European countries from the United States is substantially greater because of border tax adjustments than the "cost of entry" of European goods into the U.S. market, and consequently, that U.S. products are at a competitive disadvantage in the two markets.

For U.S. goods, these presentations usually start out with the basic U.S. f.o.b. price and calculate the "cost of entry" to the European market by adding transportation costs to Europe, the European tariff, and the full European border tax adjustment. This amount is then compared with the "cost of entry" of the same European goods into the U.S. market, calculated in a similar manner. 1/ The comparison is made principally to show the degree to which trade barriers of the two countries are reciprocally imposed when they ship similar products to each other. In this respect, it is analagous to comparing tariff rates in the two countries to identify rate disparities.

By far the more important question, however, is the effect of border taxes upon competition, and this can only be examined meaningfully

1/ Although it was unclear, it appeared that most of the "cost of entry" calculations for European products shipped to the United States erroneously subtracted the amount of the border tax adjustment from an f.o.b. price, which already would have excluded the internal tax, thus resulting in the European "cost of entry" to the U.S. market being understated by the amount of the border tax export rebates to the European producer. Using such calculations, it is no wonder that the U.S. producer finds extreme "discrimination" in the border tax adjustment mechanism.

by looking at its effect on the price of the foreign and domestic products in the same market, not in separate markets. In examining this question, it must be kept in mind that both the domestic and imported products are subject to the same consumption tax, and consequently so far as this part of the cost of entering the market is concerned, they are on an equal basis unless the rate of taxation differs. ^{1/} Thus, in such a comparison, border tax adjustments have significance only to the extent they exceed (or are less than) the internal taxes with which they are associated.

Border tax adjustments in the context
of general equilibrium theory

A truly meaningful economic analysis of border tax adjustments can only be made in the context of all relevant factors which are constantly exerting their force toward a general equilibrium in the economic world. An individual producer faced with a tax increase will examine the market for his product and the markets in which he buys his labor and material to see how much of the tax he may succeed in passing on to the consumer in terms of a price increase. His conclusion with respect to his immediate individual situation can (and likely will) differ markedly from a more general analysis of the overall effects of the tax increase on the domestic economy and trade as a whole. Moreover, the situation which may permit an individual producer to shift his tax may disappear over the long run as more general

^{1/} As explained elsewhere in this discussion, even though the rates nominally are the same, such differences effectively can result, for example, from incomplete forward shifting of the consumption tax in the domestic product.

counterbalancing economic forces come into operation to restore equilibrium.

To gain a possible price advantage for the trade balance through border tax adjustments which nominally match the rate of the internal indirect tax, other important economic forces may have to come into operation. For example, government monetary and fiscal policy measures may be needed to prevent or slow down domestic price increases that might accompany an increase in the rate of indirect taxation. Such a policy might be designed to dampen wage increases. The success or failure of such an attempt would depend on general employment conditions in the economy, the amount of unused production capacity available, the domestic political situation of those elements in the economy that might object to a deflationary policy, and other factors affecting the economic situation.

Such a situation, where many aspects of the economy impinge on the final results of an indirect tax increase, is the context in which most economists see border tax adjustments and their possible effect on the trade balance. ^{1/} Several general points should be made in this regard, to be kept in mind when judging evidence and arguments about the trade effect of border tax adjustments.

First, the border tax adjustment mechanism can serve as a tool which allows (but does not alone cause) an extra improvement to be made

^{1/} A model of this form is described implicitly in "Border Taxes, Border Tax Adjustments, Comparative Advantage, and the Balance of Payments", by Harry Johnson and Mel Krauss in Canadian Journal of Economics, November 1970. For an explicit description of such a model, see R. Baldwin, Nontariff Distortions of International Trade, The Brookings Institute, 1973.

in the trade balance during a period of government deflationary economic policy. A deflationary policy of slowing down inflation would normally be expected to improve the trade balance anyway. The imposition of an indirect tax increase and an associated equivalent border tax adjustment would boost the trade balance effect still more in the short run. ^{1/} On the other hand, the border tax mechanism also can be managed to produce the opposite effect. For example, in late 1968, West Germany, pending an upward revaluation of the deutsch mark, purposely "undercompensated" at the border for its value-added tax on domestic consumption, and therefore, in effect, subsidized imports and taxed exports.

The second point to be borne in mind is that in the situation where the competitive position of domestic firms is improved through the border tax adjustment mechanism, the deflationary policies which enable this can have some strong adverse effects as well. The gains that firms might make vis-a-vis the outside world could well be offset

^{1/} A deflationary policy boosts trade as it slows domestic price increases relative to foreign price increases. This makes domestic goods cheaper to foreigners and domestic customers alike. Thus exports tend to increase and imports decrease. The addition of a price effect by an excess border tax adjustment makes imports even more expensive and exports less expensive, thus accentuating the effect of the deflationary policy.

See "Tax Adjustments on Internationally Traded Goods," by Paul Wonnacott in United States International Economic Policy in an Interdependent World, Washington, D.C., July 1971 (The Williams Commission Report).

by domestic employment conditions, etc., which would dampen domestic demand. 1/

The third point, and the one most strongly emphasized by many economists, is that any trade gains made in conjunction with border tax adjustments and domestic policies may last only for a short period of time. In the long run, counteracting forces in the economy will be set in motion which work to neutralize the original gains. Where the final result ends, whether the temporary trade improvement is cancelled out, depends upon several subsequent factors in the economic situation.

A deflationary policy is quite likely to improve the trade balance if indirect tax increases and border tax adjustments are instituted; but as the trade surplus builds up and foreign exchange earnings increase, the money supply will increase (if monetary authorities take no action) causing domestic economic activity and prices to increase. This would tend to neutralize the deflationary policy and its price effects. 2/ As prices rise, the export advantage and slight tariff-like protective effects of the tax and border tax policy are lost, and the extra price incentive effect on the trade balance disappears. It is even possible that such counter effects could more than neutralize the original gains, replacing them with a net loss on the trade balance

1/ As previously mentioned, improvement of the trade balance via an overcharge of the border tax rate puts a total tax burden on the tax payer greater than that indicated by the indirect tax rate alone (this is part of the mechanism which helps dampen domestic demand, cuts imports, and frees more goods for export). This situation would not be viewed favorably by domestic producers both from their domestic marketing viewpoints and from their viewpoints as taxpayers.

2/ See Johnson and Krauss, op. cit. The effect of increased foreign exchange earnings increasing the money supply is automatic unless monetary authorities intervene. Also, a large trade surplus might lead to exchange rate changes.

over a longer period of time. The main point in the long-run context is that the results of deliberate policies are often complex and the long-run result may be quite different from the short run. Over a longer period of time there will appear countervailing forces affecting the final result.

In conjunction with long-run considerations, it is instructive to systematically examine the possibilities concerning the application of border tax adjustments.

A general classification of taxes and principles of their application.---Numerous classifications have been devised to describe types of taxes. One widely used distinction is to broadly divide taxes into two categories: "Direct" and "indirect." The essence of the distinction between direct and indirect taxes is their point of payment in the income/expenditure cycle of the public. Direct taxes are collected as the public receives its income; indirect taxes are collected as the public spends its income. Direct taxes are levied directly on individual incomes; indirect taxes are usually levied against goods and services, and thus only indirectly on incomes. As pointed out earlier, it is popularly held that the burden of a direct tax cannot easily be shifted or passed on to some other persons by the person on whom it is levied, but the burden of an indirect (consumption) tax can be easily shifted on to someone else by the person who is required by law to pay the tax.

Income taxes on salaries of individuals and profits of companies are regarded as direct taxes. Examples of indirect taxes in the United States are federal excise taxes and the various state sales taxes. European examples of indirect taxes are the cascade tax and the value-added tax.

Arrangements are frequently made among nations to avoid double taxation of incomes in internationally traded goods. This can be done, for example, by agreeing that products be subject either to the taxes of the exporting country (the so-called country of origin principle) or to the taxes of the importing country (the country of destination principle), but not to both. The origin principle is usually applied to direct taxes, and the destination principle to indirect taxes. In other words, income taxes are generally imposed according to where income is earned (i.e., where goods are produced), while consumption taxes are imposed according to where goods are consumed. This, broadly speaking, is a longstanding international practice and is currently followed under the provisions of the General Agreement on Tariffs and Trade. 1/

The destination principle vs. the origin principle in border tax adjustments.--In the examples given earlier, border tax adjustments were applied to traded goods according to the destination principle of taxation.

1/ It also is administratively easy. For example, if taxes were to be rebated that had been paid on income originating from exported goods (applying the destination principle to direct taxes), companies would be obliged to keep detailed accounts of what parts of income and expenses were associated with export production.

The other extreme possibility would be to apply border tax adjustments according to the origin principle. This would mean that for indirect taxes, goods would be taxed wherever produced, whether they were for the home market or for export. Imports, since they do not originate with home producers, would not be taxed. In a trade equilibrium situation, this would mean that domestic prices of goods would have to be the same as world prices; but because the indirect tax over the long run would be fully absorbed by wages and profits, wages and capital prices would be below what they would have been if the destination principle had been applied (at the same exchange rates). Consumers' real income, however, would be the same under either the origin or destination principle provided the ratio of total taxes to GNP was the same under both tax adjustment schemes.

These two opposite extremes shed light on the taxation "incidence" problem in the general equilibrium context in the long run. If the government taxes away some of the purchasing power of the public, it does not matter to the public, as far as what their efforts will bring in real goods, whether the taxing is done by lowering their money wages to buy a lesser amount of available goods at the old pre-tax prices, or by increasing the prices of the available goods to "soak" up the pre-tax public wages.

Given two economies with equal total tax burdens, with all other conditions equal except the tax systems 1/ and with a proper constant exchange rate between them, one economy could use the origin principle of taxation while the other could use the destination principle, and neither would suffer a comparative disadvantage in world trade in the long run because of the differences in principles used. A unit of capital or labor would earn the same amount of real goods in each economy. In the destination principle economy, a citizen would receive a higher money income and pay a higher money price for both the domestic and foreign goods purchased. In the origin principle economy, a citizen would receive a lower money income but could purchase goods at the lower world price levels. Both countries' exports would enter world markets at world price levels.

The origin principle of taxation is almost by necessity applied to direct taxation, such as the income tax, because it would be extremely difficult to determine accurately the part of income and profits that comes from producing exported goods in order to use the destination principle. 2/ However, provided wages and profits have had sufficient

1/ Direct versus indirect tax systems may have differences in their distribution of the tax burden on the population by income levels and the economic effects ensuing therefrom. These differences have to do with tax concepts such as progressivity of taxes. However, as far as trade effects are concerned, both direct and indirect tax systems can be trade neutral under either origin or destination principles of taxation. The association of the origin principle with direct taxes and the destination principle with indirect taxes is one of tradition and administrative convenience.

2/ The U.S. DISC scheme (where a separate exporting corporation must be set up to keep account of export-related income) is good evidence of the difficulties involved in trying to associate income earned and exports.

time to adjust, a country which relies more on the origin principle of taxation than on the destination principle does not suffer a comparative disadvantage in trade. Since the origin principle is associated with direct taxation in today's world and the destination principle is used for most of the indirect taxation, it follows that a country will not be disadvantaged by relying more on direct taxes than on indirect taxes in the long run. This means that comparisons of absolute ratios of indirect taxation to direct taxation or indirect taxation as a percentage of total taxation have little meaning. 1/ If large differences in these ratios exist over a long period of time, other adjustments in the economies occur to neutralize any trade balance effects that the disparities once might have implied. However, economists do find some short term significance in changes in the trends in the relevant ratios.

Summary of the trade effects of internal tax changes.--In light of the origin and destination principle concepts, some generalizations can be made about the situations that might lead to trade balance changes in conjunction with certain taxation changes.

Any movement from the origin to the destination principle creates a possibility for a trade balance improvement. Whether or not one actually occurs depends on the government monetary and fiscal policies

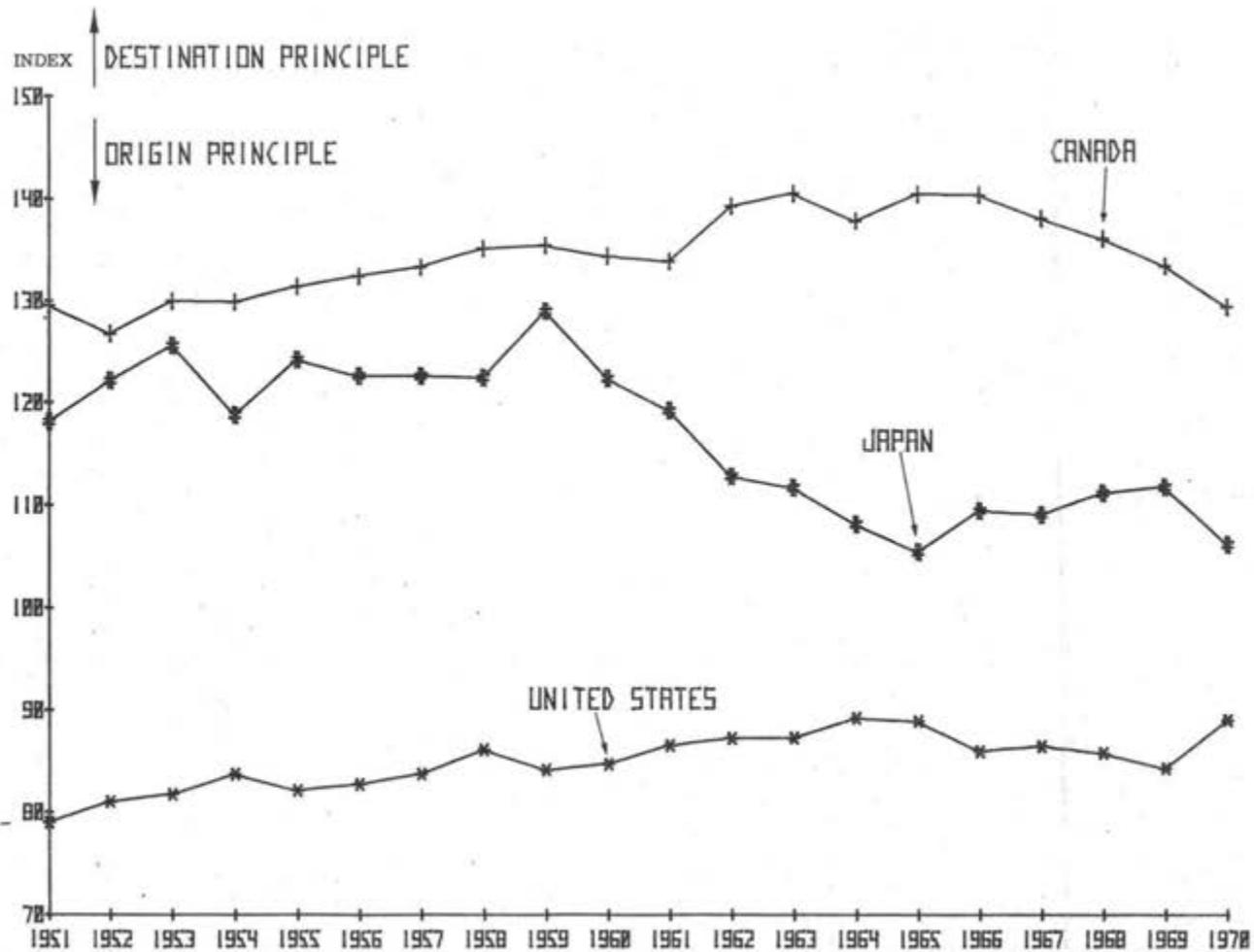
1/ See appendix 7-B at the end of this chapter.

at the time, as well as general economic conditions. An indirect tax increase can cause such a movement if other conditions stay the same (including the amount of direct taxes in the economy). Since direct taxes follow the origin principle and indirect taxes have border tax adjustments applied by the destination principle, an indirect tax increase would constitute a movement from the origin principle to the destination principle (relatively) for the entire tax structure. However, the short term trade effect would depend solely on the general economic situation and general government economic policies at the moment. Final trade balance improvements might not occur at all in the long run.

Conversely, any movement from the destination principle of taxation to the origin principle can create the conditions for a possible deterioration of the trade balance in the short run. But here again, the short run effects depend on the economic situation and the government policies followed. Again, the forces encouraging a deterioration in the short run may well be offset over a longer period of time when wages, profits, and prices have had a chance to adjust in the economy.

Changes in direct vs. indirect taxation in OECD countries.--In conjunction with the above arguments, it is useful to look at data for the United States and several major trading partners over a long period of time. Charts 7-A, 7-B, and 7-C show plots of a possible indicator of the movement of a country between the origin and the destination principles of taxation. These indexes were made by calculating the

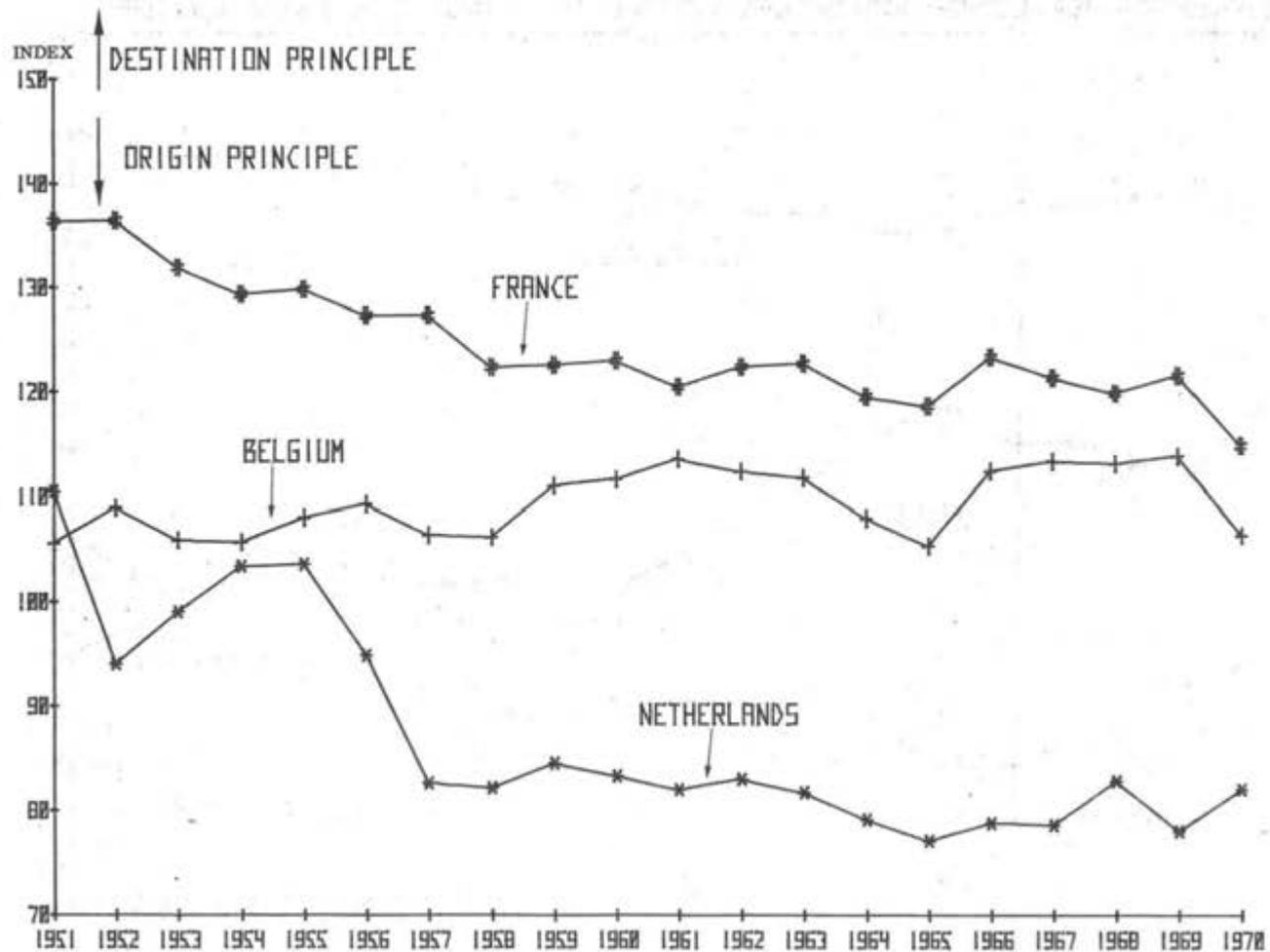
Chart 7-A. -- Canada, Japan and the United States: Index of the ratio of (indirect taxes/total taxes) to a weighted average ratio of (indirect taxes to total taxes) of nine developed countries, 1951-1970. 1/



1/ 1967 GNP values were used as weights for the weighted index.

Source: Data for 1953-1969 are from National Accounts of OECD Countries, 1953-1969; data for 1970 are from National Accounts of OECD Countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

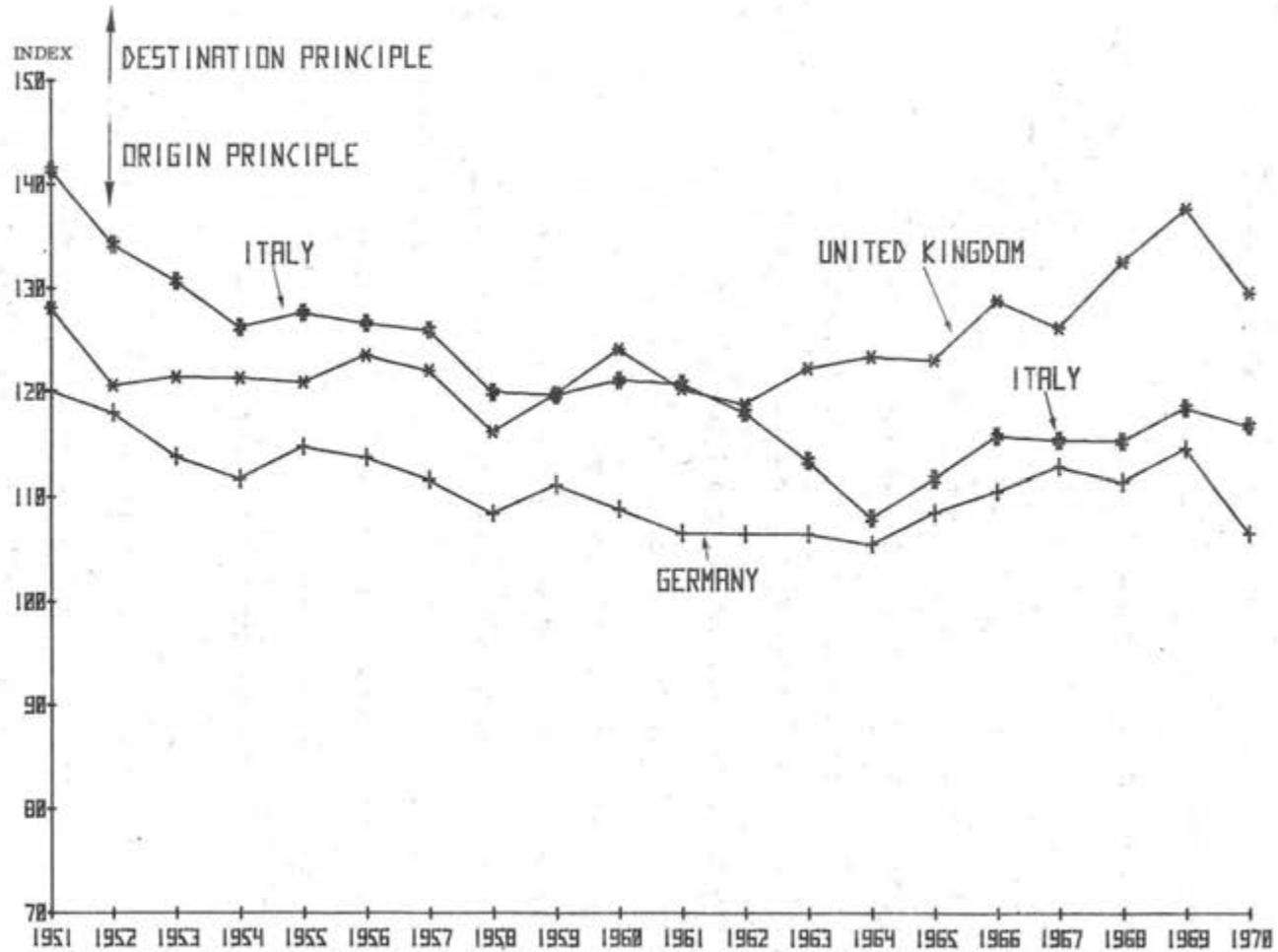
Chart 7-B. -- France, Belgium and the Netherlands: Index of the ratio of (indirect taxes/total taxes) to a weighted average ratio of (indirect taxes to total taxes) of nine developed countries, 1951-1970. 1/



1/ 1967 GNP values were used as weights for the weighted index.

Source: Data for 1953-1969 are from National Accounts of OECD Countries, 1953-1969; data for 1970 are from National Accounts of OECD Countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

Chart 7-C.-- Italy, United Kingdom and Germany: Index of the ratio of (indirect taxes/total taxes) to a weighted average ratio of (indirect taxes to total taxes) of nine developed countries, 1951-1970. ^{1/}



^{1/} 1967 GNP values were used as weights for the weighted index.

Source: Data for 1953-1969 are from National Accounts of OECD Countries, 1953-1969; data for 1970 are from National Accounts of OECD Countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

ratio of (indirect taxes/total taxes) to the weighted average ratio over a period of years. Country GNP's in 1967 were used as weights in the average ratio. Consequently, the weighted means reflect the relative sizes of the economies used, and the U.S. weight accounted for almost half of the weights. It could be argued that the ratio of business taxes to indirect taxes might be a more important aspect of the origin-destination principle argument and should be used instead of the measure shown. However, the ratio used does reflect the entire movement from the origin to the destination principle, considering the overwhelmingly prevailing practice of using the origin principle for direct taxes and the destination principle for indirect taxes.

A decline in the index number on the charts means that taxation in the country has moved towards more direct taxes (and thus the origin principle of taxation) relative to all other countries. A rise in the index indicates that the country has increased direct taxes relative to indirect and has moved towards the destination principle of taxation. All of the indexes, being calculated with the moving weighted mean as a base, indicate the relative movement of a country's tax system compared to the weighted average movement for the nine major OECD countries used.

It is clear from the similar movements of large trading partners, that the chosen index reflects the business cycle to some extent. The United States and Canada move together quite closely, as do all of the European countries.

The index also does reflect known large changes in the indirect tax structure. For example, the removal of many indirect excise taxes in the United States in 1965 and 1966 is represented by a dip in the U.S. index at that time. An increase in the Italian indirect tax at the end of 1964 is consistent with the rise in the Italian index at that period on chart 7-C.

The most interesting fact observed in these charts is that the U.S. index moved in a way relative to the other countries that allowed for a potential improvement in the U.S. trade balance over the period 1951-1964. From 1964 to 1969 there was a slight decline, or at least a leveling off of the U.S. movement, in the U.S., relatively toward the destination principle of taxation. This implies that the relative movement in the U.S. tax system over the two decades shown has not been in the direction which would have allowed adverse trade effects. If anything, it has been generally in the other direction.

On the other hand, most of the European countries have moved relatively toward the origin principle of taxation over the two decades. From 1965 onward there has been a slight increase toward the destination principle again, especially in the case of the United Kingdom. Canada and the United States have followed each other closely over the entire period. Japan had a dramatic relative shift from the destination to the origin principle from 1959 to 1965. The Common Market countries, with the exception of the Netherlands, seem to be moving during the period toward a common ratio, the probable result of tax harmonization policies.

All countries have fluctuations in their indexes, but generally those countries against which U.S. producers have complained the most about the border-tax issue (the European Common Market countries) have moved relatively from the destination principle to the origin principle over the last two decades. This is the general direction that would allow a deterioration, not an improvement, in their respective trade balances. Furthermore, the major absolute differences between the U.S. ratio and many of the other ratios have remained relatively the same over most of the period. Any coming together has generally been in the direction that would allow an improvement of the U.S. trade balance and a deterioration of the foreign balance. In light of the general economic arguments and the data in the charts, it would appear that arguments that the United States has been disadvantaged by a greater absolute reliance on direct taxes and the border tax adjustment rules of GATT do not have much merit. ^{1/} In fact, the general movements have been in the opposite direction.

It is true, however, that since 1964 and 1965 the long term trends have slowed down or even slightly reversed for many countries, and it

^{1/} Since the United States has relied less (absolutely) on indirect taxes over a long period, and since its trade balance was positive over much of that period, one must conclude that the United States suffered no disadvantage over this period due to its more direct tax structure. Its deteriorating trade performance in the latter sixties occurred when its tax mix, relative to other countries, was about the same in absolute terms as it was since the early fifties, and the deterioration, therefore, was due to other economic problems. (Similar conclusions are suggested by a simple econometric model in the appendix to this chapter.)

is also after this period that the United States began to complain about the border tax adjustment problem. The charts would indicate that after 1965, Japan, Italy, the United Kingdom, West Germany, and to a lesser extent Belgium, may have slightly increased their relative potential for using border tax adjustments as an accompanying policy tool for the temporary improvement in their trade balances.

In summary, the data show that absolute differences in indirect tax shares can and do persist between countries over periods in which trade balances have oscillated from surplus to deficit. The data also show that from the early 1950's to the middle of the 1960's, if any trade effects resulted from changes in indirect taxes, they have probably been either neutral or a positive factor for the U.S. trade balance in the long run. From the latter half of the 1960's, some European countries have started to reverse the long-term trend and have created a potential for slight temporary improvements in their own trade balance via domestic policies plus the border tax adjustment trade effects.

Short-run trade effects.--The only part of the border tax problem left for examination is the possibility of short-run trade effects occurring in conjunction with indirect tax changes. Such effects would be expected to be similar to exchange rate changes but perhaps not as strong as an exchange rate change for many reasons. The trade effects of border tax adjustments may have come about inadvertently, or because

of internal policy changes, with only secondary consideration being given to any trade balance effect. An exchange rate change, on the other hand, comes about with the trade balance expressly in mind and with other monetary and fiscal policies being coordinated to insure the success of the exchange rate change. Furthermore, it must be strongly emphasized that movements between the origin and destination principle of taxation only create the potential for improvements in the trade balance; they do not assure that the improvement will occur.

It would be extremely difficult to ascribe any trade balance effect to the potential boost related to border tax adjustments without having a very complete econometric model of the economy to work with. Tax, monetary, and other variables would have to be linked through price indicators to see what the effects of an indirect tax share change might be on the economy and the trade balance. It would then be necessary to sort out what part of that trade effect occurred because of the extra possibility for trade improvement due to the use of the border tax adjustment in conjunction with the change in the indirect tax share or rate in the economy. It is normally difficult to link aggregate relative price changes to import and export changes. ^{1/} To try to determine and measure the link between one of the factors potentially contributing to the price change and the trade effect would somewhat resemble trying to find a mouse in a herd of stampeding horses.

^{1/} See: H. Houthakker and S. Magee, "Income and Price Elasticities in World Trade," The Review of Economics and Statistics, Vol. 60, No. 2, May 1969.

Comparative tax burdens and tax systems

Bearing in mind the points stressed in the preceding pages, it will be useful to summarize some of the general data on taxation in the major trading nations and on tax systems in general, which are either used in, or relevant to, complaints made against border tax adjustments.

Total tax burdens.--The importance of taxes in an economy can be summarized in the concept of total tax burden. One commonly used measure of total tax burden is the relationship, or ratio, of total taxes collected to the Gross National Product (GNP). This measure is given for selected developed countries in table 7-F, where it is seen that taxes have grown relative to GNP for most of the countries over the decades of the 1950's to 1960's. For the entire group, this is evidenced in the growth of the simple arithmetic mean ratio from 26.3 percent of GNP in 1953 to 34.1 percent of GNP in 1970.

To facilitate relative comparisons of individual country data with the group data over time, table 7-F also shows indexes of the country tax burden ratios calculated relative to the mean tax burden ratio for all countries in the table. Reading down the columns, the relative size of the various country tax burdens can be compared to the average burden of all the countries for that year. Reading across a row gives an indication (for a particular country) of the change in the country's tax burden with respect to the average burden over time.

Table 7-F shows that in the decade of the 1960's, the tax burden for most countries was quite similar, with the exception of Japan on

Table 7-F.--Total taxes collected as a percentage of Gross National Product, and index of the ratio of (total taxes collected/GNP) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
Taxes collected (including social security taxes) as a percentage of Gross National Product							
Canada-----	23.9	24.0	25.6	29.8	31.2	1/	34.4
Japan-----	19.7	18.0	18.5	18.7	19.0	19.4	19.9
United States-----	29.5	25.8	27.4	28.3	29.9	31.5	29.8
Belgium-----	23.8	25.0	27.1	32.1	32.9	33.7	33.9
France-----	32.8	33.4	34.4	36.7	37.0	37.2	36.1
West Germany-----	33.3	32.8	34.5	34.9	34.4	35.9	40.2
Italy-----	22.0	25.2	26.4	29.8	30.5	30.5	29.3
Netherlands-----	29.6	30.8	31.2	36.8	37.7	38.7	40.3
Austria-----	32.3	30.9	32.6	35.9	36.8	1/	35.6
Denmark-----	22.6	24.5	24.9	31.9	35.1	35.0	1/
Norway-----	29.8	31.9	33.0	37.8	38.4	39.9	40.8
Sweden-----	26.0	28.6	32.1	40.5	42.3	1/	41.4
Switzerland-----	18.4	18.3	20.3	22.2	22.9	24.0	1/
United Kingdom-----	29.0	27.8	28.0	32.3	34.3	35.9	37.3
Mean-----	26.3	26.9	28.3	32.0	33.0	2/ 33.7	2/ 34.1
Index of the ratio of (total taxes collected/GNP) to the mean ratio							
Canada-----	91	89	90	93	94	1/	101
Japan-----	75	67	65	58	57	57	58
United States-----	97	96	97	89	91	94	87
Belgium-----	90	93	96	100	100	100	99
France-----	124	124	122	115	112	110	106
West Germany-----	127	122	122	109	104	106	118
Italy-----	84	94	93	93	92	90	86
Netherlands-----	112	114	110	115	114	115	118
Austria-----	123	115	115	112	111	1/	104
Denmark-----	86	91	88	100	106	104	1/
Norway-----	113	118	117	118	116	118	120
Sweden-----	99	106	114	127	128	1/	121
Switzerland-----	70	68	72	69	69	71	1/
United Kingdom-----	110	103	99	101	104	106	109
Mean-----	100	100	100	100	100	2/ 100	2/ 100

1/ Not available

2/ Previous years values are used in the means where the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

the low end and Sweden on the higher end. Furthermore, the U.S. tax burden was slightly below the average.

It has been argued that a lighter relative tax burden spurs a country's competitiveness in world markets and creates incentives for production to locate within the county rather than outside. ^{1/} If this were true, the United States would be at a disadvantage only to Japan and, to a lesser extent, Switzerland. The United States does not seem to be at a tax burden disadvantage compared to the Common Market countries, the European Free Trade Area countries, or Canada.

Tax burdens excluding social security taxes.--Table 7-G gives the tax burden measures excluding social security taxes. The measures run 5-6 percentage points lower, on an average, than the total burden including social security, but the relative tax burden positions remain roughly the same. Here the mean has risen only about 3 percentage points between 1953 and 1970, indicating that half of the rise in tax burden in table 7-G was due to increases in social security taxes. When social security taxes are excluded, the U.S. tax burden, though slightly below the average, is often slightly above that of the major Common Market countries.

^{1/} Tax differences among trading countries which affected production location decisions could be expected to affect trade flows. A company has the choice of servicing the national market by locating there or locating outside and exporting to that national market. Tariffs, taxes, wages, resources, etc. all enter into the location decision.

It must also be kept in mind that even if two countries have equal tax burdens, the government which spends the most revenue in a manner which stimulates production would be giving the largest boost to the international competitiveness of its industries.

Table 7-G.--Taxes collected (excluding social security taxes) as a percentage of Gross National Product, and the index of the ratio of (taxes collected/GNP) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
	: Taxes collected (excluding social security taxes) as a percentage of Gross National Product						
Canada-----	22.3	22.2	23.5	26.6	27.8	1/	31.3
Japan-----	17.8	15.7	16.0	15.0	15.4	15.8	16.2
United States---	23.1	22.6	23.3	23.1	24.6	25.9	24.0
Belgium-----	17.9	18.2	19.7	22.8	23.4	24.1	23.7
France-----	22.5	22.4	22.3	22.5	22.4	22.7	21.6
West Germany---	25.4	23.6	24.8	24.6	24.0	25.1	27.2
Italy-----	15.9	17.7	17.8	19.3	19.2	19.3	18.3
Netherlands----	24.9	23.0	23.0	24.3	24.2	24.6	25.5
Austria-----	27.0	24.9	26.1	27.9	28.5	1/	27.6
Denmark-----	21.2	23.1	23.4	30.0	33.2	33.2	1/
Norway-----	27.2	28.7	27.2	29.2	29.2	30.5	31.6
Sweden-----	25.2	26.1	28.3	33.5	34.1	1/	34.9
Switzerland----	14.1	14.1	15.6	17.2	17.8	18.2	1/
United Kingdom--	26.0	24.8	24.2	27.6	29.2	31.0	33.1
Mean-----	22.2	21.9	22.5	24.5	25.2	2/ 25.8	2/ 26.2
	: Index of the ratio (taxes collected/GNP) to the mean ratio						
Canada-----	100	101	104	108	110	1/	119
Japan-----	80	72	71	61	61	61	62
United States---	104	103	104	94	97	100	92
Belgium-----	81	83	88	93	93	93	90
France-----	101	102	99	92	89	88	82
West Germany---	114	107	110	100	95	97	104
Italy-----	72	81	79	79	76	75	70
Netherlands----	112	105	102	99	96	95	97
Austria-----	122	114	116	114	113	1/	105
Denmark-----	96	105	104	122	132	129	1/
Norway-----	123	131	121	119	116	118	121
Sweden-----	114	119	126	136	135	1/	133
Switzerland----	64	64	69	70	71	71	1/
United Kingdom--	117	113	107	112	116	120	126
Mean-----	100	100	100	100	100	2/ 100	2/ 100

1/ Not available.

2/ Previous years values are used in the means where the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

Corporate tax burdens.--A second feature of the tax system that is thought to be important for international competitiveness (and corporate decisions stemming from the competitive situation) is the corporate tax burden. The international competitiveness effect 1/ of the corporate tax burden depends upon whether or not corporate taxes are passed on in price increases. Assuming many other economic factors affecting competitors to be constant, if higher corporate taxes result in higher prices, the high tax countries will be at a disadvantage in world markets. However, the major econometric studies on the shifting of corporate taxes into price increases have given contradictory results. One study found that corporate taxes in the United States were completely passed along in price increases; a later study found fault with the methodology of the first and reached a directly opposite conclusion, i.e., that corporate tax increases are completely absorbed by profits. 2/ Table 7-H gives the direct corporate tax burden as a percentage of GNP for selected developed countries. This measure of the corporate tax burden has several recognized shortcomings, but it is almost the only measure readily available. The table also gives the index number form of the measurement.

1/ Competitiveness from a multinational corporate viewpoint really means serving a foreign market by exporting to it from the home country, locating production within the foreign borders, or exporting to it from a third country. Then if a multinational corporation unit imports in a foreign market, it has other options besides exporting to that market.

2/ Krzyaniak and Musgrave, in The Shifting of the Corporation Income Tax, Baltimore, Johns Hopkins Press, 1963, found that U.S. corporate taxes are completely shifted forward, i.e., that they were passed on in price increases. Cragg, Harberger, and Mieszkowski in a later study ("Empirical Evidence of the Incidence of the Corporation Income Tax," Journal of Political Economy, Vol. 75, No. 6, December 1967) found fault with the Krzyaniak and Musgrave study. Furthermore, they found completely opposite results with their own method, i.e., that corporate income tax increases were completely absorbed by the owners of capital.

Table 7-H.--Direct corporate taxes as a percentage of Gross National Product, and the index of the ratio of (direct corporate taxes/GNP) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
Direct corporate taxes as a percentage of Gross National Product							
Canada-----	4.9	4.2	4.4	3.6	3.9	1/	2/ 4.5
Japan-----	4.6	3.8	4.4	3.8	4.0	4.2	4.5
United States---	5.5	4.7	4.4	4.1	4.6	4.5	2/ 4.1
Belgium-----	1.8	1.7	1.6	1.9	2.0	2.3	2.3
France-----	2.0	2.3	2.2	1.9	1.8	2.0	2.4
West Germany---	3.2	3.2	3.0	2.1	2.2	2.4	2/ 2.8
Italy-----	1.3	1.5	1.7	1.8	1.7	1.7	1.5
Netherlands---	4.2	3.8	3.3	2.5	2.8	3.1	2.7
Austria-----	2.4	2.3	2.6	1.9	1.8	1/	1.8
Denmark-----	1.5	1.3	1.1	1.0	1.0	0.9	1.0
Norway-----	4.2	3.0	1.9	1.5	1.5	1.5	1.5
Sweden-----	3.1	3.4	2.3	1.7	1.6	1/	2/ 1.7
Switzerland---	1.5	1.6	2.0	2.1	2.5	2.5	1/
United Kingdom--	5.4	4.2	2.7	2.4	2.3	2.4	2/ 2.4
Mean-----	3.3	2.9	2.7	2.3	2.4	3/ 2.5	3/ 2.6
Index of the ratio of (direct corporate taxes/GNP) to the mean ratio							
Canada-----	151	144	161	156	161	1/	2/ 173
Japan-----	142	128	162	164	166	171	173
United States---	168	161	162	179	191	181	2/ 157
Belgium-----	54	57	61	83	84	93	88
France-----	63	77	83	82	75	79	92
West Germany---	99	108	113	92	93	98	2/ 108
Italy-----	40	52	64	76	72	67	58
Netherlands---	129	130	122	109	114	125	104
Austria-----	73	78	97	82	75	1/	69
Denmark-----	45	46	42	41	42	38	38
Norway-----	128	104	70	66	62	61	58
Sweden-----	96	117	85	73	64	1/	2/ 65
Switzerland---	47	56	76	93	102	99	1/
United Kingdom--	167	143	101	105	95	97	2/ 92
Mean-----	100	100	100	100	100	3/ 100	3/ 100

1/ Not available.

2/ Due to a change in statistical reporting for 1970, separate data for direct corporate taxes were not shown in the 1972 OECD statistics for Canada, the United States, West Germany, Sweden, and the United Kingdom. Estimates of direct corporate taxes for these countries in 1970, have been made based principally upon the rates of such taxes to total direct taxes in 1969 (or 1968 in the case of Canada and Sweden).

3/ Previous years values are used in the means where the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

The measures in tables 7-H indicate that the U.S. corporate tax burden is relatively high compared to most of the other countries (with the exception of Japan). They further indicate that the U.S. burden has increased slightly faster than the average corporate tax burden over the two decades cited. However, the above conclusions are changed dramatically if employers' contributions to social security are included in the corporate tax burden. If corporate direct taxes affect prices, then the same argument may well hold for corporate social security costs.

Table 7-I, which gives the corporate tax burden picture inclusive of the contributions to social security, indicates that the corporate tax burden in the United States is about average, is below that of the Common Market countries, and has been roughly the same, relative to the mean, over the time period covered. Therefore, even if total corporate tax burdens can make a difference in national competitiveness in international trade, the United States is not disadvantaged relative to most of Europe by the corporate tax burden. It is also apparent from table 7-I that relative changes in the U.S. corporate tax burden over time have been small.

Economists generally acknowledge arguments about possible trade effects stemming from absolute differences in tax burdens, but also hold that other factors must be taken into account to link tax burdens to trade. However, even if absolute differences in tax burdens (total or total corporate) do affect international competitiveness, there is clearly not too much difference in these burdens among the major trading nations. The U.S. burdens are not above those of the other major OECD

Table 7-I.--Direct corporate taxes plus employers contributions to social security as a percentage of Gross National Product, and the index of the ratio of (direct corporate taxes plus employers contributions to social security/GNP) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
: Direct corporate taxes plus employers contributions							
: to social security as a percentage of Gross							
: National Product							
Canada-----	6.0	5.4	5.6	5.4	5.8	1/	2/ 6.7
Japan-----	6.0	4.8	4.5	6.0	6.1	6.2	6.8
United States---	6.8	6.5	6.6	6.8	7.4	7.4	2/ 6.9
Belgium-----	1/	1/	9.7	8.2	8.4	8.7	9.2
France-----	10.5	10.6	11.0	12.1	12.3	12.3	12.8
West Germany----	7.6	8.2	9.1	8.2	8.4	8.8	2/ 9.9
Italy-----	1/	1/	1/	1/	1/	1/	1/
Netherlands-----	9.9	10.1	10.0	11.8	12.7	13.6	13.5
Austria-----	7.6	8.3	8.6	8.5	8.7	1/	1/
Denmark-----	1.8	1.6	1.5	1.6	1.7	1/	1.6
Norway-----	5.0	3.9	3.8	5.8	6.1	6.3	6.3
Sweden-----	3.5	4.1	3.6	5.3	5.8	1/	2/ 7.7
Switzerland-----	3.2	3.2	3.8	3.9	4.2	7.9	1/
United Kingdom--	6.9	5.6	4.6	4.8	4.8	4.9	2/ 4.8
Mean-----	6.5	6.3	6.3	6.8	7.1	3/ 7.6	3/ 7.9
: Index of the ratio (direct corporate taxes plus							
: employers contributions to social security/							
: GNP) to the mean ratio							
Canada-----	92	86	89	79	81	1/	2/ 85
Japan-----	92	76	71	88	86	82	86
United States---	105	103	104	100	104	98	2/ 87
Belgium-----	1/	1/	153	121	118	116	116
France-----	162	168	174	177	173	163	162
West Germany----	117	130	143	120	119	117	2/ 125
Italy-----	1/	1/	1/	1/	1/	1/	1/
Netherlands-----	153	160	159	174	178	179	171
Austria-----	117	132	135	124	123	1/	1/
Denmark-----	27	26	24	24	24	1/	21
Norway-----	77	62	60	85	86	84	80
Sweden-----	54	65	56	78	82	1/	2/ 97
Switzerland-----	49	51	59	57	59	105	1/
United Kingdom--	106	89	72	71	68	65	2/ 61
Mean-----	100	100	100	100	100	3/ 100	3/ 100

1/ Not available.

2/ Due to a change in statistical reporting for 1970, separate data for direct corporate taxes were not shown in the 1972 OECD statistics for Canada, the United States, West Germany, Sweden, and the United Kingdom. Estimates of direct corporate taxes for these countries in 1970 have been made based principally upon the ratio of such taxes to total direct taxes in 1969 (or 1968 in the case of Canada and Sweden).

3/ Previous years values are used in the means when the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

countries (with the exception of Japan for the total tax burden and Japan and Canada for the total corporate tax burden).

Direct and indirect taxes in the major tax systems.--1/The main area of tax systems remaining for examination is that of the relative mix between direct and indirect taxes in the tax system. It is primarily in this area where industry complaints lie. As pointed out earlier, under the long standing practice which was incorporated into the General Agreement on Tariffs and Trade, border tax adjustments are allowed, generally speaking, with indirect taxes but not with direct taxes. Tables 7-J and 7-K give the ratios of indirect taxes to total tax collections for the major OECD countries, with and without social security taxes. The ratios for the United States have been roughly 20 to 30 percent below the average over the past two decades. The ratios have declined in the United States as well as other countries, but the U.S. position has remained roughly constant relative to the average. 2/ Direct taxes do, therefore, play a somewhat stronger role in the tax structure of the United States than in the other major OECD countries.

Figures citing the comparatively higher direct corporate tax collections relative to indirect tax collections are given in tables 7-L and 7-M. Even when corporate social security payments are included,

1/ In an earlier section, changes in the direct/indirect tax mix over time and their implication in terms of movements from the origin to destination principle of taxation were examined. Here examples are given of the actual data used in percentage and index number form.

2/ The ratio of indirect taxes to total taxes may change because of a) indirect tax rate changes, b) direct tax rate changes, c) changes in the relative amount collected over the business cycle, and d) the inflationary growth of income tax collections under progressive tax rates. (This last cause, especially, may explain some of the decline in the ratio for many countries).

Table 7-J.--Indirect taxes as a percentage of total taxes (including social security taxes), and the index of the ratio of (indirect taxes/total taxes) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
Indirect taxes as a percentage of total taxes							
Canada-----	51.1	52.6	52.5	50.5	48.4	1/	45.3
Japan-----	49.4	48.4	46.8	40.0	39.6	38.9	37.4
United States-----	32.1	33.1	34.0	31.7	30.5	29.4	32.4
Belgium-----	41.7	42.0	44.6	41.5	40.4	39.6	37.5
France-----	51.9	50.3	47.3	44.4	42.7	42.8	40.5
West Germany-----	44.8	44.1	41.8	41.3	39.6	39.9	37.6
Italy-----	51.4	49.8	47.4	42.2	41.0	41.0	41.2
Netherlands-----	38.9	32.6	32.2	28.8	29.5	27.2	28.9
Austria-----	40.8	44.5	45.2	43.0	44.9	1/	43.9
Denmark-----	45.6	46.0	49.5	48.4	47.7	49.0	1/
Norway-----	45.9	44.3	44.8	40.7	39.7	40.1	46.5
Sweden-----	32.8	32.7	35.8	33.3	32.9	1/	29.9
Switzerland-----	34.7	35.8	35.9	31.9	31.3	30.7	1/
United Kingdom-----	47.8	48.2	47.2	46.2	47.1	47.9	42.4
Mean-----	43.5	43.2	43.2	40.3	39.7	2/ 39.5	2/ 38.8
Weighted mean 3/-----	39.3	39.4	39.3	36.7	35.7	2/ 35.1	2/ 35.7
Index of the ratio of (indirect taxes/total taxes) to the mean ratio							
Canada-----	117	122	122	125	122	1/	117
Japan-----	113	112	108	99	100	99	96
United States-----	74	77	79	79	77	74	83
Belgium-----	96	97	103	103	102	100	97
France-----	119	117	109	110	108	108	104
West Germany-----	103	102	97	103	100	101	97
Italy-----	118	115	110	105	103	104	106
Netherlands-----	90	76	75	72	74	69	75
Austria-----	94	103	105	107	113	1/	113
Denmark-----	105	107	115	120	120	124	1/
Norway-----	106	103	104	101	100	102	120
Sweden-----	75	53	83	83	83	1/	77
Switzerland-----	80	83	83	79	79	78	1/
United Kingdom-----	110	112	109	115	119	121	109
Mean-----	100	100	100	100	100	2/ 100	2/ 100
Weighted mean 3/-----	90	91	91	91	90	2/ 89	2/ 92

1/ Not available.

2/ Previous years values are used in the means where the 1969 and 1970 data are not available.

3/ 1967 GNP (in dollars) is used as weights for the weighted mean.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries 1960-1970, OECD, Paris, 1971 and 1972, respectively.

Table 7-K.--Indirect taxes as a percentage of the total tax collection (excluding social security taxes,) and the index of the ratio of (indirect taxes/total tax collection) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
Indirect taxes as a percentage of the total tax collection (excluding social security taxes)							
Canada-----	54.9	57.0	57.2	56.7	54.3	1/	49.8
Japan-----	54.7	55.4	54.1	49.6	48.7	47.6	45.9
United States-----	35.5	37.8	39.9	38.9	37.2	35.8	40.2
Belgium-----	55.2	57.6	61.2	58.4	56.8	55.4	53.6
France-----	75.7	75.0	72.9	72.5	70.6	70.2	67.6
West Germany-----	58.8	61.3	58.1	58.6	56.8	57.0	55.7
Italy-----	71.3	70.9	70.2	65.2	64.9	64.6	65.9
Netherlands-----	46.2	43.8	43.8	43.7	45.8	42.9	45.8
Austria-----	48.8	55.1	56.6	55.2	57.8	1/	56.6
Denmark-----	48.7	48.9	52.6	51.5	50.4	51.7	1/
Norway-----	50.2	49.3	54.4	52.6	52.1	52.6	60.0
Sweden-----	33.9	35.8	40.7	40.3	40.8	1/	36.9
Switzerland-----	45.3	46.6	46.5	41.0	40.3	40.5	1/
United Kingdom-----	53.4	54.0	54.8	54.2	55.2	55.5	50.7
Mean-----	52.3	55.6	54.5	52.7	52.3	2/ 51.9	2/ 60.0
Weighted mean 3/-----	46.3	48.1	48.9	47.6	46.3	2/ 45.4	2/ 46.9
Index of the ratio of (indirect taxes/ total tax collection) to the mean ratio							
Canada-----	105	103	105	108	104	1/	98
Japan-----	105	100	99	94	93	92	90
United States-----	68	68	73	74	71	69	79
Belgium-----	105	104	112	111	109	107	105
France-----	145	135	134	138	135	135	135
West Germany-----	112	110	107	111	109	110	109
Italy-----	136	127	129	124	124	124	129
Netherlands-----	88	79	80	83	88	83	90
Austria-----	93	99	104	105	111	1/	111
Denmark-----	93	88	96	98	96	100	1/
Norway-----	96	89	100	100	100	101	117
Sweden-----	65	64	75	76	78	1/	72
Switzerland-----	87	84	85	78	77	78	1/
United Kingdom-----	102	97	101	103	106	107	99
Mean-----	100	100	100	100	100	2/ 100	2/ 100
Weighted mean 3/-----	89	86	90	90	89	2/ 87	2/ 92

1/ Not available.

2/ Previous years values are used in the means where the 1969 and 1970 data are not available.

3/ 1967 GNP (in dollars) is used as weights for the weighted mean.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

Table 7-L.--Direct corporate taxes as a percentage of indirect taxes, and the index of the ratio (direct corporate taxes/indirect taxes) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
Direct corporate taxes as a percentage of indirect taxes							
Canada-----	40.2	33.4	32.5	23.8	25.8	1/	2/ 29.0
Japan-----	47.6	37.4	34.6	51.2	52.0	53.5	60.9
United States-----	66.9	55.5	47.0	45.8	50.5	48.7	2/ 42.2
Belgium-----	17.9	16.0	13.7	14.4	15.2	17.3	18.6
France-----	12.0	13.5	13.8	11.5	11.5	12.4	16.3
West Germany-----	21.6	21.9	21.2	14.7	16.5	17.1	2/ 18.7
Italy-----	11.4	12.2	13.8	13.9	13.9	13.3	12.2
Netherlands-----	36.6	37.8	32.7	23.6	24.8	29.6	23.1
Austria-----	18.1	16.6	17.8	12.3	10.9	1/	11.3
Denmark-----	14.1	11.9	9.2	6.1	5.2	5.5	5.4
Norway-----	30.5	21.5	12.8	9.8	9.8	9.4	7.8
Sweden-----	36.8	36.6	20.0	12.5	11.1	1/	2/ 12.9
Switzerland-----	23.7	25.2	28.0	30.2	34.2	33.6	1/
United Kingdom-----	39.2	31.2	20.7	16.1	14.1	14.0	2/ 16.7
Mean-----	29.8	26.5	22.7	20.4	21.1	3/ 21.6	3/ 22.1
Index of the ratio (direct corporate taxes/ indirect taxes) to the mean ratio							
Canada-----	135	126	143	117	122	1/	2/ 132
Japan-----	160	141	153	251	246	248	276
United States-----	225	210	207	224	239	225	2/ 191
Belgium-----	60	61	60	71	72	80	84
France-----	40	51	61	57	54	57	74
West Germany-----	73	83	93	72	78	79	2/ 85
Italy-----	38	46	61	68	66	62	55
Netherlands-----	123	143	144	116	117	137	105
Austria-----	61	63	79	60	52	1/	51
Denmark-----	47	45	40	30	25	25	24
Norway-----	103	81	56	48	46	44	35
Sweden-----	124	138	88	61	53	1/	2/ 59
Switzerland-----	80	95	124	148	162	156	1/
United Kingdom-----	132	118	91	79	67	65	2/ 76
Mean-----	100	100	100	100	100	3/ 100	3/ 100

1/ Not available.

2/ Due to a change in statistical reporting for 1970, separate data for direct corporate taxes were not shown in the 1972 OECD statistics for Canada, the United States, West Germany, Sweden, and the United Kingdom. Estimates of direct corporate taxes for these countries in 1970 have been made based principally upon the ratio of such taxes to total direct taxes in 1969 (or 1968 in the case of Canada and Sweden).

3/ Previous years values are used in the means where the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

Table 7-M.--Direct corporate taxes plus employers contributions to social security payments as a percentage of indirect taxes, and the index of the ratio (direct corporate taxes plus employers contributions to social security payments/indirect taxes) to the mean ratio for selected countries in specified years, 1953-1970

Country	1953	1957	1961	1967	1968	1969	1970
	Direct corporate taxes plus employers contributions to social security payments as a percentage of indirect taxes						
Canada-----	48.6	42.7	41.9	35.8	38.1	1/	2/ 42.9
Japan-----	61.4	54.7	52.2	80.7	81.1	82.3	91.1
United States---	82.9	75.9	71.1	75.9	80.8	80.0	2/ 71.5
Belgium-----	1/	1/	54.5	61.7	62.9	65.6	71.9
France-----	61.6	63.0	67.7	74.1	78.0	77.3	87.3
West Germany---	50.9	56.5	63.0	56.9	61.9	61.6	2/ 65.1
Italy-----	1/	1/	1/	1/	1/	1/	1/
Netherlands---	86.3	100.3	100.0	111.8	114.1	128.7	115.5
Austria-----	58.2	60.4	57.9	54.9	52.8	1/	1/
Denmark-----	16.9	14.4	12.4	10.7	10.3	1/	1/
Norway-----	36.3	28.0	25.8	37.7	40.2	39.4	33.3
Sweden-----	41.0	43.7	30.9	39.4	41.9	1/	2/ 62.4
Switzerland---	49.4	49.4	51.7	54.8	58.8	61.0	1/
United Kingdom--	49.5	41.7	34.5	32.2	30.0	28.6	2/ 33.3
Mean-----	53.7	52.7	51.1	55.9	57.7	3/ 59.0	3/ 57.0
	Index of the ratio (direct corporate taxes plus employers contributions to social security payments/ indirect taxes) to the mean ratio						
Canada-----	91	81	82	64	66	1/	2/ 75
Japan-----	114	104	102	144	140	139	160
United States---	154	144	139	136	140	136	2/ 125
Belgium-----	1/	1/	107	110	109	111	126
France-----	115	120	133	133	135	131	153
West Germany---	95	107	123	102	107	104	2/ 114
Italy-----	1/	1/	1/	1/	1/	1/	1/
Netherlands---	161	190	196	200	198	218	203
Austria-----	108	115	113	98	91	1/	1/
Denmark-----	32	27	24	19	18	1/	1/
Norway-----	68	53	51	67	70	67	58
Sweden-----	76	83	61	70	73	1/	2/ 109
Switzerland---	92	94	101	98	102	103	1/
United Kingdom--	92	79	68	58	52	48	2/ 58
Mean-----	100	100	100	100	100	3/ 100	3/ 100

1/ Not available.

2/ Due to a change in statistical reporting for 1970, separate data for direct corporate taxes were not shown in the 1972 OECD statistics for Canada, the United States, West Germany, Sweden and the United Kingdom. Estimates of direct corporate taxes for these countries in 1970 have been made based principally upon the ratio of such taxes to total direct taxes in 1969 (or 1968 in the case of Canada and Sweden).

3/ Previous years values are used in the means where the 1969 and 1970 data are not available.

Source: Data for 1953-1969 are from National Accounts of OECD countries, 1953-1969; data for 1970 are from National Accounts of OECD countries, 1960-1970, OECD, Paris, 1971 and 1972, respectively.

the U.S. ratio is almost 30 to 40 percent higher than the mean in the 1960's.

Whether or not social security payments are included, the ratios of direct corporate taxes to indirect taxes have remained fairly constant or have even declined slightly over the period covered in the tables. Therefore, whether one looks at indirect taxes as part of the whole tax system for the United States or compares business taxes with indirect taxes, the United States has not changed its mix of indirect taxes relative to the average of all countries very much over the last twenty years.

Thus it is seen that even when social security payments of businesses are included, the United States does rely as much as 35 to 40 percent more on direct business taxes compared to indirect taxes than the average OECD country does. Industry spokesmen tend to cite such absolute differences in claims that the United States is greatly disadvantaged by the GATT rules which do not allow border tax adjustments for direct taxes such as those on corporations. ^{1/} As pointed out earlier, however, economists do not generally consider these absolute differences to be of much significance, and assign even less importance to them when some general long term economic considerations are taken into account.

^{1/} While the U.S. figures are above the average, their relation to other country's figures varies considerably. For example, table 7-M shows that until 1970 the ratios of corporate to indirect taxes are relatively similar for France, the United States, and Japan, and are generally lower for the other European countries (with the notable exception of the Netherlands).

The principal border tax adjustments in selected
major countries

The principal internal taxes in Canada, the European Community (including the United Kingdom), Japan, and the United States during the past few years for which compensatory tax adjustments are made on traded goods are briefly described in the paragraphs below. As pointed out at the beginning of this section, border tax adjustments are encountered in virtually every country. Many of the rates listed below cannot be considered as insubstantial, but significantly higher rates are frequently found in other countries, especially developing nations, and particularly on certain products, such as automobiles, which may be considered a luxury or a drain on scarce foreign exchange reserves.

Canada.--The principal indirect taxes in Canada are a manufacturers sales tax, federal selective excise taxes and duties, and provincial sales and excise taxes.

The manufacturers sales tax of 12 percent applies to most goods and is levied on sales by manufacturers or producers in Canada (and on imports, using the value for customs duty purposes as the base for calculating the tax).

Federal excise taxes apply to a narrow range of goods which include cigarettes, cigars, jewelry, radios, phonographs, and toilet articles. Some of the rates are specific, others are ad valorem. In 1970, the ad valorem rates were 10 and 15 percent. The excise taxes apply to both domestic and imported products, except in the case of wines, where the excise tax applies only to the domestic products (but a corresponding duty is levied on imports).

Federal excise duties differ from excise taxes in that the excise duties are restricted to domestic production. The customs tariff, however, places a corresponding levy on imported products. Excise duties apply to alcoholic beverages (other than wines) and tobacco products. The rates are all specific. In 1970, the excise duty on distilled spirits was \$14.25 (Canadian dollars) per proof gallon; the tax on beer was 42 cents per gallon.

Provincial excise taxes are levied in eight of the ten provinces on gasoline, diesel fuel, and cigarettes. The motor fuel taxes in 1970 ranged from 13 cents to 25 cents per gallon.

Provincial sales taxes at the retail stage exist in nine of the ten provinces at rates ranging from about 5 percent to 8 percent. They are levied on most retail sales to consumers.

The European Community (including the United Kingdom).--The European Community is using the value-added tax as a means of economic integration. Each of the members of the Community, including the new members, now uses the value-added tax, and directives by the EC Commission seek to make the systems harmonious. At the present time, two members apply a single VAT rate; three have two rates; two have three rates; and two have four rates. When more than one rate is used, the "standard" rate applies to most products, and other rates apply to specified categories. Eventually the VAT rates are to be harmonized for similar goods. A standard rate between 12 and 18 percent and a lower rate between 5.5 and 7.5 percent have been proposed.

The tabulation below shows current VAT rates for the members of the Community:

<u>Country</u>	<u>Standard rate</u> (Percent)	<u>Reduced rate</u> (Percent)	<u>Intermediate rate</u> (Percent)	<u>Luxury rate</u> (Percent)
Belgium	18	6	14	25
Denmark	15	-	-	-
France	23	7.5	17.6	33.33
Germany	11	5.5	-	-
Luxembourg	10	5	-	-
Netherlands	14	4	-	-
Britain	10	-	-	-
Ireland	19.5	6.75	-	36.75
Italy	12	6	-	18

The United Kingdom and Italy have only recently adopted the value-added tax. Prior to April 1, 1973, the United Kingdom had a single stage purchase tax normally levied at the wholesale level on a wide variety of specified goods of a kind used for domestic or personal consumption. The rates were 12.5, 20, 33 1/3, and 50 percent. Until January 1, 1973, Italy applied a cascade tax system to virtually all products. Rates ranged from 0.8 to 14.4 percent with a normal rate of 4 percent. For some products, a single stage tax was applicable, ranging from 1 to 36 percent.

In addition to the value-added tax, all members of the Community apply excise taxes on selected products. The most important usually are taxes on alcoholic beverages, hydrocarbon oils, and tobacco products.

The list of specific products subject to excise taxes varies from country to country. The following products are subject to an excise tax in one or more of the member states:

alcoholic beverages	gas	salt
acetic acid	hydrocarbon oils	soft drinks
cocoa	matches	sugar
coffee	meat	table waters
electrical energy	mechanical lighters	tea
ethyl alcohol	playing cards	tobacco and tobacco
explosives	saccharin	products

Japan.--Japan's principal consumption tax is a single-stage "commodity tax" which is levied usually at the manufacture stage on a fairly extensive list of consumer goods other than foods, medicines and some other essentials. Rates range generally from 5 to 40 percent. For example, small passenger cars, small refrigerators, and small television sets pay a tax of 15 percent; large refrigerators and television sets and ordinary passenger cars pay 20 percent; and watches with precious metal and large motor boats pay 40 percent.

Special excise taxes are levied on alcoholic beverages, sugar, and hydrocarbon oils.

United States.--Federal excise taxes apply to trucks, buses, and trailers (10 percent of manufacturer's price); tires (5 cents or 10 cents per pound); gasoline, diesel and special fuels, and lubricating oil (4 cents or 6 cents per gallon); certain firearms; fishing equipment; sugar; alcoholic beverages (various rates ranging up to \$10.50 per proof or wine gallon); and tobacco products (e.g., 8 cents per pack for cigarettes).

Most states levy excise taxes on a fairly restricted list of products. The most common products are motor fuels, alcoholic beverages,

tobacco products, and motor vehicles. Some local jurisdictions also impose taxes on these products.

Retail sales taxes are levied by state and local governments. Local sales taxes rarely exceed 1 or 2 percent. Retail taxes are levied in 44 states and the District of Columbia, and generally apply to all retail sales. In some cases, food, clothing, goods subject to state excise taxes, services or capital goods are exempt. The tax rate varied from 2 percent to 6 percent in 1970, with the most common rate at 3 percent.

U.S. excise tax on distilled spirits: The wine-gallon/proof-gallon issue.--A special situation in the application of border taxes which has had much attention for many years is found in the manner in which the U.S. excise tax on distilled spirits is assessed.

The United States levies on domestic and imported distilled beverages an internal revenue tax of \$10.50 on each proof gallon (or wine gallon, when the beverage is below proof). ^{1/} In other words, if the beverage tests 100 proof at the time the tax is assessed, it is taxed \$10.50 per gallon; if it is more than 100 proof, it is taxed a proportionate additional amount of the base tax; but if it is below proof, it nevertheless pays the full \$10.50 per gallon base rate. In sum, the beverage which is assessed when it is below proof actually bears a higher tax per unit of proof.

^{1/} The term "proof" refers to the ethyl alcohol content of a liquid at 60 degrees Fahrenheit stated as twice the percent of ethyl alcohol by volume, e.g., a gallon of pure ethyl alcohol is 200 proof and is equivalent to 2 proof gallons. A "proof gallon" is the equivalent of a U.S. gallon containing 50 percent of ethyl alcohol by volume, i.e., 100 proof. A "wine gallon" is a standard U.S. gallon of liquid measure equivalent to a volume of 231 cubic inches.

For domestically produced distilled spirits, the tax is assessed at a point in the production process when the product is at or above 100 proof, and before it has been "cut" (diluted with water) to the lower proof at which it is normally bottled (usually 80-86 proof for whiskey). Foreign producers who wish to ship their product to the United States may also have the tax levied at this "low-tax-rate point" in the production process if they ship their product in bulk to the United States and have it bottled after entering the country. However, if it is shipped already bottled, it normally has been cut to 84-86 proof (in the case of whiskey, more for some other beverages), and therefore must pay approximately 14-16 percent more tax than the competing bottle of domestic distilled spirits (or foreign spirits imported in bulk). The domestic producer of an 86 proof whiskey, for example, pays a tax of \$9.03 per bottled gallon on his product, while the foreign shipper of bottled whiskey to the United States pays a tax of \$10.50 on his product.

The U.S. import duty on distilled spirits is assessed in the same manner as the excise tax, thereby adding an additional discrimination against bottled imports in comparison with bulk imports.

This dual wine-gallon/proof-gallon basis of taxation and duty assessment has long been a subject of complaint by foreign distillers and U.S. importers of bottled spirits, and it has been given wide publicity as one of the more notable nontariff trade barriers maintained by the United States. Critics of the system suggest that the tax (and customs) treatment of imported and domestic distilled spirits

should be equalized by providing that the tax and import duty be assessed on a proof-gallon basis in all cases.

The wine-gallon/proof-gallon assessment method illustrates a situation where, in the strict legal sense, no discrimination can be found in the law, but when viewed in the context of the customary conduct of a particular trade, a significant discriminatory result is found in the law's operation. Bottled spirit importers and their foreign suppliers point out that their product must pay a higher tax than domestically produced spirits on equal measures of the product as delivered to the consumer.

Widely divergent views on the consequence of the removal of the wine-gallon/proof-gallon system have been put forth by spokesmen for U.S. distilled spirit producers and by importers. At one extreme, it is contended that the difference in tax and duty collections would be simply transferred from receipts of the U.S. Treasury to receipts of the importers and foreign producers without change in existing trade practices or patterns. On the other extreme, it is suggested that the amount of the overpayment would be largely passed on to consumers in the form of reduced prices for imported distilled spirits (with a concomitant increase in competition for domestic spirits and possibly complete elimination of the practice of importing bulk spirits for bottling in the United States). Along this line, one prominent importer of bottled distilled spirits reported to the Tariff Commission that replacement of the wine-gallon/proof-gallon assessment method by simple proof-gallon assessment would enable him to increase his U.S. sales of imported Scotch whiskey and cordials by 10 percent, brandy by 5 percent, and rum by 33 1/3 percent.

Other Charges

Besides variable levies and the easily recognizable forms of border tax adjustments, other nontariff charges assessed on imports are numerous and go by a variety of names. The better known are consular fees, stamp taxes, statistical taxes, port charges and import surcharges.

In responses to the Tariff Commission's survey of trade barriers, there was described an almost endless variety of fees, taxes, and charges levied on imports by various countries--a bridge tax, examination tax, university tax, stadium tax, luxury tax, monopoly tax, phytosanitary tax, development tax, maintenance tax, sanitary tax, lighthouse tax, etc. Many of these, in last analysis, are actually border tax adjustments for internal taxes also assessed on domestic products. Some, such as port fees or import surcharges, are levied solely on imports. Others apply only to imports, in effect, because there is no domestic production.

In complaints to the Tariff Commission, three products especially were stressed as being subjected to unusually heavy or discriminatory taxes or charges: Automobiles, motion picture films, and alcoholic beverages. Nontariff charges on these are described below, as well as the other principal types of charges which were the subject of complaint.

Automobile taxes and fees

Motor vehicles, and especially passenger cars, are a prominent object of taxation and other types of charges in almost all countries

of the world. In the Commission's survey of trade barriers, the U.S. automobile industry presented a 66 page tabular "digest" of the almost endless variety of taxes levied on automobiles. The taxes are particularly numerous, and usually higher, in the developing nations.

In principle, the taxes would appear to be nondiscriminatory in the sense that the same rate applies to domestically produced and imported automobiles of the same class or category. Also, in countries where there is no domestic automobile industry (the great majority of nations), the same rate applies to imports without regard to their origin. In practice, however, the schedule of tax rates for a country is frequently steeply progressive, depending upon such factors as horsepower, cylinder capacity, weight, value, and wheelbase measurements. Consequently the taxes impinge far more heavily upon the type of automobiles which make up the bulk of U.S. production than on the automobile products of other countries. In some cases, the taxes are openly discriminatory (e.g., a lower rate is assessed if the vehicle is shipped completely knocked down for local assembly or if locally produced components are used). Many of the taxes which U.S. automobile producers reported encountering abroad are also assessed on other products, but the rate applicable to automobiles frequently is substantially higher.

Listed below are the various taxes reported on passenger cars for 13 countries (in alphabetical order). Some of the charges are actually types discussed in other parts of this chapter (border tax adjustments, statistical taxes, etc.). Nevertheless, they are reported here to give a complete picture of the impact of the numerous charges encountered by

U.S. automotive product exports. The countries have been selected for illustrative purposes only; almost any other group of countries could have been chosen to display more or less the same situation. The taxes are collected in addition to import duties, which are also given in the list in order to show the cumulative effect of the charges. It will be noted that although many of the taxes are not exclusively applied to automobiles and are not discriminatory, per se, they substantially increase the cost of the vehicle to the ultimate consumer, and consequently are regarded by U.S. producers as a limitation upon their potential sales abroad.

Argentina:

Customs duty: 140 percent ad val. c.i.f.
 Statistical tax: 1.5 percent of c.i.f.
 Tax on ocean freight: 4 percent.
 Steel Fund tax: 20 pesos per kg.
 (A prior import deposit of 40 percent of the c.i.f. value for 180 days is also required.)

Australia:

Customs duty: 45 percent ad val. based on domestic value in country of origin, or sales value, whichever is higher.
 Sales tax: 27.5 percent calculated on duty-paid-value increased by 20 percent.

Brazil:

Customs duty: 70 percent, 85 percent, or 105 percent ad val. c.i.f., depending upon weight and value.
 Industrial products tax: 24 percent, 28 percent or 30 percent.
 Port assessment: 2 percent of c.i.f. value.
 Marine assessment tax: 20 percent of net ocean freight.
 Merchandise circulation tax: 15-17 percent of duty-paid value.

France:

Customs duty: 11 percent ad val. c.i.f.
 Value added tax: 33 1/3 percent of duty-paid value.
 Customs stamp tax: 2 percent of import duty.
 Annual tax: Range up to 1,000 francs (\$230), based on fiscal horsepower and/or age.

Greece:

Customs duty: 19.64 percent ad val. c.i.f.
 Turnover tax: 8.75 percent of the duty-and-tax-paid value.
 Luxury tax: 25 percent ad val. c.i.f. on cars valued over \$1,800.
 Special import tax: 5 percent of c.i.f. value.
 Export promotion tax: 0.15 percent of c.i.f. value.
 Stamp tax: 4 percent of duty-and-tax-paid value.
 Initial registration fee: 19,500-100,000 drachmas (\$721 to \$3,700).
 Annual license (circulation) fee: 280-840 drachmas (\$10 to \$31).

Indonesia:

Customs duty:
 Assembled vehicles: 200 or 300 percent ad val. c.i.f., depending on value.
 Completely knocked down: 50 percent ad val. c.i.f.
 Sales tax: 50 percent of duty-paid value.
 Retribution tax: 1 percent of the value of the import.

Japan:

Customs duty: 6.4 percent ad val. c.i.f.
 Automotive tax: 4,500-90,000 yen (\$16.07-\$321.43) 1/ annually depending on cylinder capacity and wheelbase measurements (rates are less for business use).
 Commodity tax: 15 percent or 20 percent, depending on wheelbase measurements and engine capacity.
 Purchase tax: 3 percent of actual purchase price.
 Road tax: Annual assessment of the rate of 2,500 yen (\$8.93) 1/ per 0.5 ton of curb weight.
 Supplemental road tax: Annual assessment ranging from \$30 for very small cars to \$140 for large cars.

Jordan:

Customs duty:
 Gasoline fuel cars: 450-600 fils (\$1.40-\$1.87) per kilo.
 Non-gasoline fuel cars: 1200-2000 fils (\$3.73-\$6.22) per kilo.
 Additional tax: 1 percent ad val. c.i.f.
 Examination tax: 2 percent ad val. c.i.f.
 Social welfare tax: 0.5 percent ad val. c.i.f.
 King Hussein stadium tax: 0.5 percent ad val. c.i.f.
 Jordan University tax: 1 percent ad val. c.i.f.
 Aviation tax: 2 percent ad val. c.i.f.
 Porterage fee: \$0.06 per 100 kg.
 Import license fee: 4 percent ad val. c.i.f.

1/ Yen converted to dollars at the rate of \$1 = 280 yen.

Norway:

Customs duty: 8 percent ad val. c.i.f.
 Excise tax: 67 percent of first 5,000 crowns (\$897) of duty-paid value; 100 percent on the remainder.
 Turnover tax: approximately 20 percent of duty-paid value.
 Traffic tax: up to 0.02 percent ad val.

South Africa:

Customs duty:
 Assembled: 45 percent plus 2 percent ad val. f.o.b. for each 100 rand (\$149.50) plus 1 percent ad val. for every 100 pounds over 2,500 pounds.
 Completely knocked down: 20 percent ad val. f.o.b.
 Excise tax on cars manufactured or assembled in South Africa: 15 cents or 17 cents or more per pound, depending on weight, with a maximum tax of 3,500 Rand (\$5,232). Tax can be reduced by 15 to 75 percent by use of South African products in assembly.
 Sales tax: 5-20 percent of the duty (not applicable to locally produced vehicles).
 Wharfage fee: 1.35 percent.

Spain:

Customs duty: 68 percent ad val. c.i.f.
 Internal compensating tax: 13 percent of the duty-paid value.
 Luxury tax: 20 percent of the duty-paid value.

Turkey:

Customs duty: 75 percent ad val. c.i.f.
 Stamp tax: 10 percent ad val. c.i.f.
 Customs surtax: 15 percent of customs duty.
 Customs clearing charges: variable.
 Port tax: 5 percent c.i.f. value plus customs duty, customs surtax and customs clearing charge.
 Production tax: 25 percent of c.i.f. value plus customs duty, customs surtax, customs clearing charge and port tax.

United Kingdom:

Customs duty: 11-22 percent ad val. c.i.f., depending on engine displacement.
 Purchase tax: 36 2/3 percent of the wholesale value in the United Kingdom.

Film taxes

Motion picture films are subject to several types of taxes in many countries. The taxes are usually imposed by the national government,

frequently as a theater admission tax. Several countries either impose higher taxes on imported films than on films domestically produced, or impose internal taxes on imported films but not on the like domestic products, or remit taxes on domestic films exhibited in the national market but not on imported films. Some countries also discriminate among foreign countries in the application of internal taxes. In several countries, proceeds of the taxes are used to aid domestic motion picture production.

In Argentina, Belgium, Denmark, Finland, Italy, Taiwan, and Turkey, a higher admissions tax is collected on the exhibition of foreign films than for domestically produced motion pictures. In addition to the higher tax on foreign films, Italy partially rebates taxes on films originating in the European Community. (Proceeds of the Italian tax are used to subsidize Italian film producers.) France taxes films in a nondiscriminatory manner, in principal, but the French Government has granted certain exceptions which, in effect, result in discrimination against foreign films. In Chile, distributors and exhibitors are assessed a 17 percent turnover tax on imported films.

Spain charges a dubbing tax on imported films which varies according to origin. Some U.S. films are charged from 250 to 400 percent more than films from other sources. For example, U.S. cinemascope films are assessed \$15,000 while similar European films are charged \$4,000. There are a few exceptions to the fee, such as festival films and children's films. Revenue derived from the dubbing fee is used to subsidize production of films in Spain.

In addition to the dubbing fee, Spain imposes a licensing fee and an income tax. The licensing fee is charged on subtitled films (20 percent of the dubbing fee) and on foreign language films (5 percent of the dubbing fee). The income tax is charged on rentals of all films and amounts to 10 percent of gross on Spanish films and 25 percent on foreign films.

The Arab Republic of Egypt applies a release tax on imported films based on the length of the film. The revenue obtained from taxing imported films which are more than 30 minutes in length is used for the development of the domestic film industry and to promote the production of social, educational, and scientific films. The tax is not assessed on domestic films.

In Algeria, Argentina, Brazil, Chile, Colombia, India, Pakistan, the Philippines, Taiwan, and Thailand, discriminatory income taxes or other restrictions are assessed on income from the exhibition of foreign films when removed from the country.

Alcoholic beverage taxes

A variety of excise, consumption or special taxes or fees are levied by many countries on alcoholic beverages. Most of these are internal taxes levied equally upon imported and domestic products, and consequently are actually within the definition of border tax adjustments. Many appear as "stamp" taxes. Alcoholic beverage exporters and producers also complained of prior import deposit costs, port fees, and consular fees.

Respondents in the Commission's survey complained of the severity of the taxes and charges on alcoholic beverages in nine Western European countries, South Africa, Australia, New Zealand, Canada, Japan, the United States, and eighteen developing nations.

A few complaints were received concerning discriminatory tax treatment. U.S. whiskey producers have repeatedly objected to the French imposition of higher excise taxes on grain spirits (produced only in limited quantities in France) than are imposed upon brandies and other spirits produced from fruit. In several countries (principally LDC's) the tax appears as a surcharge levied only on imports. The U.S. method of assessing excise taxes (and import duties) on distilled spirits is considered by foreign suppliers to discriminate against imports of bottled goods (see discussion of the U.S. wine gallon/proof gallon method of assessment in the earlier part of this chapter dealing with border tax adjustments).

Port charges and maritime taxes

All ports, including those in the United States, levy fees, taxes or other charges upon vessels using the port and/or upon cargo shipped through the port. Usually the charges are to cover the cost of operating the port and to provide a return upon the capital invested in the port facilities. Occasionally, fees are levied to provide revenue for other purposes. For example, several countries assess fees specifically to aid the national maritime industry. It is customary that several different fees are charged, depending upon the kinds of services used or the cargo shipped. Charges upon the cargo frequently are based upon

its weight, but in many countries the charges are an ad valorem assessment upon the c.i.f. value of the shipment. In some countries, certain charges are calculated as a percentage of the duty collected on the shipment; in others, as a percentage of the freight cost. In some ports, particularly in developing countries, the total charges may run as high as 12 or 15 percent of the c.i.f. value of the shipment.

Some respondents in the Commission's survey complained of the amount of port charges encountered in shipping to Uruguay, Guinea, Libya, West Germany, Syria, Arab Republic of Egypt, Turkey, Iran, South Africa, Switzerland, Sudan, Somali Republic, Mexico, Taiwan and Japan.

Statistical and administrative taxes and fees

Complaints were registered against statistical taxes in Argentina, Austria, Burundi, the Congo, Dahomey, France, Guinea, Italy, Ivory Coast, Mauritania, Niger, Peru, Rwanda, Senegal, Somali Republic, Surinam, Switzerland, Togo, Arab Republic of Egypt, and Upper Volta. The fees range between 0.1 percent in Rwanda to 4 percent in Senegal. The taxes are defended by these countries as necessary to maintain adequate trade statistics. It is often argued that the fee is not discriminatory since, in at least several of the countries, it applies to both exports and imports. However, in some countries a higher fee is levied on duty-free imports than is levied on dutiable products, and the Italian tax is not assessed upon imports into Italy from other EC member states.

So-called "administrative" fees levied on shipments to Afghanistan, Bermuda, Brazil, Chile, Dominican Republic, Malaysia, Mexico, Tunisia, and Yugoslavia were also the subject of complaints.

Prior import deposits

Since World War II import deposit systems have been increasingly used by countries experiencing balance of payments difficulties as a means of retarding the flow of their imports. Under such systems, the importer is required to deposit with the government, usually in a non-interest bearing account and for a fixed term, a percentage of the value of the import. Import deposit systems have sometimes also been used for other purposes of control or surveillance by countries not suffering a balance of payments deficit.

In either case, the commitment of capital to this purpose, whether or not in a noninterest bearing account, increases the cost of imports by an amount equal to the rate of return that could be obtained from alternative uses of the money. This imposes a serious limitation on imports, depending on the level and duration of the required deposits. 1/

The amount and duration of the deposit range widely. The import deposit which was in effect in Japan until May of 1970 required a deposit of only 1 percent of the value of the import for a period running from the date an import license was issued until the time the goods were actually imported. No interest was paid unless the deposit was made in cash. Japan claimed that the deposit was necessary to insure the smooth operation of the import licensing system. (U.S. exporters, however, felt it was simply a method for closer surveillance and control of imports.)

1/ The Tariff Commission's survey revealed that U.S. exporters often provide foreign importers with the funds necessary for prior deposits.

On the other hand, when the United Kingdom found itself in a balance of payments crisis in late 1968, an import deposit of 50 percent of the value of the merchandise was required. (The United Kingdom system was eventually terminated in 1970.) In developing countries, where import deposit systems are most prevalent, the rate of deposits has been known to run as high as 10,000 percent, and it is not uncommon that they are well above 100 percent.

Import deposit systems exist in a significant number of countries--some 20 to 25--and the impact is severe enough to have elicited a large number of complaints from U.S. firms during the course of the Commission's study.

Almost half of the complaints received by the Commission were directed towards Central and South American countries. Firms and associations specifically mentioned prior deposits imposed on imports into Argentina, the Dominican Republic, Uruguay, Colombia, Mexico, Brazil, Peru, Ecuador, and Paraguay as impediments to their sales. One chemical firm, for example, reported that "several countries of South America require from importers inordinately high deposits for imported products... Although the deposit is returned within 6 months, it usually means an unproductive tie-up of significant sums of working capital." If a firm has a large and continuing volume of sales to another country, an established sum is often left with the account of the Central Bank (after each liquidation of a covered shipment) in order to cover future deposits. A large tobacco exporter states that this is a necessary procedure, but

"needlessly ties up the importer's capital and is subject to devaluation risk." Another chemical company reported that if Colombia would remove prior deposit requirements along with various other types of red tape, sales of chemicals, laboratory and bulk medicinal materials could increase by \$50,000 and radiopharmaceuticals by \$10,000 in the first year. A tool manufacturer reported that if import deposit requirements and import licensing practices were removed in South America, the firm's sales could increase by \$1 million per year. Another tool company stated that advance deposits along with import licensing formalities in Latin America, Africa, and the Far East "create long delays and unnecessary expense." If these were removed, according to the firm, its sales would be expected to increase by \$2 million. A photographic supply manufacturer stated that if prior deposit requirements were removed by Colombia, Chile, and Argentina, the firm's sales might increase by \$500,000 annually. The Scientific Apparatus Makers Association objected to prior deposit requirements stating that "since instrument systems are built to particular specifications, such deposits may be held as long as 6 to 8 months. The added cost such a requirement imposes on imported items is apparent."

Besides the prior deposit requirements existing in many of the countries of Central and South America, the device also is, or has been, used in Greece, Iceland, Indonesia, Japan, Korea, Turkey, Yugoslavia, the Philippines, Finland, the United Kingdom, Tunisia, Iran, Israel, and Ethiopia. The rates charged usually have varied within each country (depending upon the product imported) and have ranged from one to several

hundred percent of the c.i.f. value of the product. The funds have been usually retained for several months without benefit of interest. 1/ It was reported that at least one country--Indonesia--retains the deposit as payment for services rendered. The principal declared purpose of the deposit in some of these countries is to ensure that import business is conducted by financially sound companies and individuals. At least one country insists that the fee is necessary to ensure that imports actually take place and discourage indiscreet applications for licenses. Several of the developing nations indicated that the measure is needed to restrain imports of nonessential goods and to regulate the domestic money supply.

The degree of trade restriction imposed by prior import deposit requirements depends principally upon: (1) the amount of deposit required, (2) the cost of financing, (3) the length of time which deposits are held, and (4) the products and countries to which applied. The GATT contracting parties have allowed the use of prior deposits only in cases of balance of payments difficulties, and have suggested guidelines in administering prior deposit systems with a view toward limiting their duration and confining their restrictive effect to the level justifiable by the country's balance of payments situation.

Consular fees

Exports to many nations, principally developing countries, entail the payment of consular fees or charges by the exporter. The fees

1/ Japan is the only country which is reported to have ever paid interest on prior deposits--2.555 percent.

usually are associated with issuance of a consular invoice or other required documentation for imports entering the particular country. In some cases the fees are a fixed charge; in others they are dependent upon the value of the shipment. Countries collecting such fees justify them as necessary to cover the cost of operating the consulate or for collection of general revenue for the government.

Complaints to the Tariff Commission concerning consular fees named the following countries: Afghanistan, Angola, Argentina, Arab Republic of Egypt, Brazil, Chile, Colombia, Dominican Republic, Goa, Haiti, Honduras, India, Mexico, Nicaragua, Panama, Paraguay, Peru, Philippine Republic, Portugal, South Africa, Turkey, Uruguay, and Venezuela. Charges running as high as 7 percent of the c.i.f. value of the shipment were reported. Some of the complaints indicated that although the fee itself is nominal, the administrative expense of complying with the documentation or other requirements for which the fee is charged raised the total cost to a significant level.

Stamp taxes

"Stamp tax" is the descriptive term frequently applied to taxes which are paid through the purchase of revenue stamps issued by the taxing authorities, who require that the stamps be affixed to articles or documents before they may be lawfully sold, purchased or used. The procedure is a common method for collecting excise taxes on certain consumer products, such as tobacco or alcoholic beverages, or assessing taxes on the transfer of documents.

In the Commission's survey of trade barriers, 47 complaints against "stamp taxes" were received. The complainants generally did not specify the exact nature of the tax, the amount of the tax, or whether it was actually discriminatory against imported goods. Countries named in the complaints were: Argentina, Bermuda, Colombia, Costa Rica, France, Greece, Guinea, Haiti, Iraq, Israel, Italy, Madagascar, Mexico, Morocco, Peru, Portugal, South Africa, South West Africa, Taiwan, Togo, Turkey, Upper Volta, Venezuela, and the West African Customs Union.

Surcharges

The term "surcharge," when used with reference to imports, usually designates a tax or levy applied in the same manner as a customs tariff, but in addition to the normal import duty. Sometimes the additional tax is calculated as a percentage of the duty already collected. When the amount of the surcharge is nominal, it usually has been levied for purposes already discussed above (i.e., a port fee, statistical tax, administrative tax, etc.). In other cases, however, it is likely to have been levied for the specific purpose of stemming the flow of imports to correct balance of payments deficits, and the amount is substantial. In some situations, however, the "surcharge" is actually the counterpart of an internal tax equally applied on like domestic products.

Among developed countries, Denmark, the United Kingdom and the United States have resorted to the temporary use of import surcharges for balance of payments reasons in recent years. Other countries where complaints in the Tariff Commission's survey of trade barriers reported encountering surcharges were the following: Angola, Argentina, Bahamas,

Barbados, Bermuda, Bolivia, Brazil, Burundi, Colombia, Dominican Republic, Ecuador, El Salvador, France, West Germany, Greece, Guatemala, Honduras, Indonesia, Italy, Jamaica, Japan, South Korea, Libya, Malawi, Mexico, Mozambique, Nepal, Nicaragua, Nigeria, Pakistan, Paraguay, Peru, Saudi Arabia, Switzerland, Sudan, Taiwan, Turkey, and Uruguay. Many of the reported surcharges were nominal (2 or 3 percent of the customs duty); others ranged as high as 30 or 32 percent of the c.i.f. value of the shipment.

Other "special" taxes

In addition to the categories of taxes discussed above, respondents in the Commission's survey of trade barriers objected to a large variety of other taxes or fees which they encountered in trading in over fifty nations. Seven developed countries and 43 developing nations were specifically named in the complaints.

Most of the complaints gave only the local name for the tax, without specifying its amount or whether it was actually discriminatory in its application to imported products. From the incomplete data which were supplied, many of the charges appear to be border tax adjustments for equivalent internal taxes on domestic products. Some, such as Argentina's steel fund tax and forestry products tax, are levied exclusively on imports, and the receipts are frequently used to aid the national industries. It is not uncommon to be assessed several different taxes simultaneously. One U.S. exporter, for example, reported paying (on a shipment of merchandise to an African country) a fiscal tax, a contractual tax, a temporary maintenance tax, a standard tax, a temporary

development tax, and a compensatory tax. Many of the reported taxes are assessed at relatively nominal rates, but a large number are substantial, and some range up to 50 percent of the c.i.f. value of the shipment. The names given to the principal taxes reported are listed below, in alphabetical order:

bridge tax	maintenance tax
cement tax	municipal tax
communal tax	national red cross tax
compensatory tax	package tax
contractual tax	phytosanitary tax
defense tax	production tax
development tax	sanitary tax
fiscal tax	standard tax
foreign exchange tax	steel fund tax
forestry products tax	warehouse tax
harbor construction tax	
luxury tax	
monopoly equalization tax	

Chapter VII

APPENDIX

Appendix 7-A

Products subject to variable levies under the European Community's
Common Agricultural Policy

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> 1/	<u>Remarks</u>
01.02 AII	Live animals of the bovine species, domestic, except breeding stock	(1)	
01.03 AII	Live animals of the porcine species, except breeding stock	(3)	
01.05	Live poultry	(3)	
02.01 AII	Bovine meat, fresh, chilled, frozen (beef and veal)	(1)	
02.01 AIIIa	Meat of domestic swine, fresh, chilled, or frozen	(3)	
02.01 BIIc	Pork offal, fresh, chilled, or frozen	(3)	Levy must not exceed GATT binding of 12% ad valorem (liver, 14% ad valorem).
02.02	Poultry meat and edible offal (except liver), fresh, chilled, or frozen)	(3)	
02.03	Poultry liver, fresh, chilled, frozen, or in brine	(3)	Levy must not exceed GATT binding of 5% ad valorem on fatted goose or duck liver and 14% on other poultry liver.
02.05	Unrendered pig or poultry fat, free of lean meat, fresh, chilled, frozen, salted or in brine, dried or smoked	(3)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
02.06 B	Meat and edible offal of pork, salted or in brine, dried or smoked	(3)	
02.06 CI a	Beef and veal, salted, brined, dried or smoked	(1)	
03.01 BI(a)2	Herring, fresh or frozen, imported from June 16 to February 14.	(7)	
03.01 BI(c)	Tuna, fresh or frozen	(7)	
04.01 B	Milk and cream, fresh, not concentrated or sweetened of a fat content exceeding 6% by weight	(3)	
04.02	Milk and cream, preserved, concentrated, or sweetened	(3)	
04.03	Butter	(3)	
04.04	Cheese and curd	(3)	
04.05 AI	Poultry eggs, in shell, fresh or preserved	(3)	
04.05 BI	Poultry eggs not in shell and egg yolks, for human consumption	(3)	
07.01 M	Tomatoes, fresh	(7)	
07.01 NII	Olives, fresh or chilled, intended for the production of oil	(2)	
07.03 AII	Olives, preserved in brine or other solutions, intended for the production of oil	(2)	
07.06 B	Roots of manioc, arrowroot, salep, and other similar roots and tubers with high starch content except sweet potatoes	(3)	Levy must not exceed 6% ad valorem

1/ Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
08.02 AI	Sweet oranges, fresh	(7)	U.S. prices have always been above the reference price.
08.02 B	Mandarins, clementines, tangerines, other similar citrus hybrids	(7)	U.S. prices have always been above the reference price.
08.02 C	Lemons	(7)	To date prices of all imports have always been above the reference price. Thus the compensatory tax has never been invoked.
08.04 AI	Table grapes	(7)	
08.04 AII	Fresh grapes other than table grapes	(7)	May be subject to a derived compensatory tax, if such a tax is imposed on wine imported below the reference price.
08.06 AII	Apples, not for cider	(7)	To date, prices of all imports have always been above the reference price. Thus, the compensatory tax has never been invoked. However, imports were made subject to emergency licensing in 1970 due to low domestic prices.

^{1/} Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
08.06 BII	Pears, not for perry	(7)	To date, prices of all imports have always been above the reference price. Thus, the compensatory tax has never been invoked.
08.07 B	Peaches, fresh	(7)	U.S. prices have always been above the reference price.
08.07 C	Cherries, fresh	(7)	To date, prices of all imports have always been above the reference price. Thus, the compensatory tax has never been invoked.
08.07 D	Plums, fresh	(7)	U.S. prices have always been above the reference price.
10.01	Wheat and meslin	(3)	
10.02	Rye	(3)	
10.03	Barley	(3)	
10.04	Oats	(3)	

^{1/} Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> 1/	<u>Remarks</u>
10.05 A	Hybrid seed corn	(3)	Levy on hybrid seed corn must not exceed 4% ad valorem bound in GATT. Imports from non-GATT countries must meet a reference price.
10.05 B	Other corn	(3)	
10.06	Rice	(3)	
10.07	Buckwheat, millet, canary seed, grain sorghum, other cereals	(3)	
11.01	Cereal flours	(3)	
11.02	Cereal groats and meal, other worked cereal grains except husked, glazed, polished or broken rice; germs of cereals including flours thereof	(3)	
11.06	Flour and meal of sago and manioc, arrowroot, salep, and other roots and tubers falling within heading No. 07.06	(3)	
11.07	Malt, roasted or not	(3)	
11.08 A	Starches	(3)	
11.09	Gluten and gluten flour, roasted or not	(3)	
12.04	Sugar beet, whole or sliced, fresh, dried, or powdered; sugar cane	(3)	

1/ Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
15.01	Lard and other rendered pig fat; rendered poultry fat	(3)	
15.04	Fats and oils of fish and marine mammals, whether or not refined	(7)	
15.07 A	Olive oil, crude, refined or purified	(3)	In 1971 olive oil was given compensatory protection in addition to variable levies. Compensatory taxes have not yet been imposed on olive oil however.
15.07 B,C,D	Other vegetable oils, crude, refined or purified	(7)	Compensatory tax has been applied to imports of rapeseed oil and castor oil deemed to have been subsidized by the exporting country. License required for imports of vegetable oils into Italy because of extra crushing subsidy paid there.
15.12	Animal or vegetable oils and fats, hydrogenated or otherwise solidified, but not further prepared.	(7)	Compensatory tax not yet implemented.
15.13	Margarine and other prepared food fats	(7)	Compensatory tax not yet implemented.

^{1/} Restrictions are coded as follows:

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|---|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
15.17 A	Residues containing oil having the characteristics of olive oil	(3)	
15.17 B	Other residues from the treatment of animal or vegetable fats or waxes	(7)	Compensatory tax not yet implemented.
16.01 A	Sausages and similar products of liver	(3)	Levy must not exceed 24% ad valorem bound in GATT.
16.01 B	Other sausage	(3)	
16.02 AII	Prepared or preserved liver, other than goose or duck liver	(3)	Levy must not exceed 25% ad valorem bound in GATT.
16.02 BI	Prepared or preserved meat or offal of poultry, other than liver	(3)	Levy must not exceed 17 % ad valorem bound in GATT.
16.02 BIIIa	Prepared or preserved pork meat or offal, other than liver	(3)	
17.01	Beet and cane sugar, solid	(3)	
17.02 A,B,D, E,F	Other sugars, syrups, etc., except maple sugar and syrup	(3)	
17.02 C	Maple sugar and syrup	(3)	Levy must not exceed 20% ad valorem bound in GATT.
17.03	Molasses	(3)	

^{1/} Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
17.04 B	Chewing gum	(4)	Levy must not exceed 23% ad valorem (including a fixed charge of 8% plus a variable charge related to the sugar content) bound in GATT.
17.04 C,D	Sugar confectionery not containing cocoa	(4) (5)	
17.05	Flavored or colored sugars, syrups, and molasses	(3)	
18.06 A	Cocoa powder	(4)	
18.06 B	Chocolate ice cream	(4) (5)	
18.06 C	Chocolate and chocolate goods including chocolate coated products; sugar confectionery and substitutes thereof made from sugar substitution products, containing cocoa	(4) (5)	
18.06 DI(a)	Other chocolate goods containing no fats derived from milk or containing less than 1.5% by weight of such fats in packages of 500 grams or less (net)	(4) (5)	
18.06 DI (b)	In packages of more than 500 grams (net)	(4)	
18.06 DII(a)1	Other chocolate goods containing 1.5% or more by weight but less than 6.5% of fats derived from milk, in packages of 500 grams or less (net)	(4) (5)	
18.06 DII(a)2	In packages of more than 500 grams net	(4)	

^{1/} Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
18.06 DII(b)1	Other chocolate goods containing 6.5% or more but less than 26% by weight of fats derived from milk, in packages of 500 grams or less (net).	(4)	
18.06 DII(b)2			
(aa)	Certain specified types of milk crumb	(4) (5)	
18.06 DII(b)2			
(bb)	Unspecified items containing 6.5% or more but less than 26% by weight of fats derived from milk	(4)	
18.06 DII(c)	Other chocolate goods containing 26% or more by weight of fats derived from milk	(4)	
19.01	Malt extract	(4)	
19.02	Preparations of flour, starch or malt extract of a kind used as infant food or for dietetic or culinary purposes, containing less than 50% by weight of cocoa	(4)	
19.03	Macaroni, spaghetti, and similar products	(4)	
19.04	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches	(4)	
19.05	Prepared foods obtained by the swelling or roasting of cereal and cereal products	(4)	
19.06	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	(4)	

1/ Restrictions are coded below:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
19.07	Bread, ships' biscuits and other bakers' wares not containing sugar, honey, eggs, fats, cheese or fruit:		
19.07 A	Knackerbrot	(4) (6)	
19.07 B	Mazoth	(4) (6)	
19.07 C	Gluten bread for diabetics	(4)	
19.07 D	Other	(4)	
19.08	Pastry, biscuits, cakes and other fine bakers' wares, whether or not containing cocoa in any proportion:		
19.08A	Gingerbread and the like containing by weight of saccharose (including invert sugar expressed as saccharose):		
19.08 AI	Less than 30%	(4)	
19.08 AII	30% or more but less than 50%	(4)	
19.08 AIII	50% or more	(4)	
19.08 B	Other:		
19.08 BI	Containing no starch or less than 5% by weight of starch, and containing by weight of saccharose (including invert sugar expressed as saccharose):		
	(a) Less than 70%	(4) (5)	
	(b) 70% or more	(4) (5)	

1/ Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
19.08 BII	Containing 5% or more but less than 32% by weight of starch:		
	(a) Containing no saccharose or less than 5% by weight of saccharose, etc.	(4) (6)	
	(b), (c), (d) Containing 5% or more of saccharose, etc.	(4) (5)	
19.08 BIII	Containing 32% or more but less than 50% by weight of starch:		
	(a) Containing no saccharose or containing less than 5% by weight of saccharose, etc.	(4) (6)	
	(b), (c) Containing 5% or more but less than 20% by weight of saccharose, etc.	(4) (5)	
19.08 BIV	Containing 50% or more but less than 65% by weight of starch:		
	(a) Containing no saccharose or containing less than 5% by weight of saccharose, etc.	(4) (6)	
	(b) Containing 5% or more by weight of saccharose, etc.	(4) (5)	
19.08 BV	Containing 65% or more of starch:		
	(a) Containing no saccharose or containing less than 5% by weight of saccharose, etc.	(4) (6)	
	(b) Other	(4) (5)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
20.03	Fruit, preserved by freezing, containing sugar:		
20.03 A	With a sugar content exceeding 13% by weight	(2)	
20.04	Fruit, fruit-peel and parts of plants, preserved by sugar (drained, glaze or crystallised):		
20.04 B	Other than ginger:		
20.04 BI	With a sugar content exceeding 13% by weight	(2)	
20.05	Jams, fruit jellies, marmalades, fruit puree and fruit paste, being cooked preparations, whether or not containing added sugar:		
20.05 AI	Containing chestnut puree and paste with a sugar content exceeding 13% by weight	(2)	
20.05 B	Jams and marmalades of citrus fruit:		
20.05 BI & II	With a sugar content exceeding 13% by weight	(2)	
20.05 C	Other:		
20.05 CI	With a sugar content exceeding 30% by weight:		
	(b) certain plum puree and plum paste for industrial processing	(2)	

1/ Restrictions are coded as follows:

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|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
20.05 CII	With a sugar content exceeding 13% by weight but not exceeding 30% by weight	(2)	
20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit:		
20.06 BI	Containing added spirit (other than nuts):		
	(b) Pineapple in immediate packagings of a net capacity:		
	(1) Of more than 1 kg:		
	(aa) With a sugar content exceeding 17% by weight	(2)	
	(2) Of 1 kg or less:		
	(aa) With a sugar content exceeding 19% by weight	(2)	
	(c) Grapes:		
	(1) With a sugar content exceeding 13% by weight	(2)	
	(d) Peaches, pears, and apricots in immediate packagings of a net capacity:		
	(1) Of more than 1 kg:		
	(aa) With a sugar content exceeding 13% by weight	(2)	
	(2) Of 1 kg or less:		
	(aa) With a sugar content exceeding 15% by weight	(2)	

^{1/} Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
20.06 BI-Con.	Containing added spirit--Con.		
	(d)--Con.		
	(2) Of 1 kg or less:		
	(aa) With a sugar content exceeding 15% by weight	(2)	
	(e) Other fruits:		
	(1) With a sugar content exceeding 9% by weight	(2)	
	(f) Fruit mixtures:		
	(1) With a sugar content exceeding 9% by weight	(2)	
20.06 BII	Not containing added spirit:		
	(a) Containing added sugar in immediate packaging of a net capacity of more than 1 kg:		
	(2) Grapefruit and pomelo segments	(2)	
	(3) Mandarins	(2)	
	(4) Grapes	(2)	
	(5) Pineapples:		
	(aa) With a sugar content exceeding 17% by weight	(2)	
	(6) Peaches, pears, and apricots:		
	(aa) With a sugar content exceeding 13% by weight	(2)	
	(7) Other fruits	(2)	
	(8) Fruit mixtures	(2)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
20.06 BII-Con.	(8) Fruit mixtures	(2)	
	(b) Containing added sugar in immediate packagings of a net capacity of 1 kg or less:		
	(2) Grapefruit and pomelo segments	(2)	
	(3) Mandarins	(2)	
	(4) Grapes	(2)	
	(5) Pineapples:		
	(aa) With a sugar content exceeding 19% by weight	(2)	
	(6) Peaches, pears, and apricots:		
	(aa) With a sugar content exceeding 15% by weight	(2)	
	(7) Other fruits	(2)	
	(8) Fruit mixtures	(2)	
20.07	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar; but unfermented and not containing spirit:		
20.07 A	Of a specific gravity exceeding 1.33 at 15° C.:		
	I Grape juice:		
	(b) Of a value of 22 units of account or less per 100 kg net weight:		

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> <u>1/</u>	<u>Remarks</u>
20.07 AI-Con.	(b)(1) With an added sugar content exceeding 30% by weight	(2)	
AII	Apple and pear juice; mixtures of apple and pear juice:		
	(b) Of a value of 22 units of account or less per 100 kg net weight:		
	(1) With an added sugar content exceeding 30% by weight	(2)	
AIII	Other:		
	(b) Of a value of 30 U.A. or less per 100 kg net weight:		
	(1) With an added sugar content exceeding 30% by weight	(2)	
20.07 B	Of a specific gravity of 1.33 or less at 15° C.:		
20.07 BI	Grape, apple, and pear juice; mixtures of apple and pear juice:		
	(b) Of a value of 18 U.A. or less per 100 kg net weight:		
	(1) Grape juice:		
	(aa) With an added sugar content exceeding 30% by weight	(2)	
	(2) Apple juice:		
	(aa) With an added sugar content exceeding 30% by weight	(2)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
20.07 BI-Con.	(3) Pear juice:		
	(aa) With an added sugar content exceeding 30% by weight	(2)	
	(4) Mixtures of apple and pear juice:		
	(a) With an added sugar content exceeding 30% by weight	(2)	
20.07 BII(b)	Of a value of 30 U.A. or less per 100 kg net weight:		
	(1) Orange juice:		
	(aa) With an added sugar content exceeding 30% by weight	(2)	
	2,3,4,5,6,7 Grapefruit and pomelo juice; lemon juice; other citrus fruit juices; pineapple juice; tomato juice; other fruit and vegetable juices; and mixtures:		
	(aa) with an added sugar content exceeding 30% by weight	(2)	
	(8) Mixtures:		
	(aa) Of citrus fruit juices and pineapple juice:		
	(11) With an added sugar content exceeding 30% by weight	(2)	
	(bb) Other:		
	(11) With an added sugar content exceeding 30% by weight	(2)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
21.01 AII	Roasted coffee substitutes, except chicory	(4)	
21.01 BII	Extracts of roasted coffee substitutes, except chicory	(4)	
21.06 AII	Natural yeast for baking	(4)	
21.07	Food preparations, nes:		
21.07A	Prepared cereals, ear and grain form	(4)	
21.07B	Stuffed farinaceous preparations	(4)	
21.07C	Ice cream	(4)	
21.07D	Yogurt; certain types of powdered milk	(4)	
21.07E	Fondues	(4)	
21.07F	Other food preparations, n.e.s., except those containing less than 1.5% by weight of milk fat and less than 5% saccharose and less than 5% of starch	(4)	
22.02B	Lemonades, flavored carbonated waters (inc. mineral waters so treated) and other nonalcoholic beverages, except juices under 20.07, containing milk-fat	(4)	
22.04	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol	(7)	

1/ Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
22.05	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol:	(7)	Reference prices are fixed for wine. Must may also be subject to a derived compensatory tax if such tax is imposed on wine imported below the reference price. Certification of quality and analysis required. Wine must meet EC standards.
22.05A	Sparkling wines	(7)	
22.05B	Certain wines imported in bottles under pressure	(7)	
22.05CI & II	Certain other wines of an alcoholic strength, not exceeding 15°	(7)	
22.05CIII(b)	Certain other wines of an alcoholic strength exceeding 15° but not exceeding 18°, without registered designation of origin	(7)	
22.07A	Piquette	(7)	May be subject to a derived compensatory tax if such a tax is imposed on wine imported below the reference price.

^{1/} Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction 1/</u>	<u>Remarks</u>
22.09 A	Spirits (excepting ethyl alcohol or neutral spirits of 80° or higher and denatured spirits of any strength)	(7)	
22.10 AII	Wine vinegar imported in containers containing more than 2 litres	(7)	
23.02 A	Bran, sharps, and other residues derived from sifting, milling or other processing of cereal grains	(3)	
23.04 A	Residues from extraction of olive oil	(3)	
23.05	Wine lees; argol	(7)	
23.06 AIa	Certain grape marc	(7)	May be subject to a derived compensatory tax if such a tax is imposed on wine imported below the reference price.
23.07 B	Animal feeds, other than fish or whale solubles, containing starch, glucose, or diary products	(3)	
29.04 CII, III	Mannitol and Sorbitol	(4)	
35.02 AIIa	Egg or milk albumin, fit for human consumption	(3)	
35.05A	Dextrine and soluble or roasted starches	(4)	

1/ Restrictions are coded as follows:

- | | |
|---|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component for raw agricultural commodity(ies) contained therein. | |

<u>Tariff Number</u>	<u>Commodity Description</u>	<u>Type of Restriction</u> ^{1/}	<u>Remarks</u>
35.05 B	Dextrine or starch glues	(4)	Levy must not exceed 18% ad valorem (including fixed charge of 13% plus variable charge) bound in GATT.
38.12 AI	Prepared glazings or dressings with bases of starchy substances	(4)	Levy must not exceed 20% ad valorem (including fixed charge of 13% plus variable charge) bound in GATT.

^{1/} Restrictions are coded as follows:

- | | |
|--|--|
| (1) Duty with additional levy <u>sometimes</u> assessed. | (5) Duty plus additional duty on sugar (ads). |
| (2) Duty with additional levy <u>always</u> assessed. | (6) Duty plus additional duty on flour (adf). |
| (3) Levy only (replaces the duty). | (7) Miscellaneous compensatory tax assessed in certain conditions in addition to the duty. |
| (4) Duty plus the variable component (VC) for raw agricultural commodity(ies) contained therein. | |

Appendix 7-B

Technical Appendix on Border Tax Adjustments

This appendix is an exploratory attempt by staff economists at the Tariff Commission to examine possible broad relationships between tax structures and trade flows. It is a suggestion for econometric exploration of the question of whether or not permanent absolute differences in tax structures among countries do affect trade flows. The appendix does not investigate the possibility of short term trade effects that might result from changes in tax rates or structures, nor does it offer any evidence regarding possible trade distortion on a product level.

The extent of the effort which it has been possible to carry out here does not warrant nor reflect any conclusion by the Commission on the trade distortion that may arise via countries' differences in internal tax systems and accompanying border tax adjustments.

A common complaint in the border tax adjustment area is that countries which rely relatively more on indirect taxes than on direct taxes are advantaged in trade because these countries can make greater use of border tax adjustments. This complaint, stated as a formal hypothesis, might read as follows: All other things being equal, countries with relatively higher ratios of indirect to direct taxes are advantaged in trade. This statement reasonably presumes that "advantaged" in trade somehow means that total trade will be greater, or that the trade balance will improve (exports will be greater and imports less), or that trade flows will be greater from the more advantaged to the less advantaged countries. This appendix examines this formal hypothesis

in a cross-sectional regression model of trade flows between countries.^{1/}

A complete description of the model follows a summary of the results.

Summary of the regression results

The regression analysis indicates that, holding other factors constant, countries relying relatively more on indirect taxes than direct taxes tend to import less and export less to about the same degree. Furthermore, trade flows between pairs of countries show no statistically significant relationship to the ratios of (indirect/total) taxes between the countries. Thus the aggregate data and the model do not support the suggestions that indirect taxing countries trade more or improve their overall trade balances compared to more direct taxing countries. The data also do not statistically support the suggestion that trade flows

^{1/} This appendix only attempts to test versions of common complaints heard about internal taxes and border tax adjustments as they relate to trade. The appendix does not attempt to formulate and test more complex hypotheses about the relationship between taxes, tax structures, and trade. However, it is worth noting that differing taxes and tax structures, along with differing tariffs and labor costs among countries, should help determine production location decisions among countries and therefore trade flows. For example, if corporate or other direct taxes are lower in country B than in country A (all other factors being the same), companies might tend to locate more production for both countries' markets in country B. This would mean that the low tax country would show less trade on the import side and more on the export side than the high tax country. A hypothesis about taxes and trade would be more complex in such an economic context. Trade is not an end in itself, but a result of profit maximizing decisions of companies in both countries. The real world is further complicated because trade and capital accounts between countries must be roughly balanced at given exchange rates. In this simple example, country B cannot forever export to country A without importing something (either goods or capital) to allow country A to pay for its imports from country B.

will be greater from indirect tax countries to direct tax countries on a pairwise basis. 1/

The regression model

The model uses a set of independent variables to explain pairwise trade flows between fourteen major trading nations. 2/ The model was fitted with data for the years 1958 and 1968. 3/

1/ The trade advantage hypothesis consists of three specific possibilities. The first is that total trade might be increased. Thus both exports and imports might be greater. The second is that a country's trade balance might be permanently influenced, i.e., exports might be greater and imports less. The third is one of pairwise advantage, i.e., that an advantaged country would export more to a less advantaged country but might be disadvantaged in trade with an even more advantaged country. It can be argued from examining the results of the regression equations that there is not strong evidence for any of these possibilities.

2/ This type of model is discussed in: Edward E. Leamer and Robert M. Stern, Quantitative International Economics, Allyn and Bacon, Inc., Boston, 1970.

It has also been used to explain trade flows in the following sources: H. Linneman, An Econometric Study of International Trade Flows; Amsterdam: North-Holland, 1966; and K. Pulliainen, "A World Trade Study: An Econometric Model of the Pattern of the Commodity Flows in International Trade in 1947-1960," Ekonomiska Samfundets Tidskrift, No. 2, 1963, pp. 78-91.

3/ Data on trade flows between countries came from: Direction of Trade, A Supplement to the International Financial Statistics, International Monetary Fund, Washington, D.C. Data for various ratios of taxes and gross national product came from: National Accounts of OECD Countries, 1953-1969, Organization for Economic Cooperation and Development (OECD), Paris. The fourteen countries whose trade flows were used were Canada, Japan, the United States, Belgium-Luxembourg, France, Germany, Italy, the Netherlands, Austria, Denmark, Norway, Sweden, Switzerland, and the United Kingdom.

The variables used in the model are defined as follows:

E ij	Exports from the i'th to the j'th country. This is the dependent variable that is "explained" by the model. All of the other variables following are the independent or the "explanatory" variables.
PROB ij	The probable trade between a pair of countries assuming, given total trade of each of two countries, that each country has an equal probability of trading with each other country. $PROB_{ij} = [(\text{Total exports of country } i) \times (\text{total exports of country } j)] / \text{Total exports of all countries in the sample.}$
ADJ ij	A dummy variable, $ADJ_{ij} = 1$ if two countries are adjacent to each other, $ADJ_{ij} = 0$ if they are not.
CM ij	A dummy variable, $CM_{ij} = 1$ if two countries are members of a common market, $CM_{ij} = 0$ if they are not.
(TT/GNP) i,j	Total taxes as a percent of gross national product of the exporting (i'th) and importing (j'th) countries, respectively.
RTT ij	Ratio of $[(TT/GNP)_i / (TT/GNP)_j]$
RID i,j	Ratio of (indirect/direct) taxes in the exporting (i'th) and importing (j'th) countries, respectively.
RAID ij	Ratio of $[(\text{indirect taxes}/\text{total taxes})_i / (\text{indirect taxes}/\text{total taxes})_j]$

Other variables were tried (such as the distance between commercial centers in the trading countries) but were not used in the final results because of multicollinearity problems between these

variables and the PROB variable (which is absolutely necessary in this type of model). ^{1/}

The exponential form of the model is given in equation (1).

It was estimated in log form in a multiple regression program.

$$(1) E_{ij} = \text{constant} \times \text{PROB}_{ij}^{c_1} \times \text{ADJ}_{ij}^{c_2} \times \text{CM}_{ij}^{c_3} \times (\text{TT/GNP})_i^{c_4} \times (\text{TT/GNP})_j^{c_5} \times \text{RTT}_{ij}^{c_6} \times \text{RID}_i^{c_7} \times \text{RID}_j^{c_8} \times \text{RAID}_{ij}^{c_9}$$

Values of the log regression coefficients (the c's in equation (1)) are given for 1958 and 1968 in the following table.

Regression Coefficients of the Trade Model

Year	Coefficients (c's) ^{1/} of the logs of --										Constant	R ²
	PROB _{ij}	ADJ _{ij}	CM _{ij}	(TT/GNP) _i	(TT/GNP) _j	RTT _{ij}	RID _i	RID _j	RAID _{ij}	Term		
1958	1.02	1.98	1.11	0.47	1.05	0.03	-0.50	-0.70	0.35	-2.30	0.71	
	(15.89)	(8.27)	(1.84)*	(1.39)*	(3.24)	(0.13)*	(-2.25)	(-3.17)	(1.35)*	(-0.82)*		
1968	0.91	2.04	^{2/}	0.72	0.81	0.08	-0.51	-0.56	0.53	-3.76	0.68	
	(15.09)	(8.50)		(2.30)	(2.69)	(0.38)*	(-2.06)	(-2.27)	(1.93)*	(-1.35)*		

^{1/} The "t" statistics for the coefficients are given in parentheses underneath the coefficients themselves.
^{2/} This variable was omitted for 1968 because its linear relationship with ADJ_{ij} in 1968 created multicollinearity problems.

* Indicates coefficients not statistically significantly different from zero at the 95 percent level.

The testing of the hypothesis as stated in the beginning paragraphs is possible because multiple regression coefficients are interpreted as effects of an independent variable on the dependent variable holding all other relevant variables constant. In this model the other relevant variables (which were statistically significant in explaining trade) were the PROB variable which indicated expected trade between two countries given no other influences, ADJ which indicated physical neighbors, and total tax burdens (TT/GNP).

^{1/} Deleting this distance variable (or "trade resistance" variable as it is commonly called) did not lower the coefficient of determination (R²) more than 5-10 percent and did virtually eliminate the multicollinearity problem in our sample.

The (indirect/direct) tax ratios used were RID_i , RID_j , and $RAID_{ij}$. Acceptance of total trade improvement would have meant positive significant coefficients for both RID_i and RID_j . Acceptance of a trade balance improvement would have meant that the difference between significant RID_i and RID_j coefficients was clearly positive. Acceptance of a pairwise trade improvement would have meant a significant positive coefficient for $RAID_{ij}$. ^{1/} Instead, the results were statistically significant negative signs and very similar magnitudes for RID_i and RID_j and no statistically significant values for $RAID_{ij}$ at the 95 percent level. Thus, the proposed hypothesis was not accepted. ^{2/}

More theorizing, perhaps along the lines suggested in an earlier footnote, must be done to explain the signs and significance of the tax burden variables and the negative signs of the (indirect/direct) tax ratios. They indicate, for example, that in 1968 for a 1 percent greater tax burden, 0.72 percent more exports could be expected for the average country. For a 1 percent greater tax burden, 0.81 percent more imports could be expected for an average country. And finally, for a 1 percent greater reliance on indirect taxes, 0.51 percent and 0.56 percent less exports and imports, respectively, could be expected for an average trading country.

^{1/} It was possible to include three tax structure variables separately (for the exporting and importing countries, and for the pairwise tax structures between countries) because these variables were not linearly related to each other.

^{2/} The rejection of the significance of $RAID_{ij}$ was very weak in 1968 compared to 1958.

Chapter VIII

QUANTITATIVE RESTRICTIONS AND SIMILAR
SPECIFIC LIMITATIONS ON TRADEIntroduction 1/

Quantitative import and export restrictions are the most obvious and easily identifiable of all nontariff barriers to trade. In their basic elemental forms, quantitative restrictions appear as:

- embargoes, where trade is prohibited;
- absolute quotas, where a specified maximum amount of trade is permitted in a given period; or
- a licensing system, under which administrative officials have discretionary authority to permit trade.

There are, in addition to these basic forms of quantitative restrictions, other indirect, more sophisticated and subtle arrangements which limit trade in the same manner as these three obvious quantitative restrictions. The most important are:

- exchange controls, where the kind, quantity and source of goods purchased abroad are effectively controlled by the control of foreign exchange to pay for such purchases;
- local content and mixing regulations, where consumption of specified amounts of local products are required with each unit of a foreign product consumed;
- minimum or maximum price controls, where trade is permitted only above or below stipulated prices;
- restrictive business practices, under which cartels or similar arrangements control market access; and
- discriminatory bilateral agreements, where two countries agree to purchase specified amounts of given products from each other before purchases are made from third countries.

The severity of these restrictions in application depends, of course, upon the amount of trade permitted, and consequently can range from the

1/ This chapter was completed in the summer of 1973 and therefore chiefly reflects quantitative trade restrictions being applied prior to that time. It has been possible to include some very important subsequent developments in this area only in footnote references, and there is no discussion of the restrictions on petroleum exports recently imposed by producing countries in Africa and the Middle East.

total exclusion of an embargo to a "liberal" licensing policy in which literally all applications are granted. Absolute quotas may be extremely restrictive or so large as to actually permit more trade than market conditions generate. Some absolute quotas are filled on the first day of an opening period, but also it is not uncommon for a quota to go unfilled year after year.

As is common throughout the entire panorama of nontariff barriers, a trader may encounter several of the practices described above operating together, or with other nontariff barriers discussed elsewhere in this report. Thus, an item may be subject to a quota and also to exchange controls, and quotas are frequently administered with a licensing arrangement.

Licensing arrangements, for this report, are divided into three basic types: (1) licensing used to administer announced quotas; (2) licensing used to impose discretionary controls on trade, i.e., the permitted level of trade is not publicly announced; and (3) licensing used for enforcing regulations, such as sanitary requirements not related to quantitative controls. The second type is the one given most consideration in this study. The first type is frequently considered desirable when absolute quotas are imposed in order to provide more equitable distribution of the quota among traders. The third type is more a certification of compliance with regulations or standards (discussed in Chapter X). In the following pages, references to licensing requirements can be considered as licensing used to impose discretionary controls on trade and include license systems set up to administer unannounced quotas, so-called "liberal" licensing and "automatic" licensing

systems, and those licensing systems maintained supposedly for the collection of statistics but actually for the surveillance and administrative guidance of trade. All are objectionable barriers to trade, as they create uncertainty and the possibility of delays and discrimination in the processing of applications, and unnecessary documentation costs. Even with so-called "automatic" licensing, importers are required to deal with a bureaucracy which has been found to discriminate against imports of certain commodities or from certain countries. Importers do experience unwarranted delays in obtaining licenses when the authorities are concerned about imports; and importers are reluctant to pursue this issue for fear of inviting more stringent restrictions.

The following terminology is used in describing the operation of quotas. An absolute quota is one for which the maximum amount of trade permitted is officially announced. When a product is announced to be under quantitative restriction, but the amount of trade which will be permitted is not divulged, the product is said to be under an "open-end" quota. Such a situation is very similar to the licensing arrangements under which trade is permitted at the discretion of administrative officials. In a global quota, the quota amount is specified for the world as a whole and is not allocated among supplying countries; in a bilateral quota, the amount of trade permitted from each country is specified. Dollar area quotas are global-type quotas but applicable only to countries or areas which make up the dollar currency area.

So-called tariff quotas, which are frequently included in enumerations of quantitative restrictions, are not considered as such

in this report. Under a tariff quota, an unlimited amount of imports may be entered; however, only a specified quantity is permitted to enter at a given rate of duty during a designated period, and imports in excess of the amount ("over-quota imports") are subject to a higher tariff. Tariff quotas are found in the tariff schedules of all major trading nations. A large number of such quotas (virtually all, in the case of the United States) owe their existence to trade-agreement concessions granted to improve market access for imports and encourage trade by lowering duties, albeit on a limited quantity of imports.

The administration of tariff quotas introduces some uncertainty into an import transaction in that the importer may not be able to determine which of the two rates of duty will be applicable prior to entering a shipment. For example, tariff quotas in the United States are administered on a "first come" basis. Few U.S. tariff quotas are filled immediately when a new quota period opens, and hence uncertainty as to the amount of duty occurs only later when the lower rate quota is about to be filled. However, for the U.S. tariff quota on stainless steel flatware, opening day offerings greatly exceed the within-quota amount. In this case opening day offerings are prorated among importers on a percentage basis determined by the amount that offerings exceed the within-quota quantity. In this manner, every importer is allowed the same percentage of his offers to enter at the within-quota rate; the remainder may be entered at the over-quota rate, or placed in bonded warehouse until the opening of a new period, or be re-exported. The uncertainty as to the rate and the additional administrative

procedure has been the subject of complaints that tariff quotas constitute nontariff barriers. Inasmuch as most tariff quotas have originated as trade-agreement concessions, it is difficult to justify such complaints. The trade barrier, in the case of tariff quotas, would be the tariffs themselves, not the mechanism set up to lower the tariff, and hence the cost of the import.

Quantitative limitations have generally been considered by economists as the most objectionable of all trade barriers. It has long been said that quantitative limitations, per se, are the most restrictive measures used to control trade and hence the most damaging to the principle of free choice that underlies the theory of a private enterprise economy. Other methods of limiting trade, such as tariffs, are said to be preferable to quantitative restrictions because they still leave open to consumers the possibility of choosing an imported product (admittedly at a higher cost) and to foreign producers the possibility of improving their position in the protected market by lowering their own prices. However, the distinction of being "most objectionable" should not be confined to quantitative restrictions, as numerous other devices now used are equally successful in quashing trade. The European Community's variable levy system for agricultural products, for example, effectively limits importers to supplying residual amounts such as would be permitted under a quota system, and industrial standards have been found to be drawn so as to permit use only of products from the domestic industry and exclude imports.

Throughout most of the history of the United States, quantitative import restrictions have played only a small role in U. S. trade policy. Before the 1930's, except for periods of war, import duties constituted the principal U. S. import barrier. At the 1927-28 International Conference on the Abolition of Import and Export Prohibitions and Restrictions, the United States sponsored a tightly drawn convention outlawing any form of quantitative import restrictions. The United States ratified the convention unconditionally, but it was accepted by only a few other countries. At the World Monetary and Economic Conference in London in 1933, the U. S. delegation strongly urged that embargoes, import quotas, and various other arbitrary restrictions be removed completely as quickly as possible. Later that year, at the Seventh International Conference of American States at Montevideo, a U. S. resolution, unanimously adopted by the Conference, called for the removal of quantitative restrictions through trade agreements.

The United States subsequently modified somewhat its policy on quantitative restrictions. This change reflected several factors, including the emergency conditions during the depression, the failure of the quantitative restriction prohibition convention to be widely accepted, and the increased resort to quantitative restrictions by other countries. The National Industrial Recovery Act (NIRA) of 1933 marked the initial departure from the earlier U. S. policy. Under the act, codes of fair competition were established to aid the rehabilitation of sectors of the domestic economy. Codes relating to petroleum, lumber and timber, and alcoholic beverages provided for use of import quotas; and quotas

were in fact imposed on crude oil and petroleum products, Philippine mahogany, and alcoholic beverages.

In mid-1935 basic sections of the NIRA were declared unconstitutional and the legal authority to regulate imports under the codes of fair competition ceased. In 1934, however, new authorization for quantitative restriction on imports was enacted in the Jones-Costigan Sugar Act. One year later, in 1935, authority to impose quantitative restrictions on imports was contained in section 22 of the Agricultural Adjustment Act.

During World War II, nearly all countries operated vast systems of quantitative restrictions for security and/or balance of payments reasons. At the end of the war, under the leadership of the United States, nations of the world turned to rehabilitation of the trading system and the dismantlement of these restrictions. In 1947, the framers of the General Agreement on Tariffs and Trade adopted as a fundamental principle of that Agreement the prohibition of quantitative restrictions as a means of regulating international trade, and incorporated as Article XI of the Agreement the following provision:

No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.

Exceptions were provided in Article XI to this basic rule. Restrictions were permitted (a) to prevent or relieve critical shortages of foodstuffs or other essential commodities, (b) in connection with

the enforcement of grading or marketing standards, and, (c) if they are "necessary" to enforce governmental measures dealing with any domestic agricultural or fisheries products, such as marketing or production restriction programs.

More significant exceptions to the basic rule, however, were provided in Articles XII and XVIII of the General Agreement, under which a contracting party may restrict imports to "safeguard its external financial position and its balance of payments." Articles XII and XVIII are, in substance, much the same. The former is addressed to developed countries and lays down strict limitations and criteria for the application of the import restrictions and subjects the restricting country to a yearly consultation on its balance of payments situation. Article XVIII sets up special provisions for developing countries, with somewhat less stringent limitations and criteria, and calls for a consultation every two years.

For the first decade after World War II, quantitative restrictions were widely applied by both developed and developing countries and justified on balance of payments grounds. It was not until late in 1958 that the major trading nations of Western Europe were able to reestablish external currency convertibility, and in 1960, several countries, including the United Kingdom, France, Sweden and Australia, announced they would no longer justify restrictions on balance of payments grounds. Japan continued to justify its controls on these grounds until 1963.

In 1973, GATT Article XII procedures covered restrictions applied by 3 developed countries (Finland, Iceland, and New Zealand), and Article XVIII procedures covered restrictions of 16 developing countries. 1/ Two other countries (Spain and Israel) were consulting annually or biannually under these 2 articles, but with an undefined status.

Exceptions to the prohibition against quantitative restrictions are also found in other articles of the General Agreement. The more important of these are exceptions permitted under Articles XIX, XX, XXI, and XXV. Under Article XIX (the "escape clause") emergency action can be taken against imports causing or threatening serious injury to domestic producers. Since 1948, about one-third (21) of Article XIX cases have involved imposition of quantitative restrictions.

Articles XX and XXI provide respectively for general and security exceptions to the Agreement, and thus to Article XI. Most of the general exceptions are of the kind customarily included in international agreements for many years. 2/ These Articles have been invoked only in a few cases, one case being the U.S. quotas on petroleum.

The Contracting Parties acting jointly under Article XV may waive any obligations imposed by the Agreement. Among others, waivers under Article XV have been granted from the prohibition against quantitative limitations in Article XI and obligations with respect to exchange

1/ Argentina, Bangladesh, Burma, Chile, Ghana, Greece, India, Indonesia, Korea, Pakistan, Peru, Turkey, Arab Republic of Egypt, Sri Lanka, Tunisia, and Yugoslavia.

2/ "...to protect public morals;...human, animal or plant life or health;...products of prison labor;" etc.

arrangements under Article XV. Under Article XXV a waiver was obtained by the United States to permit restrictions imposed by the United States under section 22 of the Agricultural Adjustment Act.

Finally, the GATT Protocol of Provisional Application specifies that these obligations of the contracting parties be applied "to the fullest extent, not inconsistent with existing legislation" [i.e., legislation existing on October 30, 1947].

Quantitative trade restrictions applied by a GATT contracting party but not absolved by one of these exemptions from the basic Article XI prohibition have come to be described as "illegal."

When drafting the Agreement, the framers of GATT undoubtedly did not consider so-called voluntary export restraints--a country's unilateral restriction of its exports to prevent "market disruption" in another country--for there is no reference to the practice throughout the Agreement. Nor have the Contracting Parties ever provided an interpretation of the status of voluntary export restraints vis-a-vis the GATT. Such limitations, nevertheless, generally are recognized as trade restrictive measures of the same character and having similar effects as any other type of quantitative restriction. Countries which find themselves compelled to apply voluntary export restraints argue that the beneficiary country is unfairly relieved of the obligations it would otherwise incur under the GATT if it applied equal restrictions on imports from the restraining country.

The GATT has provided the means for most of the achievements since World War II in removing quantitative restrictions and limiting their use. Notable progress was made, especially among developed countries,

toward elimination of restrictions originally justified on the basis of balance of payments difficulties, but certain hard-core restrictions remained in the developed countries even after the general disequilibrium in their balance of payments had disappeared. In the mid-1950's the United States led an effort to compel all countries not in balance of payments difficulties but maintaining restrictions without the cover of a justification in GATT terms to remove the restrictions or obtain an official sanction for them from the Contracting Parties by means of a special "hard-core" waiver.^{1/} Many of the so-called illegal restrictions were associated with the inability of the major trading countries to find an acceptable way of limiting agricultural restrictions. In 1960, the best procedure that could be agreed upon as a first step to keep track of the situation was for each country to notify those of its restrictions which it considered inconsistent with provisions of the GATT (i.e., not covered by one of the several exceptions to the general Article XI prohibition against quantitative restrictions). Seventeen developed countries notified restrictions between 1960 and 1970. In 1970 a special working group on quantitative import restrictions was

^{1/} The "hard-core" waiver procedure was set up under Article XXV as a temporary measure with the hope that it would in the long run provide an additional means of dealing more effectively with the problem but in the meantime maintain the integrity of the General Agreement. Under the hard-core arrangement, waivers could be granted under certain terms and conditions to individual countries by a majority of the votes cast, rather than by the usual two-thirds, to permit the continuation of import restrictions which had been imposed during balance-of-payments difficulties when the country faced problems in eliminating the restrictions. The arrangement, initially set up in 1955, was extended several times. Only Belgium resorted to its use, however, and it was allowed to lapse in 1962.

established, and a procedure has been set up for an annual inventory listing the restrictions maintained by 18 developed countries and holding consultations on their removal.

Throughout the 1960's the United States persistently sought to reduce the "hard-core" of quantitative restrictions maintained by its principal trading partners, and by the late 1960's, a relatively small list of products (mostly agricultural) remained under restrictions. Later sections of this chapter describe the restrictions remaining in individual countries and present a statistical analysis of the pattern of restrictions among countries and product sectors.

Nearly one-third of the complaints against all trade barriers collected in the Tariff Commission's present investigation dealt with quantitative restrictions and similar specific limitations on trade. A summary count of complaints in the quantitative restrictions area is given in table 8-A. The three basic elemental forms of quantitative restrictions--embargoes, quotas, and licensing requirements--drew two-thirds of the complaints in this area. The largest number (28 percent of the total) were against licensing requirements; embargoes and quotas each received about 20 percent of the total. Ten percent were against exchange and monetary controls, and the remainder were scattered among various other categories of specific limitations.

The distribution of complaints among countries is shown in table 8-B, in which all countries drawing 20 or more complaints are specifically named. Almost 60 percent of the complaints were against quantitative

restrictions in developing countries, a very few were against countries of the Eastern Trading Area, and slightly less than 40 percent against developed nations.

Table 8-A.--Summary count of complaints made against quantitative restrictions and similar specific limitations on trade

Type of restriction	Number of complaints against--			Total
	Developed: countries:	LDC's	Communist: countries:	
1. Licensing requirements-----	148	289	4	441
2. Quotas-----	206	132	-	338
3. Embargoes-----	65	249	2	316
4. Exchange and other monetary or financial controls-----	36	127	-	163
5. Export restraints-----	56	25	-	81
6. Minimum/maximum price regulations-----	28	43	-	71
7. Local content and mixing requirements-----	22	45	-	67
8. Restrictive business practices----	54	7	-	61
9. Discriminatory bilateral agreements-----	14	29	11	54
10. Discriminatory sourcing-----	6	6	-	12
11. Miscellaneous-----	10	8	2	20
Total-----	645	960	19	1,624
Percent-----	39.7	59.1	1.2	100.0

Source: Compiled from submissions to the Tariff Commission.

United States quantitative restrictions drew more complaints in the Commission's survey than those of any other single nation, but less than the total of complaints against members of the European Community or the European Free Trade Area. The complaints against developed countries followed a slightly different pattern than those against LDC's. In both cases, the three basic elemental forms of quantitative restrictions accounted for the majority of complaints, but the order of importance

Table 8-B.--Number of complaints made against quantitative restrictions and similar specific limitations on trade, by country and type of restriction

Country	Total		Type of restriction ^{1/}										
	Number	Percent	1	2	3	4	5	6	7	8	9	10	11
Developed countries, total-----	645	39.7	148	206	65	36	56	28	22	54	14	6	10
European Free Trade Area (of eight) and Finland, total-----	174	10.7	48	64	10	6	3	13	7	16	5	2	-
United Kingdom-----	39	2.4	5	16	2	4	-	-	1	10	-	1	-
Switzerland-----	25	1.5	5	10	1	-	1	1	2	4	-	1	-
Norway-----	24	1.5	7	13	1	1	1	1	-	-	-	-	-
Portugal ^{2/} -----	23	1.4	9	7	2	1	-	2	2	-	-	-	-
Austria-----	22	1.4	8	7	-	-	1	4	1	-	1	-	-
Other ^{3/} -----	41	2.5	14	11	4	-	-	5	1	2	4	-	-
European Community (of six), total--	154	9.5	52	37	14	7	8	10	4	16	4	2	-
Italy-----	35	2.2	20	3	3	-	1	4	1	3	-	-	-
France-----	34	2.1	5	9	7	3	2	-	2	5	1	-	-
West Germany-----	21	1.3	3	5	4	-	3	-	-	5	1	-	-
Other ^{4/} -----	64	3.9	24	20	-	4	2	6	1	3	2	2	-
United States-----	122	7.5	17	34	21	5	28	1	-	6	-	-	10
Japan-----	106	6.5	13	42	6	15	15	-	2	11	-	2	-
South Africa-----	24	1.5	10	8	3	1	-	-	2	-	-	-	-
Canada-----	20	1.2	3	4	5	-	2	2	1	3	-	-	-
New Zealand-----	19	1.2	2	6	9	1	-	1	3	-	1	-	-
Other developed countries ^{5/} -----	26	1.6	3	11	1	1	-	1	3	2	4	-	-
Less developed countries, total-----	960	59.1	289	132	249	127	25	43	45	7	29	6	8
Latin America, total-----	416	25.6	124	39	144	44	3	14	34	4	9	1	-
Mexico-----	89	5.5	27	6	39	-	1	3	6	4	2	1	-
Brazil-----	53	3.3	14	7	13	8	2	3	5	-	1	-	-
Colombia-----	47	2.9	16	3	17	6	-	3	1	-	1	-	-
Argentina-----	33	2.0	5	2	15	5	-	1	5	-	-	-	-
Chile-----	28	1.7	6	1	12	6	-	1	2	-	-	-	-
Peru-----	25	1.5	5	2	10	2	-	2	4	-	-	-	-
Venezuela-----	22	1.4	4	-	13	2	-	-	3	-	-	-	-
Other-----	119	7.3	47	18	25	15	-	1	8	-	5	-	-
Asia, total-----	196	12.1	49	32	40	37	15	7	2	2	6	1	5
India-----	58	3.6	14	8	13	9	3	3	1	-	3	1	3
Korea-----	30	1.8	5	6	4	3	8	2	1	1	-	-	-
Pakistan-----	24	1.5	7	2	7	5	-	-	-	-	1	-	2
Other-----	84	5.2	23	16	16	20	4	2	-	1	2	-	-
Europe and the Middle East, total-----	197	12.1	46	35	41	28	6	18	9	1	10	2	1
Spain-----	45	2.8	11	13	7	3	2	3	4	-	2	-	-
Turkey-----	29	1.8	8	6	5	4	-	3	1	-	2	-	-
Greece-----	20	1.2	6	4	4	3	-	3	-	-	-	-	-
Other-----	103	6.3	21	12	25	18	4	9	4	1	6	2	1
Africa, total-----	151	9.3	70	26	24	18	1	4	-	-	4	2	2
Eastern trading area, total ^{6/} -----	19	1.2	4	-	2	-	-	-	-	-	11	-	2
Total, all countries-----	1,624	100.0	441	338	316	163	81	71	67	61	54	12	20

^{1/} Type of restriction:

- | | |
|--|--|
| 1. Licensing requirements | 6. Minimum/maximum price regulations |
| 2. Quotas | 7. Local content and mixing requirements |
| 3. Embargoes | 8. Restrictive business practices |
| 4. Exchange and other monetary or financial controls | 9. Discriminatory bilateral agreements |
| 5. Export restraints | 10. Discriminatory sourcing |
| | 11. Miscellaneous |

^{2/} With respect to development status, Portugal is a "borderline" country, but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.

^{3/} Includes Denmark, Finland, Iceland, Sweden and Greenland.

^{4/} Includes Belgium, Luxembourg, Netherlands and complaints against the EC without specifying a country.

^{5/} Includes Australia, Ireland and Poland.

^{6/} Excludes Poland.

Source: Compiled from submissions to the Tariff Commission.

differed (in developed countries: Quotas, licensing practices, embargoes; in IDC's: Licensing practices, quotas, embargoes). Exchange controls, as might be expected, were the fourth largest complaint against IDC's, but ranked lower (sixth) for the developed countries.

The next section of this chapter discusses the pattern of quantitative restrictions among selected developed countries. The very sharp contrast between the pattern of complaints submitted to the Commission and the actual pattern of restrictions among these countries provides a commentary on the difficulties of gauging the relative importance of nontariff barriers. Listed below for comparison are the number of specific limitations which were counted for selected developed countries and the number of complaints received against those countries. 1/

	<u>Complaints</u>		<u>Count of specific restrictions</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
European Free Trade Area (of eight)-----	174	29.5	1,204	34.9
European Community (of six)--	154	27.0	1,734	50.4
United States-----	122	21.4	190	5.5
Japan-----	106	18.6	177	5.1
Canada-----	20	3.5	143	4.1
Total-----	<u>576</u>	<u>100.0</u>	<u>3,448</u>	<u>100.0</u>

1/ The count of specific restrictions is from table 8-G in the next section of this chapter; the number of complaints from table 8-B.

Among these selected countries the European Community nations had half of the counted restrictions, but received only 27 percent of the complaints; the United States and Japan each had just above 5 percent of the restrictions, but respectively drew about 21 percent and 19 percent of the complaints.

Table 8-C shows the distribution of the complaints among product sectors, by type of restriction. It is interesting to note that the complaints are divided between industrial and agricultural products in proportions almost identical to the division of U. S. trade between these two areas (roughly 80 percent industrial, 20 percent agricultural), despite the fact that proportionally, the agricultural area is much more heavily impacted by quantitative restrictions than the industrial area.^{1/} Within these two areas, however, the pattern of complaints does not follow trade importance, although there was a strong tendency for the sectors with large trade to draw a greater number of complaints. For example, the five largest industrial sectors, in terms of trade, drew 38.8 percent of the complaints, and the three largest agricultural sectors 10.9 percent, in each case roughly half of the complaints in each area. The variety of restrictions complained against in a product sector also tended to be less in sectors of less trade importance.

^{1/} See the following section on the patterns of quantitative restrictions.

Table 8-C.--Number of complaints made against quantitative restrictions and similar specific limitations on trade, by type of restriction and product sector

Sector	Total		Type of restriction 1/										
	Number	Percent	1	2	3	4	5	6	7	8	9	10	11
<u>Industrial</u>													
Total, all industrial sectors-----	1,184	79.6	350	257	243	98	76	35	33	30	37	9	16
I-1 : Nonelectrical machinery-----	101	6.8	31	12	21	16	8	2	2	4	4	1	1
I-2 : Transport equipment-----	149	10.0	58	24	33	4	10	2	10	3	3	1	1
I-3 : Ores, metals and metal manufactures-----	92	6.2	25	15	25	4	11	2	3	-	5	1	1
I-4 : Chemicals-----	148	10.0	41	26	26	13	6	13	8	4	6	3	2
I-5 : Textiles-----	86	5.8	19	29	12	4	14	4	-	-	-	-	2
I-6 : Electrical machines and apparatus-----	83	5.6	22	17	11	11	7	3	1	8	2	1	-
I-7 : Pulp, paper and paperboard, and manufactures-----	24	1.6	12	3	7	1	-	-	-	-	1	-	-
I-8 : Coal, petroleum, natural gas-----	70	4.7	16	31	11	5	2	2	-	-	2	1	-
I-9 : Mineral products and fertilizers, ceramic products and glass-----	41	2.8	12	7	13	3	6	-	-	-	-	-	-
I-10 : Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	41	2.8	11	9	9	5	1	1	1	1	2	1	-
I-11 : Wood and cork and manufactures-----	11	.7	4	3	2	1	-	-	-	-	-	-	1
I-12 : Precious stones, precious metals and manufactures-----	18	1.2	4	4	10	-	-	-	-	-	-	-	-
I-13 : Rubber and rubber manufactures-----	7	.5	1	-	1	1	-	-	-	-	-	1	3
I-14 : Raw hides and skins, leather and furskins and manufactures-----	25	1.7	4	6	9	2	3	1	-	-	-	-	-
I-15 : Footwear and travel goods-----	18	1.2	4	7	7	-	-	-	-	-	-	-	-
I-16 : Musical instruments, sound recording or reproduction apparatus-----	19	1.3	4	4	3	3	1	1	1	2	-	-	1
I-17 : Firearms, ammunition, tanks and other armored fighting vehicles-----	8	.5	1	-	5	-	2	-	-	-	-	-	-
I-18 : Furniture-----	8	.5	3	1	3	1	-	-	-	-	-	-	-
I-19 : Toys and sporting goods-----	9	.6	1	1	4	2	-	-	1	-	-	-	-
I-20 : Photographic and cinematographic supplies-----	51	3.4	10	23	5	5	-	1	5	-	1	-	1
I-21 : Works of art and collectors' pieces-----	2	.1	1	1	-	-	-	-	-	-	-	-	-
I-22 : Office and stationery supplies-----	24	1.6	11	-	4	9	-	-	-	-	-	-	-
I-23 : Manufactured articles not elsewhere specified-----	23	1.5	5	5	7	1	3	1	-	1	-	-	1
I- : Products not specified-----	126	8.5	50	29	15	7	2	2	2	6	9	-	4
<u>Agricultural</u>													
Total, all agricultural sectors-----	303	20.4	79	126	40	10	2	18	4	10	9	3	2
A-1 : Foodstuffs-----	65	4.4	17	29	6	3	-	2	2	2	2	1	1
A-2 : Grains-----	16	1.1	4	1	2	2	1	1	1	-	2	2	-
A-3 : Animals and products thereof-----	81	5.4	25	35	13	1	-	4	-	1	2	-	-
A-4 : Oil seeds, fats and oils, and their products-----	21	1.4	2	12	2	1	-	3	1	-	-	-	-
A-5 : Beverages and spirits-----	41	2.8	14	10	9	1	-	-	-	5	1	-	1
A-6 : Dairy products-----	31	2.1	3	20	-	-	1	4	-	1	2	-	-
A-7 : Fish, shellfish and products-----	15	1.0	6	5	2	-	-	1	-	1	-	-	-
A-8 : Tobacco-----	11	.7	3	5	2	-	-	1	-	-	-	-	-
A-9 : Miscellaneous agricultural and forestry products-----	22	1.5	5	9	4	2	-	2	-	-	-	-	-
Total 2/-----	1,487	100.0	429	383	283	108	78	53	37	40	46	12	18

1/ Restriction:

- | | | |
|--|--|--|
| 1. Licensing requirements | 5. Export restraints | 9. Discriminatory bilateral agreements |
| 2. Quotas | 6. Minimum/maximum price regulations | 10. Discriminatory sourcing |
| 3. Embargoes | 7. Local content and mixing requirements | 11. Miscellaneous |
| 4. Exchange and other monetary or financial controls | 8. Restrictive business practices | |

2/ Total counts are not the same as those in tables 8-A and 8-B because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submissions to the Tariff Commission.

Economists and others have devised various estimates of the cost to consumers of quota restrictions on trade (including voluntary export restraints). The consumer cost estimates usually have been a theoretical determination of the gross additional amount consumers must pay in a given period because of the increase in prices resulting from limitations on supply imposed by the restriction. The total cost of such restrictions to a nation may be lower than the cost to consumers because some of the consumers' loss may be redistributed to producers in the country or to the government as a gain in revenue.

Tariffs or quotas raise prices of imports or import-competitive goods. This in turn leaves less consumer income for the purchase of other goods and services. Part of the loss to consumers is redistributed to producers, who have less import competition and may thus gain windfall profits. With tariffs, another part of the loss to consumers is transferred to the government as tariff revenue collected by the government. A third component of the loss to consumers is simply a deadweight loss for consumption. This loss reflects consumer purchases of less satisfactory products and the movement of factors of production from higher to lower productivity pursuits.

In terms of net costs to a nation, the use of quotas involves higher costs than the use of tariffs. With a tariff, the increased prices to consumers reflect revenue that is collected by the government. With quotas, although import prices may increase through restriction of supply, the benefit of increased consumer prices goes to foreign suppliers (or alternatively to importers) rather than to the government. According to

one estimate, nearly one-third of the net social costs to the United States of its quota restrictions is due to the transfer of this "tariff equivalent revenue" to foreigners.^{1/}

In the short run, the full cost of a tariff or quota would not be recovered by the abolition of the restriction. Import restrictions distort market prices and cause the economy to operate at less than the optimal level of production. If import restrictions were lifted, and prices were consequently lowered for imported and import-competitive goods, the factors of production would shift to a more efficient mix. During this transition period, costs such as unemployment would temporarily reduce the increased net benefit of the abolition of the system until the more efficient system was fully implemented. Thus, the short-run cost of import restrictions is greater than benefits which could be achieved through abolition of the system. In the long run, the transition costs would disappear and the gains would be equivalent to the costs of the restrictions.

For illustrative purposes, some estimates which have been made of the consumer costs of U.S. quantitative restrictions are set out below. Because most other countries rely more heavily on international trade than the United States, the costs to consumers in those countries of quantitative restrictions maintained by their governments is said to be more burdensome, relative to their total incomes, than in the United States.

^{1/} Stephen P. Magee, "The Welfare Effects of Restrictions in U.S. Trade," *Brookings Papers on Economic Activity*, Volume 3, 1972.

Table 8-D gives the value of U.S. imports in 1970 and 1971 in the major products subject to quantitative controls in those years. Imports of these products totaled \$8 billion in 1970 and \$11.1 billion in 1971. The increase from 1970 to 1971 is largely a reflection of the extension of controls to wool and manmade fiber textiles in 1971, imports of which are not included in the 1970 data because they were not then under control. The controlled products accounted for 24.5 percent of total U.S. imports in 1971. The commodities under control represent about \$100 billion of U.S. consumption and make up 15-20 percent of the entire consumer price index. ^{1/}

According to the Cabinet Task Force on Oil Import Control, the annual cost to consumers of quotas on oil imports (terminated May 1, 1973), totaled \$5 billion in 1969 and was rising by about \$300 million annually. Subtracting the elements of consumer cost that are transferred to other U.S. sectors, the annual social cost to the nation was estimated at \$1.5 billion. Another source estimated that quotas raised oil prices by 60 percent. For quotas on steel mill products, the net social cost was estimated at \$386 million. The controls on textiles (voluntary export restraints and quotas) are estimated in one analysis to raise consumer costs of these items by 10 percent or more;^{2/} another analysis sets the

^{1/} C. Fred Bergsten, "The Cost of Import Restrictions to American Consumers," published by the American Importers Association.

^{2/} Harry H. Bell, "Some Domestic Price Implications of U.S. Protective Measures" in United States Economic Policy in an Interdependent World, papers submitted to the Committee on International Trade and Investment Policy, July 1971, Volume 1.

Table 8-D.--United States imports of major products subject to quantitative restrictions in 1970 and 1971

(In millions of dollars)		
	1970	1971
Quotas under section 22, Agricultural Adjustment Act:		
Dairy products-----	83.8	73.9
Wheat and milled products-----	.8	.4
Peanuts-----	.1	.4
Raw cotton and waste-----	5.0	4.9
Total-----	89.7	79.6
Quotas under the Sugar Act:		
Sugar, syrups, etc.-----	729.0	758.1
Quotas and export restraints under the Meat Act:		
Certain beef, veal, mutton, and goat meat-----	581.4	597.6
Quotas under the national security clause, Trade Expansion Act of 1962:		
Petroleum and petroleum products-----	3,008.7	3,280.2
Export restraints and quotas under the International Coffee Agreement-----	1,212.3	1,229.4
Marketing order controls under the Agricultural Marketing Agreement Act of 1937:		
Certain potatoes-----	5.3	3.9
Onions-----	6.7	4.4
Tomatoes-----	102.6	84.8
Avocados-----	.1	.2
Grapefruit-----	1.2	1.4
Limes-----	.5	.3
Oranges-----	22.9	23.9
Walnuts-----	.1	.2
Dates-----	2.3	3.0
Total-----	141.7	122.1
Voluntary export restraints on steel mill products--	1,967.1	2,636.0
Controls under the Long Term Arrangement on Cotton Textiles and bilateral agreements on wool and man-made fiber textiles-----	1/ 274.0	2,439.0
Total-----	8,003.9	11,142.0

1/ Cotton textiles only. Wool and man-made fiber textiles were not generally under restraint in 1970.

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

increase in consumer apparel costs at over \$1 billion annually.^{1/} Still another estimate places the U.S. social cost of quantitative restrictions on textiles at \$1.25 billion annually and the cost to U.S. consumers at approximately twice that amount. Costs of quantitative limitations on textiles are expected to rapidly increase in the next few years.

A rough estimate of the U.S. annual social loss due to quantitative restrictions on sugar is \$403 million.^{2/} The loss to the U.S. consumer is estimated to be at least \$500 million annually. Voluntary restraints on meat imports are estimated to cost the U.S. consumer \$350 million annually, with an annual social cost of \$12.5 million. The quotas on dairy products are said to cost the U.S. consumer \$500 million and the nation \$4.1 billion annually.

In sum, according to a 1972 study,^{3/} the total net social cost of U.S. tariffs and quantitative restrictions is from \$3.3 to \$5 billion per year, about three-fourths of which is due to quantitative restrictions. The amount was attributed to major quantitative restrictions as follows: Petroleum, \$1.5 billion; textiles, \$1.25 billion; steel, \$0.4 billion; and sugar, \$0.4 billion. The study estimated, assuming an 8 percent rate of capitalization and a 4 percent rate of real economic growth, that the existence of quantitative restrictions would cost a growing annual sum in net social cost, totaling \$88 billion over the next 15 years (compared to a \$33 billion cost from tariffs). The amount of these costs that could

^{1/} Andrew F. Brimmer, "Import Controls and Domestic Inflation," a paper presented to the Economics Seminar, University of Maryland, November 1970.

^{2/} C. Fred Bergsten, op. cit.

^{3/} Stephen P. Magee, op. cit.

be recovered in terms of U.S. welfare if quantitative restrictions were abolished was estimated at \$37 billion in present value over the 15 year period.

The above estimate of the cost of quantitative restrictions probably underestimates the true costs of these restrictions due to factors which were not quantified: (1) The waste of production in protected industries under the present system, which may actually serve to worsen welfare even with economic growth; (2) welfare gains which would result from economies of scale in an expanded world market; (3) inefficiency resulting from protection of U.S. industries from competition; (4) and various miscellaneous costs. Miscellaneous costs are involved in the administration of the import restriction system. Furthermore there may be losses in real welfare involved in the transfer of revenue from consumers to the government (under a tariff system) and businesses (under a tariff or quota system). Government may not use the revenue as efficiently as consumers, and business may use funds to lobby for continued protection instead of to increase production of goods and services.

Patterns of Quantitative Trade Restrictions
of the
Major Trading Countries

The following pages describe and statistically analyze the broad patterns of quantitative trade restrictions among products and major trading countries. Some quantitative indication of a ranking nature is given of the countries and product areas where restrictions are most heavily encountered. Because quantitative trade restrictions are applied to specific products (unlike many other nontariff restrictions), their price effects can sometimes be determined.^{1/} Nevertheless, the requisite data can seldom be assembled with a reasonable effort for measurement of the price and trade effects of quantitative restrictions. Consequently, an effort to measure such effects in this study had to be discarded as impracticable.

In the present study, an analysis was made of quantitative trade restrictions reported to the GATT by seventeen major trading nations, supplemented by data from other sources. The reported restrictions included only basic elemental forms of quantitative limitations--embargos, quotas, voluntary export restraints, licensing requirements, limitations deriving from state trading, minimum price requirements and mixing regulations; all of which can be identified in their application

^{1/} When a standard or homogeneous product is under a quantitative restriction, the difference between the world price and the price in the protected market directly attributed to the trade barrier is sometimes easily determined. For example, under the recently terminated U. S. oil import quota system, "oil import tickets" were sold by holders of the import permits for a per unit price roughly equal to the difference between the world price and the U. S. price for petroleum.

to discrete categories of products. The available information on these restrictions was only of a "counting" nature; that is, a particular restriction was identified as either being or not being applied to a category of products (or part of a category). No information was available as to the possible price effects, trade effects, or production effects of a restriction.^{1/} The data reflect the situation existing in the 1970-71 period. Since then, there have been significant changes in restrictions imposed by some countries.

^{1/} The methodology used in the analysis is similar to that developed by Ingo Walter (see Ingo Walter and Jae W. Chung, "The Pattern of Nontariff Obstacles to International Market Access", Weltwirtschaftliches Archiv, Band 108, Heft 1, 1972). The procedures used by the Commission differ from the Walter procedure in at least 3 respects. First Walter counted only once any product category having one or more restrictions. The Commission counted each product category as many times as there were restrictions listed for the category. This counting method was used to try to provide a better indication of the strength of quantitative restrictions that are applied against items. It was based on the assumption that a case of more than one restriction against a product category probably means that items in the category are restricted more than if just one restriction applied. To the extent that this assumption is valid, the Commission's counting procedure may provide a better quantitative measurement of the restrictions than the Walter method. A second difference lies in the statistical groupings of data used. Walter aggregated to the two digit SITC level; the Commission used 32 product sectors based chiefly on aggregations of BTN headings. Consequently, a direct comparison of Commission results with Walter's results is very difficult on a disaggregated basis. Third, the Commission tried different weighting schemes in aggregating the specific restrictions. One scheme used different weights for different restrictions (table 8-E). Another counted a particular restriction as one half if it applied to only part of a BTN number. Also, three different weighting schemes were tried in aggregating counts of restrictions over product categories. One was to weight each product category equally, another was to use world trade weights for aggregation, and a third was to use own-country-trade weights for aggregation over product categories (where such weights were available). This study presents the aggregate results of the different weighting schemes. It also presents some detailed results using the world trade weights for aggregation, the restriction weights, and the scheme of not fully counting restrictions that apply to only part of a BTN category. Generally, however, results were similar for all weighting schemes tried. Finally, the Commission relied on rank correlation comparisons while Walter used simple linear correlation techniques.

Table 8-E lists the types of quantitative restrictions included in the count. Some, such as quotas, are more burdensome, or more significant than others, such as liberal licensing. This is crudely accounted for by a weighting scheme (the weights are given in column 2 of table 8-E). Most of the restrictions are self explanatory. In the analysis, export restraints were charged as a restriction not to the exporting country, but to the importing country, since it usually has forced the restraint on the exporter.

Table 8-E.--Types of Quantitative Restrictions Counted

Type of restriction	: Weighting : scheme ^{1/}
	: Percent
1. Bilateral quota-----	: 0.91
2. Global quota-----	: 1.36
3. Quota (unspecified)-----	: 1.36
4. Prohibited imports (embargoes)-----	: 1.36
5. State trading-----	: .91
6. Automatic licensing-----	: .45
7. Liberal licensing-----	: .45
8. Discretionary licensing-----	: .91
9. Licensing (unspecified)-----	: .91
10. Minimum price system-----	: 1.36
11. Seasonal restriction-----	: .91
12. Restriction (unspecified)-----	: .91
13. Export restraint-----	: 1.36
14. Suspended import restriction-----	: .91
15. Mixing regulations-----	: .91

^{1/} Each restriction was given a number from 1 to 3, high or low, depending on its degree of restrictiveness. The average of these numbers was divided into the assigned number for each restriction, resulting in the weights shown in the table.

The data are presented at a quite aggregated level, the most detail given in terms of the 32 product sectors used for this study. Thus, any conclusions drawn are valid only when comparing these broad sectors. Behavior of the restriction patterns within sectors cannot be inferred from the data presented. Table 8-F lists the 32 product sectors, the

Table 8-F.--Thirty-two product sectors: Number of product categories and percent of world trade in each sector

Sectors	Number of product categories ^{1/}	Percent of world trade in late 1960's
<u>Industrial</u>		
I-1 Nonelectrical machinery-----	78	8.2
I-2 Transport equipment-----	34	6.3
I-3 Ores, metals and metal manufactures-----	204	13.3
I-4 Chemicals-----	183	5.3
I-5 Textiles-----	143	7.6
I-6 Electrical machines and apparatus-----	31	3.3
I-7 Pulp, paper and paperboard, and manufactures-----	45	3.4
I-8 Coal, petroleum, natural gas-----	25	10.8
I-9 Mineral products and fertilizers, ceramic products and glass-----	97	2.5
I-10 Professional, scientific and control- ling instruments, photographic apparatus, clocks and watches-----	41	1.6
I-11 Wood and cork and manufactures-----	39	2.9
I-12 Precious stones, precious metals and manufactures-----	22	2.8
I-13 Rubber and rubber manufactures-----	16	1.1
I-14 Raw hides and skins, leather and furskins and manufactures-----	24	1.2
I-15 Footwear and travel goods-----	7	.7
I-16 Musical instruments, sound recording or reproduction apparatus-----	13	.5
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	10	.2
I-18 Furniture-----	4	.4
I-19 Toys and sporting goods-----	8	.4
I-20 Photographic and cinematographic supplies-----	8	1.2
I-21 Works of art and collectors' pieces-----	6	.2
I-22 Office and stationery supplies-----	9	.1
I-23 Manufactured articles not elsewhere specified-----	50	.5
<u>Agricultural</u>		
A-1 Foodstuffs-----	87	9.3
A-2 Grains-----	8	2.8
A-3 Animals and products thereof-----	21	3.9
A-4 Oil seeds, fats and oils, and their products-----	38	3.1
A-5 Beverages and spirits-----	10	1.5
A-6 Dairy products-----	5	1.0
A-7 Fish, shellfish and products-----	5	1.5
A-8 Tobacco-----	4	.9
A-9 Miscellaneous agricultural and forestry products-----	43	1.7
Total, all sectors-----	1,318	^{2/} 100.0

^{1/} The product categories shown here are derived from the basic groupings of the Brussels Tariff Nomenclature, some of which have been further segmented into more precise categories. The data represent the number of these categories within each sector, information which is necessary for the calculation of the relative frequency of restrictions among the various sectors.

^{2/} Due to rounding, figures do not add to the total shown.

Source: Compiled from basic documentation for the Tariff Study, GATT and national trade statistics.

number of subsidiary product categories in each sector, and the percent of world trade ^{1/} accounted for by each sector in the latter part of the 1960's. It should be noted that the percent of world trade has a pattern very similar to the pattern of product category numbers across the sectors. This is verified by a Spearman rank correlation coefficient of 0.7 between the two sets of numbers, indicating that the breakdown of product categories by sector roughly coincides with the relative amount of world trade in the various sectors. ^{2/}

The basic questions for which answers were sought at the 32 product sector level of data aggregation were the following: What are the patterns of quantitative restrictions across the 32 product sectors and across countries? How do the quantitative restriction patterns compare with those of tariffs across countries and product sectors?

1/ "World" trade is the total of imports of the following 16 countries: Austria, Belgium-Luxembourg, Canada, Denmark, Federal Republic of Germany, Finland, France, Netherlands, Italy, Japan, Norway, Sweden, Switzerland, United Kingdom and the United States.

2/ The purpose of the Spearman (after the inventor) rank correlation coefficient is to provide a rough measure of the association of two columns of numbers. This is done by examining how the ranks of the numbers in the two columns relate to each other. To calculate the coefficient, the numbers in each column are ranked and these ranks are then used in a standard formula. The range of the coefficient lies between -1.0 and +1.0. A coefficient of +1.0 would mean that the ranks of the two columns of numbers were identical thus indicating that the orders of the numbers in the columns are identical. At the other extreme, a coefficient of -1.0 would mean that the ranks were exactly opposite and that the orders of the numbers in the two columns were exactly opposite. A coefficient hovering around zero means that there is very little relationship between the ordering of the numbers in the two columns and thus very little relationship between the two columns of numbers themselves.

A brief summary of the data on quantitative restrictions and tariffs follows. These data will be used for comparison of the patterns of quantitative restrictions and tariffs.

Quantitative trade restrictions

A simple count of product categories subject to nontariff restrictions is given in table 8-G. There, for example, a "10" for Switzerland in restriction type 4 means that the Tariff Commission's list of quantitative restrictions indicates that Switzerland had embargoes on at least part of the items in ten product categories. An indication of the scope of the problem of nontariff restrictions in general and quantitative restrictions in particular is that the grand total count in the Tariff Commission's list is three thousand three hundred and fifty-eight restrictions.^{1/}

Based on information in the Tariff Commission's list of quantitative restrictions, table 8-H gives 5 possible indicators of the degree of quantitative restrictions for 17 countries:

1. The number of product categories subject to some type of restriction in each country (column 2 of the table).
2. The total count of restrictions applied by each country (column 4 of the table). One product category may have more than one restriction, thus the numbers in column 4 are always equal to or greater than those in column 2.
3. The percent of world trade in the product categories which are restricted by each country (column 6 of the table).

^{1/} The magnitude of the restriction count may be tempered by the possibility that more than one restriction applies to a particular product.

Table 8-G.--Count of specific trade restrictions, by types, by specified countries

Country	Type of restriction ^{1/}															Total restrictions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Number ^{2/}	Rank
Australia-----	1	2	2	5	-	-	-	14	-	-	-	-	-	-	-	24	17
Austria-----	-	11	-	-	19	-	-	48	-	-	6	68	-	-	-	152	10
Canada-----	-	-	3	16	14	1	-	14	25	1	-	56	13	-	-	143	12
Denmark-----	13	15	-	-	-	-	17	82	5	-	8	2	-	-	-	142	13
Belgium/Luxembourg--	31	-	11	3	1	3	6	8	17	90	12	27	35	26	-	270	4
Netherlands-----	30	-	11	2	1	3	6	7	15	90	11	30	35	26	-	267	5
France-----	46	-	48	16	35	-	1	88	26	92	13	63	48	-	-	476	1
West Germany-----	44	20	32	4	12	2	1	13	19	90	10	25	35	-	3	310	3
Italy-----	82	1	29	-	10	16	-	60	23	90	9	32	42	17	-	411	2
Ireland-----	-	8	-	-	-	-	-	49	1	-	4	3	-	-	3	68	16
Japan-----	3	-	70	2	19	-	-	75	1	5	-	2	-	-	-	177	9
Norway-----	29	18	-	-	28	-	1	86	-	11	9	-	-	-	-	182	8
Portugal-----	3	11	-	-	11	-	2	36	4	-	-	16	-	-	2	85	15
Sweden-----	63	-	-	1	8	6	15	1	2	1	2	-	-	-	-	99	14
Switzerland-----	4	28	1	10	5	1	61	17	1	-	7	13	-	-	-	148	11
United Kingdom-----	35	22	26	9	5	-	-	4	6	20	3	34	50	-	-	214	6
United States-----	21	28	35	32	-	-	-	-	-	-	-	2	72	-	-	190	7
Total, all countries:																	
Number-----	405	164	268	100	168	32	110	602	145	490	94	373	330	69	8	3,358	
Rank-----	3	8	6	11	7	14	10	1	9	2	12	4	5	13	15		

- ^{1/} Types of restrictions counted for this tabulation, numbered to correspond with numbered columns, are as follows:
- | | | |
|-----------------------------------|-------------------------------|----------------------------------|
| 1. Bilateral quota | 6. Automatic licensing | 11. Seasonal restriction |
| 2. Global quota | 7. Liberal licensing | 12. Restriction (unspecified) |
| 3. Quota (unspecified) | 8. Discretionary licensing | 13. Export restraint |
| 4. Prohibited imports (embargoes) | 9. Licensing (unspecified) | 14. Suspended import restriction |
| 5. Restrictive state trading | 10. Minimum price requirement | 15. Mixing regulation |
- ^{2/} It is possible that more than one restriction applies to the same product category.

Source: Compiled from data obtained from several U.S. Government agencies, the GATT, and public submissions to the Tariff Commission.

Table 8-H.--Five indicators of specific trade restrictions, by specified countries 1/

Country	Product categories subject to restrictions		Count of restrictions		Percent of world trade in restricted categories 2/		Percent of possible specific restrictions		Weighted and adjusted percent of possible specific restrictions 3/	
	Number	Rank	Number	Rank	Percent	Rank	Percent	Rank	Percent	Rdnk
	1	2	3	4	5	6	7	8	9	10
Australia-----	22	17	24	17	6.9	17	0.12	17	0.36	17
Austria-----	121	11	152	10	19.2	11	.77	10	1.30	10
Canada-----	122	10	143	12	19.6	9	.72	12-13	1.32	9
Denmark-----	106	13	142	13	16.4	10	.72	12-13	1.06	14
Belgium/Luxembourg--	219	3	270	4	23.1	6	1.37	4	1.89	8
Netherlands-----	218	4	267	5	23.0	7	1.35	5	1.91	7
France-----	299	2	476	1	44.1	1	2.41	1	4.71	1
West Germany-----	206	5	310	3	31.2	3	1.57	3	2.73	4
Italy-----	311	1	411	2	35.6	2	2.08	2	3.20	2
Ireland-----	68	15	68	16	14.8	14	.34	16	.75	15
Japan-----	133	8	177	9	23.2	5	.90	9	1.99	6
Norway-----	130	9	182	8	16.9	13	.92	8	1.27	11
Portugal-----	68	16	85	15	14.8	15	.43	15	1.20	12
Sweden-----	95	14	99	14	13.4	16	.50	14	.58	16
Switzerland-----	115	12	148	11	17.8	12	.75	11	1.14	13
United Kingdom-----	142	7	214	6	21.0	8	1.08	6	2.12	5
United States-----	148	6	190	7	26.2	4	.96	7	3.18	3

1/ The Spearman rank correlation coefficient matrix is given below. This matrix simply gives the pairs of coefficients between the various columns in a table. For example, the Spearman rank correlation coefficient for the numbers in columns 8 and 2 is 0.98 indicating that the ranks of the numbers in these two columns are almost identical. Certain statistical tests can be applied to determine whether a set of coefficients in a matrix are either significant or simply chance. Generally, coefficients close to zero are considered chance and therefore not statistically significantly different from zero. However if there are few numbers in a column, a larger coefficient may also be chance. All matrices presented will be accompanied by a note giving an absolute number, above which any coefficient can be considered as being statistically significantly different from zero with a certain probability (usually 95%). In the matrix below, coefficients are statistically significantly different from zero because they are above 0.2.

	2	4	6	8	10	Column
*		0.98	0.91	0.98	0.90	2
		*	0.89	1.00	0.90	4
			*	0.89	0.94	6
				*	0.90	8
					*	10

2/ These percentages give the relative amounts of world trade appearing in the restricted categories. For example, Australia has 22 restricted categories and the world trade that would fall in these categories is 6.9 percent of total world trade. These percentages give a relative measure of the importance of the countries' restricted categories in terms of world trade falling within these groups of restricted categories.

3/ This index used the maximum amount of data available. The weights and adjustments were as follows: (a) total imports of major trading nations were used as weights to aggregate the basic product category data; (b) restrictions applying to only part of a product category were counted as one half the value of those applying to an entire category; (c) normalized weights were used on the various types of restrictions counting some types more than others (weights are shown in table 8-E).

Source: Compiled from data obtained from several U.S. government agencies, the GATT, national trade statistics, and public submissions to the Tariff Commission.

4. Actual restrictions applied as a percent of total possible restrictions which could be applied by each country (column 8 of the table). The maximum possibility is 15 types of restrictions for each of the 1,318 product categories, or 19,770.
5. The percent of total possible restrictions, weighted and adjusted, which could be applied by each country (column 10 of the table).

Ranks of the indicators also are given in table 8-H, and the Spearman rank correlation matrix for variables in columns 2,4,6,8 and 10 appears in a footnote to the table.

The data presented in column 10 of table 8-H makes maximum use of the information in the Tariff Commission's quantitative restriction list to calculate an index of such restrictions for the various countries. First, total trade weights (of major trading countries) were used to weight the data in the various product categories. This means that restrictions in a heavily traded category were counted more than restrictions in lightly (world) traded categories. This weighting puts this restriction index measure in line with the choice of the world trade weighted measure of tariffs for later comparative purposes. Second, if listed restrictions were applied to only part of a product category, they were arbitrarily counted only half as much as restrictions known to be applicable to an entire category. Finally, the various restriction categories were given the weights listed in table 8-E. This basically gives less weight to some categories, such as automatic licensing and liberal licensing.

The country ranks are very similar for all of the 5 indicators in table 8-H. This is confirmed by the high coefficients in the Spearman rank correlation matrix.

The index in column 10 does rank correlate best with the amount of world trade falling in restricted categories and it does insert maximum available information from the original list. It is chosen as the index to be used for later comparisons of tariff and restriction patterns. On the basis of the column 10 ranking, France exhibits the heaviest use of quantitative restrictions, followed by Italy, the United States, Germany, the United Kingdom, Japan, Netherlands, Belgium-Luxembourg, Canada, Austria, Norway, Portugal, Switzerland, Denmark, Ireland, Sweden and Australia at the low end.

Table 8-I gives a breakdown of the weighted and adjusted count of quantitative restrictions by the 32 major product sectors for 15 countries. It provides a more detailed look at the trade weighted restriction patterns in the various countries and sectors. The numbers in the table do reflect the amount of world trade occurring in each sector; i.e., given two sectors with an equivalent numerical count and pattern of quantitative restrictions, the sector with the larger total world trade will receive a larger number. From a mere glance at this table, the high concentration of quantitative restrictions in agricultural products is apparent, as is their heavy use in the industrial area by some countries.

Column 2 of table 8-J gives a summary of the row sums in table 8-I, calculated as a percentage of the total quantitative restriction count. The ranks also are presented. Column 4 gives the percentage distribution of world trade in the 32 product sectors. To the extent that these world trade weights are reflected in the counting of the quantitative restrictions,

Table 8-I.--Trade weighted and adjusted count of specific nontariff trade restrictions, by specified countries 1/

Sectors	Australia	Austria	Canada	Denmark	Belgium/ Luxembourg	Netherlands	France	West Germany	Italy	Japan	Norway	Sweden	Switzerland	United Kingdom	United States	Total
Industrial																
I-1 Nonelectrical machinery-----	4.5	-	2.0	-	-	-	-	-	14.4	7.6	-	-	-	-	-	28.5
I-2 Transport equipment-----	14.7	-	13.7	-	-	-	57.7	-	112.5	-	1.7	19.8	-	0.3	6.9	227.3
I-3 Ores, metals and metal manufactures-----	3.9	-	-	2.3	0.4	0.4	10.6	0.1	5.9	4.7	3.3	-	0.6	-	1.8	29.2
I-4 Chemicals-----	-	5.5	-	-	1.3	1.3	6.3	2.2	5.3	1.7	3.4	1.1	1.9	-	-	29.7
I-5 Textiles-----	9.6	-	21.1	4.8	39.3	39.3	52.9	94.0	52.1	-	35.3	24.0	-	45.9	54.1	432.0
I-6 Electrical machines and apparatus-----	4.4	-	7.2	4.4	-	-	14.9	2	16.0	7.1	1.1	-	-	-	-	54.3
I-7 Pulp, paper and paperboard, and manufactures-----	-	-	3.7	-	-	-	19.6	-	1.1	-	-	-	-	-	3.8	27.2
I-8 Coal, petroleum, natural gas-----	-	2.8	3.0	-	6.7	6.7	243.2	56.8	-	38.6	-	-	-	38.9	321.7	718.4
I-9 Mineral products and fertilizers, ceramic products and glass-----	-	2.5	-	3.0	2.7	2.7	9.3	2.0	4.7	1.6	1.3	2.7	-	3.3	.6	36.4
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	-	-	-	-	-	-	5.1	-	-	2.1	-	-	-	-	-	7.2
I-11 Wood and cork and manufactures-----	-	3.1	-	-	-	-	3.1	.9	.3	-	-	-	-	-	-	7.4
I-12 Precious stones, precious metals and manufactures-----	-	-	.1	2.8	.3	.3	-	-	6.6	9.4	-	-	-	-	-	19.5
I-13 Rubber and rubber manufactures-----	-	-	-	.3	-	-	-	-	1.9	-	1.9	-	-	-	.2	4.3
I-14 Raw hides and skins, leather and furskins and manufactures-----	-	-	-	-	4.7	4.7	12.2	4.7	4.7	2.7	-	-	-	4.7	6.4	44.8
I-15 Footwear and travel goods-----	-	-	-	3.1	3.1	3.1	1.5	2.7	2.7	2.7	3.1	3.1	-	.5	-	29.6
I-16 Musical instruments, sound recording or reproduction apparatus-----	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	-	-	-	-	-	-	.1	-	-	-	-	-	-	-	.2	.3
I-18 Furniture-----	-	-	.1	-	.1	.1	.1	4.2	.1	-	-	-	-	-	.1	4.8
I-19 Toys and sporting goods-----	-	-	-	-	-	-	4.2	-	2.1	-	-	3.2	-	-	.6	10.1
I-20 Photographic and cinematographic supplies-----	8.6	5.9	16.8	-	-	-	17.1	-	18.4	-	-	-	11.4	17.1	-	95.3
I-21 Works of art and collectors' pieces-----	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I-22 Office and stationery supplies-----	-	-	-	-	-	-	-	-	-	-	-	-	-	-	.1	.1
I-23 Manufactured articles not elsewhere specified-----	-	-	.7	-	.5	.2	.4	.4	1.1	-	.1	-	.9	-	.3	4.6
Total, industrial sectors-----	45.7	19.8	68.4	20.7	59.1	58.8	458.3	156.2	248.9	78.2	47.2	52.9	14.8	111.2	396.8	1,807.0
Agricultural																
A-1 Foodstuffs-----	24.6	62.6	48.8	51.8	94.9	102.7	126.3	119.9	123.7	99.3	65.8	19.0	42.0	77.0	79.4	1,137.8
A-2 Grains-----	-	61.4	48.3	42.1	47.7	47.7	47.7	47.7	47.7	71.1	29.3	-	61.7	48.2	30.6	631.2
A-3 Animals and products thereof-----	-	40.2	3.1	51.6	43.2	43.2	75.9	63.2	53.3	52.4	47.0	6.8	47.2	65.6	39.0	631.9
A-4 Oil seeds, fats and oils, and their products-----	-	9.9	28.2	2.6	29.0	29.0	31.5	30.0	42.2	27.3	8.3	-	15.7	3.0	7.7	264.4
A-5 Beverages and spirits-----	-	19.9	11.7	8.4	40.9	40.9	86.3	86.6	48.2	4.1	17.8	15.5	20.2	19.1	11.6	431.2
A-6 Dairy products-----	-	12.2	26.8	14.1	18.3	18.3	18.8	18.5	22.8	35.5	20.8	1.0	12.7	43.9	48.2	311.9
A-7 Fish, shellfish and products-----	-	10.2	8.4	11.1	19.7	18.5	15.8	14.9	20.0	7.3	-	19.3	-	10.9	10.8	166.9
A-8 Tobacco-----	-	11.9	10.2	-	-	-	43.6	10.6	10.2	10.2	-	-	-	26.1	-	122.8
A-9 Miscellaneous agricultural and forestry products-----	-	9.3	6.8	8.2	20.4	18.2	27.2	21.7	16.2	8.3	14.7	-	10.4	14.0	4.2	179.6
Total, agricultural sectors-----	24.6	237.6	192.3	189.9	314.1	318.5	473.1	413.1	384.3	315.5	203.7	61.6	209.9	306.0	231.5	3,877.7
Total, all sectors-----	70.3	257.4	260.7	210.6	373.2	377.3	931.4	539.3	633.2	393.7	250.9	114.5	224.7	419.2	628.3	5,684.7

1/ Individual product categories are weighted by total trade of major trading countries; restrictions applying to only part of a product category are counted as half the value of those applying to an entire category, and weights (see table 8-E) were applied to individual restrictions. This means that these sector counts are influenced not only by the number of restrictions of the product categories within the particular sectors, (whether or not the restrictions apply to entire product categories within the sectors) but also by the composition of the restrictions within the product categories.

Source: Compiled as noted from data obtained from several U.S. government agencies, the GATT, national tariff statistics and public submissions to the Tariff Commission.

Table 8-J.--Distribution of specific trade restrictions among product sectors

Sectors	Percent of restrictions ^{1/}		Percent of world trade	
	Percent	Rank	Percent	Rank
1	2	3	4	5
<u>Industrial</u>				
I-1 Nonelectrical machinery-----	0.5	17-21	8.2	4
I-2 Transport equipment-----	4.0	9	6.3	6
I-3 Ores, metals and metal manufactures-----	.5	17-21	13.3	1
I-4 Chemicals-----	.5	17-21	5.3	7
I-5 Textiles-----	7.6	5-6	7.6	5
I-6 Electrical machines and apparatus-----	1.0	14	3.3	10
I-7 Pulp, paper and paperboard, and manufactures-----	.5	17-21	3.4	9
I-8 Coal, petroleum, natural gas-----	12.6	2	10.8	2
I-9 Mineral products and fertilizers, ceramic products and glass-----	.6	16	2.5	15
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	.1	24-28	1.6	17
I-11 Wood and cork and manufactures-----	.1	24-28	2.9	12
I-12 Precious stones, precious metals and manufactures-----	.3	22	2.8	13-14
I-13 Rubber and rubber manufactures-----	.1	24-28	1.1	21-22
I-14 Raw hides and skins, leather and furskins and manufactures-----	.8	15	1.1	21-22
I-15 Footwear and travel goods-----	.5	17-21	.7	25
I-16 Musical instruments, sound recording or reproduction apparatus-----	-	29-32	.5	26-27
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	-	29-32	.2	30-31
I-18 Furniture-----	.1	24-28	.4	28-29
I-19 Toys and sporting goods-----	.2	23	.4	28-29
I-20 Photographic and cinematographic supplies-----	1.7	13	1.2	20
I-21 Works of art and collectors' pieces-----	-	29-32	.2	30-31
I-22 Office and stationery supplies-----	-	29-32	.1	32
I-23 Manufactured articles not elsewhere specified-----	-	24-28	.5	26-27
<u>Agricultural</u>				
A-1 Foodstuffs-----	20.0	1	9.3	3
A-2 Grains-----	11.1	3-4	2.8	13-14
A-3 Animals and products thereof-----	11.1	3-4	3.9	8
A-4 Oil seeds, fats and oils, and their products-----	4.7	8	3.1	11
A-5 Beverages and spirits-----	7.6	5-6	1.5	18-19
A-6 Dairy products-----	5.5	7	1.0	23
A-7 Fish, shellfish and products-----	2.9	11	1.5	18-19
A-8 Tobacco-----	2.2	12	.9	24
A-9 Miscellaneous agricultural and forestry products-----	3.2	10	1.7	16
Total, all sectors-----	100.0	--	100.0	--

^{1/} Calculated from the row "totals" in table 8-I. These percentages are calculated from restriction units weighted by world trade as described in table 8-I.

Source: Compiled from data obtained from several U.S. government agencies, the GATT, national trade statistics and public submissions to the Commission.

columns 2 and 4 should be correlated. The rank correlation coefficient between them is 0.6 indicating that the trade weight "explains" about 60 percent of the pattern of the trade-weighted restriction patterns.

From table 8-J, it is seen that the sectors having the six heaviest concentrations of quantitative restrictions are foodstuffs; coal, petroleum, and natural gas; animals and animal products; grains; beverages and spirits; and textiles. These sectors account for 70 percent of the total trade-weighted restrictions and only 35.9 percent of total trade. The agricultural sectors, where restrictions generally are heavy, account for 68.3 percent of total weighted restrictions; in the industrial sectors, textiles plus coal, petroleum and gas account for 20.2 percent.

World-trade-weighted share indices of quantitative restrictions are presented in table 8-K. These indices are calculated from the trade weighted counts in table 8-I. The counts in table 8-I are calculated as a percentage of the total possible restriction count in each sector. Thus the data in table 8-K allow a comparison between the product sectors independently of sector size and are therefore the appropriate numbers to use when comparing counting indices of quantitative restrictions with sector tariff averages.

Average tariff patterns to be compared with
quantitative restrictions

Table 8-L presents two tariff averages for 11 customs areas. The averages in column 2 are simple arithmetic means of all rate lines in each country's tariff. The averages in column 4 are derived by weighting the simple arithmetic means for each product category using as weights total trade of major trading countries. While the averages in column 2

Table 8-K.--Indices of specific nontariff trade restrictions, by product sectors and by specified countries 1/

Sector	Australia	Austria	Canada	Denmark	Belgium/ Luxembourg	Netherlands	France	West Germany	Italy	Japan	Norway	Sweden	Switzerland	United Kingdom	United States
<u>Industrial</u>															
I-1 Nonelectrical machinery-----	0.3	-	0.1	-	-	-	-	-	0.9	0.5	-	-	-	-	-
I-2 Transport equipment-----	1.2	-	1.1	-	-	-	4.7	-	9.1	-	0.1	1.6	-	-	0.6
I-3 Ores, metals and metal manufactures-----	1	-	-	0.1	-	-	.4	-	.3	.2	-	-	-	-	-
I-4 Chemicals-----	-	0.5	-	-	0.1	0.1	.6	-	.5	.2	.3	-	0.2	0.1	.3
I-5 Textiles-----	.6	-	1.4	.3	2.6	2.6	3.5	3.6	3.5	-	2.4	1.6	-	3.0	3.6
I-6 Electrical machines and apparatus-----	.7	-	1.1	.7	-	-	2.3	-	2.5	1.1	-	-	-	-	-
I-7 Pulp, paper and paperboard, and manufactures-----	-	-	.5	-	-	-	2.9	-	-	-	-	-	-	-	.6
I-8 Coal, petroleum, natural gas-----	-	.1	.1	-	.3	.3	11.4	2.7	-	1.8	-	-	-	1.8	15.0
I-9 Mineral products and fertilisers, ceramic products and glass-----	-	.5	-	.6	.5	.5	1.9	.4	.9	.3	.3	.5	-	.7	.1
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	-	-	-	-	-	-	1.6	-	-	.7	-	-	-	-	-
I-11 Wood and cork and manufactures-----	-	.5	-	-	-	-	.5	.1	.1	-	-	-	-	-	-
I-12 Precious stones, precious metals and manufactures-----	-	-	-	.5	.1	.1	-	-	1.2	1.7	-	-	-	-	-
I-13 Rubber and rubber manufactures-----	-	-	-	.1	-	-	-	-	.9	-	.8	-	-	-	.1
I-14 Raw hides and skins, leather and furskins and manufactures-----	-	-	-	-	2.1	2.1	5.4	2.1	2.1	1.2	-	-	-	2.1	2.8
I-15 Footwear and travel goods-----	-	-	-	2.4	2.4	2.4	1.1	2.0	2.0	2.0	2.4	2.4	-	.3	-
I-16 Musical instruments, sound recording or reproduction apparatus-----	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	-	-	-	-	-	-	.2	-	-	-	-	-	-	-	.5
I-18 Furniture-----	-	-	.2	-	.2	.2	.2	5.7	.2	-	-	-	-	-	.2
I-19 Toys and sporting goods-----	-	-	-	-	-	-	5.0	-	2.5	-	-	3.8	-	-	.8
I-20 Photographic and cinematographic supplies-----	3.5	2.4	7.0	-	-	-	7.1	-	7.6	-	-	-	4.7	7.1	-
I-21 Works of art and collectors' pieces-----	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I-22 Office and stationery supplies-----	-	-	-	-	-	-	.1	-	-	-	-	-	-	-	.3
I-23 Manufactured articles not elsewhere specified-----	-	-	.7	-	.6	.2	.5	.4	1.2	-	.2	-	1.0	-	.3
<u>Agricultural</u>															
A-1 Foodstuffs-----	1.3	3.4	2.7	2.8	5.2	5.6	6.9	6.5	6.7	5.4	3.6	1.0	2.3	4.2	4.3
A-2 Grains-----	-	11.2	8.8	7.7	8.7	8.7	8.7	8.7	8.7	13.0	5.3	-	11.3	8.8	5.6
A-3 Animals and products thereof-----	-	5.3	.4	6.8	5.7	5.7	10.0	8.3	7.0	6.9	6.2	.9	6.2	8.6	5.1
A-4 Oil seeds, fats and oils, and their products-----	-	1.6	4.6	.4	4.7	4.7	5.1	4.9	6.9	4.4	1.4	-	2.6	.5	1.3
A-5 Beverages and spirits-----	-	6.9	4.0	2.9	14.1	14.1	29.7	29.8	16.6	1.4	6.1	5.3	7.0	6.6	4.0
A-6 Dairy products-----	-	6.1	13.3	7.0	9.1	9.1	9.4	9.2	11.3	17.6	10.3	.5	6.3	21.8	23.9
A-7 Fish, shellfish and products-----	-	3.5	2.9	3.8	6.7	6.3	5.4	5.1	6.8	2.5	-	6.6	-	3.7	3.7
A-8 Tobacco-----	-	7.1	6.1	-	-	-	25.8	6.3	6.1	6.1	-	-	-	15.5	-
A-9 Miscellaneous agricultural and forestry products-----	-	2.8	2.0	2.4	6.1	5.4	8.1	6.5	4.8	2.5	4.4	-	3.1	4.2	1.3

1/ These indices are world-trade-weighted share indices. They are obtained from the data in table 8-I by calculating the world-trade-weighted and adjusted restriction counts as a percentage of the total possible weighted restrictions within each product sector. These indices allow comparisons of the relative incidence of restrictions between sectors as well as comparisons of the relative incidence of specific nontariff trade restrictions with the incidence of tariff levels across sectors.

Source: Compiled from data obtained from several U.S. Government agencies, the GATT, national trade statistics and public submissions to the Commission.

Table 8-L.--Tariff averages for specified countries and the European Community ^{1/}

Country	Simple average ^{2/}		Average weighted--				Spearman rank correlation between simple and world trade weighted averages for 32 product sectors ^{5/}	
	Percent ad val.	Rank	by world trade ^{3/}	Percent ad val.	Rank	by own country trade ^{4/}		Percent ad val.
	1	2	3	4	5	6	7	8
Australia-----	18.3	1	15.3	1	6/	1		0.84
Austria-----	11.1	3	11.4	3		11.8	2	.88
Canada-----	9.3	5	6.6	7		6.9	4	.72
Denmark-----	4.6	11	4.1	10		4.9	8	.79
European Community-----	7.7	8	7.6	5		6.0	6-7	.95
Japan-----	11.4	2	14.6	2		11.4	3	.82
Norway-----	7.9	7	5.8	8		4.5	10	.87
Sweden-----	4.9	9	3.5	11		4.6	9	.86
Switzerland-----	4.8	10	4.6	9		4.1	11	.91
United Kingdom-----	9.1	6	7.3	6		6.6	5	.86
United States-----	10.2	4	7.9	4		6.0	6-7	.69
Simple average (excluding Australia)-----	8.1	-	7.3	-		6.7	-	-

^{1/} The Spearman rank correlation coefficient matrix below for columns 2, 4, and 6 has all coefficients statistically significantly different from zero.

	2	4	6	Column
*		0.91	0.86	2
*			0.83	4
*				6

^{2/} Simple arithmetic means of all rate lines in each country's tariff.

^{3/} Simple arithmetic means of product categories weighted by total trade of major trading countries for each product category.

^{4/} Tariff rate lines are weighted by own-country-trade weights.

^{5/} These rank correlation coefficients are calculated for each country for the tariff averages in 32 sectors using the averaging methods of columns 2 and 4 of this table. All coefficients are statistically significantly different from zero.

^{6/} Complete data were not available for calculating the own-trade-weighted average for Australia, but it is known to be higher than that of any other country listed.

^{7/} This simple average lies halfway between the simple average of column 2--the unweighted country averages--and the simple average of column 6--the own-country-trade-weighted averages.

Source: Compiled from basic data for the Tariff Study, GATT and from national tariff schedules.

are generally higher than in column 4, the differences in ranks of the averages are small. This observation is confirmed by a Spearman rank correlation coefficient of 0.9 between the data in columns 2 and 4. Column 6 gives the own-country-trade-weighted tariff average. The rank correlation coefficients between the 10 observations in columns 6 and 2 and in columns 6 and 3 is about 0.8. Thus while the magnitudes generally differ for different tariff averaging methods, the country ranks are quite similar, indicating that rankings of broad categories (i.e., at the country level) are fairly insensitive to averaging methods.

The patterns presented by tariff averages vary substantially from commodity to commodity and country to country, but generally, the following observations are valid. Simple averaging may give higher averages because high prohibitive tariffs and high "forgotten" tariffs on goods that are no longer traded are given equal weight with the tariffs on heavily traded goods. At the other extreme, the use of own-country-trade weights gives small or zero weights to these tariffs (especially the high prohibitive rates) thus tending to lower the average. Many economists argue for the use of world trade weights in averaging to avoid these extremes. While the individual country averages in table 8-L do not always follow this pattern, the overall average of 10 countries combined does. The world-trade-weighted overall simple average in column 4 lies midway between the simple means of columns 2 and 6.

Column 8 shows Spearman rank correlation coefficients for each country for the averages of the 32 product sectors, using sector averages similar to those in columns 2 and 4. Thus, at the sector level, the

ranks are very similar in spite of differences in averaging methods.

On the basis of the above evidence, it was decided that world-trade-weighted average tariffs (column 4) would be satisfactory for rank comparisons with patterns of quantitative restrictions. The world-trade-weighted tariff average tends toward the middle of two extremes of different averaging processes (at least at the aggregate level) and it does rank correlate very well with averages derived from other weighting schemes.

Using the world-trade-weighted averaging scheme, the ranks of countries' tariff averages included in the table go as follows (from high to low): Australia, Japan, Austria, the United States, the European Community, the United Kingdom, Canada, Norway, Switzerland, Denmark and Sweden.

The relationship between tariff and quantitative
restriction patterns on an overall basis

Table 8-M summarizes some data on the relationship of tariff levels and quantitative restriction levels, both on the overall country basis and for countries on the basis of the 32 product sectors.

Columns 2 and 4 simply repeat the country average tariffs and average quantitative restriction indices. There is a very weak rank correlation between the two columns (0.35) that has only an 85 percent probability of being statistically significantly different from zero. Therefore, on an overall basis between countries, there is only the weakest of hints that high tariff countries are also those with many nontariff trade restrictions. On the other hand there is no overall evidence that low tariff countries are the ones with the high restrictions.

Table 8-M.--The relationship between levels of tariffs and specific nontariff trade restrictions, by specified countries

Country	Tariff averages <u>1/</u>	Percent ad valorem	Rank	Nontariff trade restriction indices <u>2/</u>	Index	Rank	Spearman rank correlation coefficient between tariffs and specific trade restrictions for 32 product sectors <u>3/</u>
1	2	3	4	5	6		
Australia-----	15.3	1	0.36	15		0.05	
Austria-----	11.4	3	1.30	10		.01	
Canada-----	6.6	11	1.32	9		-.07	
Denmark-----	4.1	14	1.06	13		.20	
Belgium/Luxembourg--	7.6	5-9	1.89	8		.18	
Netherlands-----	7.6	5-9	1.91	7		.18	
France-----	7.6	5-9	4.71	1		.33	
Germany-----	7.6	5-9	2.73	4		.28	
Italy-----	7.6	5-9	3.20	2		.41	
Japan-----	14.6	2	1.99	6		.09	
Norway-----	5.8	12	1.27	11		.41	
Sweden-----	3.5	15	.58	14		.33	
Switzerland-----	4.6	13	1.14	12		.24	
United Kingdom-----	7.3	10	2.12	5		-.14	
United States-----	7.9	4	3.18	3		.11	

1/ World-trade-weighted tariff averages from column 4 of table 8-L.

2/ World-trade-weighted-specific nontariff trade restrictions indices from column 10 of table 8-H. The Spearman rank correlation coefficient between columns 2 and 4 is 0.35 and is statistically significantly different from zero with only an 85 percent probability.

3/ These rank correlation coefficients were calculated for each country for the tariff averages and restriction indices in 32 product sectors. The averaging methods used for the tariff averages and restriction indices were the same as for columns 2 and 4, respectively, of this table. Any rank correlation coefficient over 0.3 is statistically significantly different from zero.

Source: Compiled from data obtained from several U.S. government agencies, the GATT, national tariff and trade statistics and public submissions to the Tariff Commission.

Column 6 of table 8-M looks at the country comparisons of tariff levels in the 32 product sectors and frequencies of quantitative restrictions in these sectors. In general, the rank correlations are very weak for most countries. Only for France, Italy, Norway, and Sweden is there a weak positive (but statistically significant) relationship between sector tariff levels and sector frequencies of quantitative restrictions. Therefore, for these countries (and less so for some others if lower standards of acceptability of results are used), sectors with higher tariffs have a slight tendency to also have more quantitative restrictions. However, again there are no significant negative relationships. That is, among the 32 product sectors, no countries can be found which significantly use many quantitative restrictions to substitute for tariff restrictions in those sectors. Thus evidence also hints that quantitative restrictions do not substitute for tariffs on a broad product sector basis, but perhaps weakly complement tariffs.

The final bit of evidence was obtained by pooling (1) all countries' tariffs by sector and (2) quantitative restriction indices by sector to see if there was any significant overall relationship. This exercise generally confirmed the above observations. The overall (but statistically significant) rank correlation coefficient was only 0.17. This ratifies the above conclusion that on a broad basis, the application of quantitative trade restrictions only very weakly complements tariff restrictions.

It must be reiterated at this point that these conclusions are arrived at on a broad basis. They tell nothing about the possible uses of quantitative restrictions versus tariff restrictions within the particular product sectors.

Relationships of tariff height patterns and
quantitative restriction frequency patterns
across countries

A cross-country comparison of world-trade-weighted tariff rates for 32 product sectors is presented in table 8-N. All of the rank correlation coefficients between pairs of customs areas are positive and statistically significant indicating that tariff patterns are similar between countries, i.e., countries tend, broadly speaking, to protect the same products. However there is some variation in the strength of pairwise relationships between the various countries. For example, the relationship between the tariff patterns of Norway and Denmark is twice as strong as between Canada and Switzerland (a fact that perhaps could be expected).

The cross-country comparisons of quantitative trade restrictions are presented in table 8-O. Here there are generally the same positive patterns of quantitative restrictions across sectors between countries, indicating that among countries quantitative restrictions tend to be found on similar products. More variations in pairwise comparisons, however, occur in quantitative restrictions than in tariffs. There are also a few pairwise comparisons that are not statistically significant (most of Australia's comparisons with other countries are insignificant, but this may be due to the generally small number of quantitative restrictions documented for Australia).

Table 8-N--Spearman rank correlation coefficients for patterns of world-trade-weighted tariff averages between 11 customs areas ^{1/}

Australia	Austria	Canada	Denmark	European Community	Japan	Norway	Sweden	Switzerland	United Kingdom	United States	Country
*	0.67	0.65	0.63	0.53	0.48	0.59	0.69	0.49	0.66	0.65	Australia
	*	0.50	0.59	0.70	0.61	0.52	0.60	0.55	0.49	0.46	Austria
		*	0.67	0.64	0.64	0.65	0.60	0.42	0.66	0.74	Canada
			*	0.68	0.61	0.84	0.72	0.66	0.49	0.62	Denmark
				*	0.73	0.69	0.50	0.69	0.66	0.51	European Community
					*	0.50	0.34	0.46	0.51	0.55	Japan
						*	0.59	0.52	0.51	0.57	Norway
							*	0.38	0.63	0.46	Sweden
								*	0.38	0.35	Switzerland
									*	0.62	United Kingdom
										*	United States

^{1/} Spearman rank correlation coefficients were calculated on a pairwise basis for the countries' 32 product sector world-trade-weighted tariff averages. Any coefficient above 0.3 can be considered statistically significantly different from zero with a 95 percent probability.

Source: Compiled from data obtained from several U.S. government agencies, the GATT, national tariffs and trade statistics, and public submissions to the Commission.

Table 8-O--Spearman rank correlation coefficients for index patterns of world-trade-weighted specific trade restrictions between 15 countries ^{1/}

Australia	Austria	Canada	Denmark	Belgium/Lux.	Netherlands	France	Germany	Italy	Japan	Norway	Sweden	Switzerland	United Kingdom	United States	Country
*	-0.12	0.29	0.01	-0.21	-0.20	0.03	-0.21	0.29	-0.14	-0.04	0.13	0.00	0.00	0.14	Australia
	*	0.67	0.56	0.61	0.68	0.76	0.74	0.63	0.69	0.52	0.25	0.72	0.86	0.48	Austria
		*	0.46	0.52	0.51	0.71	0.64	0.76	0.49	0.44	0.22	0.64	0.69	0.49	Canada
			*	0.76	0.77	0.43	0.63	0.63	0.71	0.72	0.49	0.53	0.56	0.45	Denmark
				*	1.00	0.58	0.86	0.60	0.67	0.75	0.47	0.65	0.78	0.73	Belgium/Lux.
					*	0.59	0.87	0.60	0.69	0.74	0.49	0.63	0.73	0.74	Netherlands
						*	0.72	0.69	0.63	0.44	0.40	0.57	0.54	0.66	France
							*	0.60	0.70	0.65	0.38	0.59	0.80	0.67	Germany
								*	0.54	0.62	0.54	0.65	0.70	0.47	Italy
									*	0.48	0.21	0.49	0.72	0.42	Japan
										*	0.46	0.73	0.59	0.56	Norway
											*	0.13	0.35	0.44	Sweden
												*	0.66	0.51	Switzerland
													*	0.57	United Kingdom
														*	United States

^{1/} Spearman rank correlation coefficients were calculated on a pairwise basis for the countries' 32 product sector world-trade-weighted share indices of specific non-tariff trade restrictions. These are the indices shown in table 8-K. Any coefficient above 0.3 can be considered statistically significantly different from zero with a 95 percent probability.

Source: Compiled from data obtained from several U.S. government agencies, the GATT national tariff and trade statistics, and public submissions to the Commission.

Comparison of tariff and quantitative restriction
patterns across countries for 32 product sectors

Table 8-P gives the Spearman rank correlation coefficients for 32 product sectors between the tariff heights and quantitative restriction share indices for 15 countries. The relationship between tariff heights and levels of quantitative restriction frequency varies much from sector to sector and there are very few statistically significant relationships between them, the exceptions being positive ones in sectors I-1 (non-electrical machinery), I-8 (coal, petroleum and natural gas), A-6 (dairy products) and A-7 (fish and fish products). There are no significant negative relationships, but the relationship in toys hints that quantitative restrictions might slightly substitute for tariff restrictions among countries in this sector. For most of the 32 sectors, tariffs and nontariff restrictions follow no distinct pattern across countries.

General conclusions on the comparison of tariff
and quantitative restriction patterns

Tariff patterns (heights) and frequency of quantitative restrictions are weakly similar across the 32 product sectors for countries in general, but for particular countries this relationship varies from being nonexistent to being slightly positive. For individual sectors the relationship (across countries) varies from being very weakly negative to being significantly positive; however the statistics for most sectors are in the insignificant range. Tariff patterns themselves are quite similar between countries. Patterns of quantitative restrictions are also quite similar between countries.

Table 8-P.--Comparison of patterns of tariff and specific nontariff trade restrictions across countries, by product sector ^{1/}

Sector	Spearman rank correlation coefficient
<u>Industrial</u>	
I-1 Nonelectrical machinery-----	0.52
I-2 Transport equipment-----	-.06
I-3 Ores, metals and metal manufactures-----	.13
I-4 Chemicals-----	.19
I-5 Textiles-----	.03
I-6 Electrical machines and apparatus-----	.02
I-7 Pulp, paper and paperboard, and manufactures-----	-.26
I-8 Coal, petroleum, natural gas-----	.47
I-9 Mineral products and fertilizers, ceramic products and glass-----	-.20
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	.22
I-11 Wood and cork and manufactures-----	.14
I-12 Precious stones, precious metals and manufactures--	.08
I-13 Rubber and rubber manufactures-----	-.01
I-14 Raw hides and skins, leather and furskins and manufactures-----	-.14
I-15 Footwear and travel goods-----	.00
I-16 Musical instruments, sound recording or reproduction apparatus-----	NA
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	.15
I-18 Furniture-----	.09
I-19 Toys and sporting goods-----	-.35
I-20 Photographic and cinematographic supplies-----	.27
I-21 Works of art and collectors' pieces-----	NA
I-22 Office and stationery supplies-----	.11
I-23 Manufactured articles not elsewhere specified-----	-.17
<u>Agricultural</u>	
A-1 Foodstuffs-----	.33
A-2 Grains-----	.27
A-3 Animals and products thereof-----	.01
A-4 Oil seeds, fats and oils, and their products-----	-.16
A-5 Beverages and spirits-----	.29
A-6 Dairy products-----	.57
A-7 Fish, shellfish and products-----	.51
A-8 Tobacco-----	.22
A-9 Miscellaneous agricultural and forestry products---	.22

^{1/} Spearman rank correlation coefficients were calculated for 32 product sectors between the tariff heights and the quantitative restriction share indices for 15 countries. The world-trade-weighting schemes of averaging were used for both the tariff averages and the share restriction indices for this calculation. A coefficient above 0.44 is considered statistically significantly different from zero with a 95 percent probability.

Source: Compiled from data obtained from several U.S. government sources, the GATT, national tariffs and trade statistics, and public submissions to the Commission.

Import Licensing and Quantitative Restrictions
in Developed Countries

Developed countries were the object of over 40 percent of the complaints dealing with licensing, quantitative restrictions, and similar practices submitted to the Tariff Commission in its survey of trade barriers. Quantitative limitations (including embargoes) drew the largest number of complaints, accounting for about two-fifths of the total against developed countries; licensing requirements accounted for about one-fourth; and export restraints and restrictive business practices each for about one-tenth of the complaints. Licensing requirements and quantitative restrictions are maintained in the following developed countries:

Australia	European Free Trade Area	Ireland
Canada	(of eight) and Finland:	Japan
European Community	Austria	New Zealand
(of six):	Denmark	South Africa
Belgium-Luxembourg	Finland	United States
Federal Republic	Iceland	
of Germany	Norway	
France	Portugal ^{1/}	
Netherlands	Sweden	
Italy	Switzerland	
	United Kingdom	

The countries listed, all of which were the object of complaints submitted to the Commission, were found to maintain approximately 1,000 licensing requirements and over 1,000 quantitative restrictions. In counting licensing requirements and quantitative restrictions for purposes of this report, a requirement for a type of licensing or a type of

^{1/} With respect to development status, Portugal is a "borderline" country but normally considered to be a developing country. It is included here only because of membership in the EFTA.

quantitative restriction on all or part of the products in a BTN heading or subheading by a country is counted as one "licensing requirement" or "quantitative restriction." A country may have more than one type of license requirement (or quantitative restriction) applicable to products in a single BTN heading; each type is counted as one restriction.

There is, of course, a great deal of overlapping between license requirements and quantitative restrictions maintained in any particular country, but all license requirements are not for the purpose of quantitative controls and all quantitative restrictions do not involve licenses. In some cases where licenses serve solely as an administrative tool to allocate announced quotas, they were not reported in the data from which most of the information in the following discussion has been compiled. The United States, for example, has such administrative licenses for announced quotas on dairy products, and sugar. These licences, as well as "permits" necessary for the administration of health or sanitary regulations are not included in the data presented herein. However, the quantitative restrictions with which administrative licenses coincide are included and are discussed in detail.

Australia

Australia maintains 14 licensing requirements applicable to such items as unwrought aluminum, certain earth-moving equipment, tractors, and certain motor vehicles. All of the license requirements are the discretionary type. Australia maintains 10 quantitative restrictions, half of which are outright prohibitions (chiefly against sugar); one is a bilateral quota, two are global quotas and two quotas are of undetermined type.

Canada

Canada maintains 40 licensing requirements, 14 of which are the discretionary type; one is automatic, and 25 are of an undetermined type. Except for gasoline, methane, and casein, most license requirements apply to agricultural commodities. Canada maintains quantitative restrictions on products in 32 BTN headings or subheadings. Sixteen of the restrictions are outright prohibitions, 13 are export restraints administered by other countries, and the remainder are quotas of an undetermined type. The prohibitions are on such products as butter substitutes; animal feeds; used motor vehicles and aircraft; white phosphorus matches; copyrighted products; used periodicals; smoke-screen apparatus; side arms; used mattresses; and certain birds and animals. Some other products theoretically are allowed to enter under licenses but in fact are prohibited because licenses are not granted. Such items include certain dairy products and grains. Frozen turkeys at one time were under import quotas.

European Community (of six) 1/

Belgium-Luxembourg.--Belgium and Luxembourg maintain 34 licensing requirements, eight of which are the discretionary type; six represent liberal licensing; three are automatic; and 17 were not identified as to type.

1/ On January 1, 1973, the United Kingdom, Denmark and Ireland joined the European Community, raising to nine the number of member countries. Most statistical and other data for this report have had to be assembled in terms of EC membership prior to enlargement. To provide comparability with other parts of the report, licensing and quantitative restrictions in the Community are discussed in terms of the 6 original members only. Such restrictions which have been in force in the United Kingdom, Denmark and Ireland are discussed in a subsequent part of the report.

Although products originating outside the Community are generally considered as community products once they are imported and intra-trade theoretically cannot be restricted, trade in a few of these items is prohibited under the provisions of Article 115 of the Treaty of Rome.

A joint Belgium-Luxembourg commission administers the granting of licenses. In screening license applications for certain goods, especially agricultural commodities, the effect of imports on the domestic sector is considered.

All imports from certain Communist countries require licenses. Most licensed products from other countries are agricultural and food items. In the industrial sector, licenses are required on coal and lignite, some petroleum products, a few chemicals, penicillin and its preparations, chemical nitrogenous fertilizers, albumins, dextrans, a few textiles and textile products, some clothing, household linens, natural and synthetic precious and semiprecious stones and dust, some basketry, zinc plates, sheet and strip, and arms and ammunition.

Belgium and Luxembourg have 92 quantitative restrictions. Three of the restrictions are outright prohibitions; 31 are bilateral quotas; 35 represent export restraints by other countries on shipments to Belgium and Luxembourg; 12 are seasonal quotas applied to various flowers, fruits, and vegetables; and 11 other quotas were not identified as to type. The import quotas administered by Belgium-Luxembourg apply to coal, penicillin and its preparations, and a small number of agricultural commodities.

Federal Republic of Germany.--West Germany maintains 35 licensing requirements. Thirteen are discretionary, two are automatic, one is the liberal type, and 19 were unidentified as to type. Products requiring import licenses include bituminous coal, briquettes, solid fuels made

from bituminous coal, crude petroleum oils and oils obtained from bituminous minerals, certain heavy oils, and certain agricultural products.

West Germany has 145 quantitative restrictions. Forty-four are under bilateral quotas, 20 represent global quotas, four are outright prohibitions, 10 represent seasonal quotas, 35 are export restraints by other countries on shipments to West Germany, and 32 were unidentified as to type.

Most quota restrictions apply to agricultural commodities; however, a few industrial products such as tableware, certain fabrics and apparel, and certain ceramic products, are controlled by quotas.

France.--France maintains 115 licensing requirements. Eighty-eight of the requirements are the discretionary type, one is liberal, and 26 were not identified as to type. Licensing decisions generally are made on a case-by-case basis, in which authorities usually consider the essentiality of the commodity, the price, quality, delivery date, and any other relevant factor. Foreign exporters must ascertain before shipping that the French importer holds the requisite license. Licenses, generally valid for 6 months, normally may not be renewed or extended.

Among items which require licenses are most petroleum products, certain lubricating preparations, some prepared waxes, certain lubricant additives, mixed alkylenes, newsprint and paper for periodicals, micro assemblies for radio and television, transistors and semi-conductors, certain armored combat vehicles, certain aircraft, ships, clocks, and watches.

France has 171 quantitative restrictions. Sixteen of the restrictions are outright prohibitions; 46 are bilateral quotas; 48 represent export restraints by other countries on shipments to France; 13 are seasonal quotas applied to agricultural products such as potatoes, tomatoes, grapes, apricots, and melons; and 48 other quotas have not been identified as to type.

The prohibitions are applied to certain kinds of chemical fertilizers, tugboats, meat products, plants, wines and other spiritous beverages, and unmanufactured tobacco. The large number of products under bilateral quotas include synthetic organic dyestuffs, plywood, certain fabrics and carpets, gloves and mittens, certain garments, certain bed and table linens, sacks and bags, umbrellas, tiles, tableware, pig and cast iron, batteries, certain radio apparatus, insulators, tractors, certain boats, telescopes, cameras, toys, fish, certain specialty foods, jams and jellies, and preserved fruit. Quotas unidentified as to type for the most part apply to imports of agricultural commodities.

Netherlands.--The Netherlands maintains 31 licensing requirements. Seven of the requirements are discretionary, three are automatic, six are liberal licensing, and 15 were not identified as to type. Only a few imports requiring licenses are subject to quantitative restrictions. For some products not subject to license, such as certain petroleum shale oils, gas oils, fuel oils, sterile catgut and strings of gut for medical use, the importer must present a special document of registration. Licenses are valid for 6 months and importation must take place within this period, although extensions are permitted.

Import licenses are required on all merchandise from certain Communist countries. They are also required on certain agricultural products regardless of origin, as well as coal and certain products of coal, neutral sodium carbonate, penicillin, certain basketwork, certain mineral or chemical fertilizers, certain textile fabrics, certain processed wool or hair, cotton, jute, and synthetic fiber, yarn, jute sacks and bags, certain garments, pneumatic mattresses, wrought plates, sheets and strip of zinc and zinc foil.

The Netherlands has 54 quantitative restrictions. Two of the restrictions are outright prohibitions, 30 are bilateral quotas, 11 are seasonal restrictions applied to various flowers, fruits, and vegetables, and 11 are quotas of an undetermined type.

Italy.--Italy maintains 99 licensing requirements. Sixty of the requirements are discretionary, 16 are automatic, and 23 are licenses of an undetermined type.

Items subject to license when imported from the United States include milk, cream and sweet butter; dates, figs, and raisins in the bulk; pastes of dates, figs, or raisins; fresh wine grapes; grape must and wine; sugar beets, beet and cane sugar; carobs; acid oils from refining; saccharose syrup; molasses; certain fruit juices, vegetable juices; common salt; pure sodium chloride; sulphur; citric acid and crude calcium citrate; tetraethyl lead; certain anti-knock compounds; certain citrus oils; natural cork; and certain gold products. In addition, certain other items from the United States require "automatic licenses" which are granted upon request.

Italy maintains 163 quantitative restrictions. Eighty-two of the restrictions are under bilateral quotas, one is a global quota, nine are seasonal quotas, 42 represent export restraints by other countries on shipments to Italy, and 29 represent quotas of an undetermined type.

Most products under bilateral quotas are industrial products such as ethyl acetate; tetraethyl lead; certain dyestuffs; certain citrus oils; film; certain anti-knock preparations; certain tires; certain hygienic and pharmaceutical articles; various textile products; certain footwear; umbrellas; tiles; certain tableware; certain glass and glass products; alloy steel; internal combustion engines; sewing machines; electrical generators; certain batteries and various types of radio, television and electronic equipment; certain motor vehicles and motorcycles and parts thereof; and certain toys.

European Free Trade Area (of eight) and Finland 1/

Austria.--Austria maintains 48 licensing requirements, all of which are the discretionary type.

Austria has removed most of her quantitative import restrictions but still maintains 11 global type quotas.

Denmark.--Denmark maintains 104 licensing requirements. Eighty-two of the requirements are the discretionary type, 17 are liberal

1/ To provide comparability with data in other parts of this report, licensing and quantitative restrictions of countries which were EFTA members or associates prior to January 1973 are discussed here. On that date the United Kingdom and Denmark terminated membership in EFTA and joined the European Community.

licenses, and five were not identified as to type. Except for transmission belts, outer garments, tiles, tableware, glassware, unwrought gold and gold coin and knife blades, all license requirements apply to agricultural commodities.

Denmark maintains 36 quantitative restrictions. Fifteen of the restrictions are global quotas; 13 are bilateral quotas. Eight of the restrictions are seasonal restrictions applied to various fresh fruits and vegetables.

Finland.--Although most goods entering Finland are free of licensing requirements, an announcement during August 1973 made imports of certain categories of consumer goods including automobiles, motorcycles, boats and motors, radio and TV sets, stereo equipment, record players, refrigerators and ice boxes for home use, washing machines, sewing machines, and related household goods subject to import licenses. The value of such imports is estimated at only 5 percent of total imports and these controls are said to be temporary. Certain other goods which were already subject to import licenses are under global quotas annually established on a calendar-year basis. A small number of agricultural commodities, food preparations, and mineral fuels require individual case-by-case licenses. A nominal fee is charged for each license.

Finland's trade with Bulgaria, Colombia, Czechoslovakia, East Germany, Hungary, Peoples Republic of China, Poland, Romania, and the U.S.S.R. is controlled by bilateral agreements.

Iceland.--Most restricted items are admitted under global quotas that apply to all countries with which Iceland does not maintain bilateral payments agreements. Items on the restricted list include various agricultural products, cement, petroleum oils, certain crude and fuel oils, certain gasoline, certain ropes and cords, certain transformers, certain types of furniture, and certain brooms and brushes. All goods on the restricted list require individual licenses when imported from bilateral payments agreement countries; licenses for such imports are issued in accordance with bilaterally agreed quotas.

Certain items, including fertilizers, tobacco, matches, alcoholic beverages, fresh vegetables, and potatoes are only imported under state trading. None of these commodities, however, are subject to specified quantitative restrictions.

Norway.--Norway maintains 87 licensing requirements. Eighty-six of the requirements are discretionary; one is a liberal licensing requirement. Relatively few commodities originating in the dollar area are subject to import license regulations. Goods requiring licenses are generally under global quotas. These include certain ships' stores, certain rice, certain live animals, cheese, flower bulbs, tubers, cut flowers, certain plant parts, grasses, moss, foliage, glucose, ice cream, fruit and vegetable juices, fat emulsions, and egg albumin. For certain agricultural products licenses are granted only to the extent imports are needed to supplement domestic production to meet demand.

Norway maintains 56 quantitative restrictions. Twenty-nine of the restrictions are bilateral quotas, 18 are global quotas, and nine are seasonal restrictions.

Goods under global quotas include the following commodities: certain ships' stores, rice, certain live animals, certain cheeses, flower bulbs, tubers, cut flowers, certain plant parts, grasses, moss, foliage, glucose, ice cream, fruit and vegetable juices, certain fat emulsions, and egg albumin. Certain agricultural products are excluded if the relationship between domestic demand and domestic production is unfavorable for imports. Special decrees regulate imports for health reasons to prevent the spread of animal and plant diseases and parasites. These regulations apply to live animals, milk products, certain meat and animal products, living plants, fresh vegetables, edible roots, and certain seeds. Other regulations established for safety purposes govern electrical equipment.

Portugal. 1/--There are 42 licensing requirements on imports into Portugal. An import license is required for all imports valued at \$87.50 or more. Most products have been liberalized, which means that licenses for these imports are granted automatically. Licenses for nonliberalized products are considered on their individual merits (e.g., supply of domestic products, prices, and trade-agreement commitments.) Thirty-six of these license requirements are discretionary,

1/ Portugal is considered in most trade contexts as a developing country but is listed here under developed countries only because of her membership in EFTA.

two are liberal licensing requirements, and four were not identified as to type. Licenses are usually valid for 3 months. Foreign exporters must ascertain that Portuguese importers have licenses which will be valid on the day that goods arrive. Products which have not been liberalized include codfish, certain milk and cream, butter, potatoes, most cereals, cereal flours, starches, olive oil, groundnut oil, certain sugar, adhesives, cotton, cotton lintens, sisal and other agave fibers, fishing nets, rubber footwear, certain types of cylinders, safety glass, glass bottles, carboys, glass beads, glass fiber, certain iron and steel tubes, pipes, clasps, buckles, certain rivets, certain circuit breakers, certain types of resistors and motor vehicles.

Portugal maintains 15 quantitative restrictions. Three of the restrictions are bilateral quotas against industrial products such as piping and tubing, apparel, and certain rubber products. There are 11 global quotas applied against such products as sugar, fish, and certain motor vehicles and parts. There is one prohibition imposed against imports of iron and steel and certain products thereof.

Sweden.--With the exception of a few agricultural and fishery products, practically all goods imported into Sweden from the United States and most other countries are free from quantitative restrictions and import licensing. Import licenses are required for goods imported from Japan, the Bonin Islands, the Ryukyu Islands, certain Pacific Islands under U.S. control, Albania, Bulgaria, the Peoples Republic of China, Czechoslovakia, East Germany, Hungary,

North Korea, Mongolian Peoples Republic, Poland, Romania, the U.S.S.R., and North Vietnam. Sweden maintains 24 licensing requirements. Fifteen are of a liberal type, six are automatic, one is discretionary, and two are of an undetermined type.

Sweden maintains 66 quantitative restrictions. Sixty-three are bilateral quotas applied to such products as sugar, gauze, bandages, various textiles and textile products, footwear, tiles, tableware, statuettes, and fish. There are two seasonal quotas (on apples, pears, etc.), and one prohibition on certain toys.

Switzerland.--Switzerland has 80 licensing requirements. Sixty-one of the license requirements are of a liberal type which usually are automatically granted, 17 are discretionary, one is automatic, and one is of an undetermined type.

Switzerland maintains 50 quantitative restrictions. Twenty-eight of the restrictions are global quotas, four are bilateral quotas, and one is a quota of an undetermined type. Most restrictions are applied against agricultural products. Ten of the 50 restrictions are outright prohibitions (chiefly against chemicals and chemical products) while seven others are seasonal restrictions on such products as tomatoes, onions, apples, pears, stone fruit, and certain berries.

Quantitatively restricted imports include such products as eggs, cut flowers, certain cereals, cattle, fresh or preserved meat and meat products, certain animal fats, fresh vegetables, potatoes, cotton and jute textiles, all kinds of clothing,

certain carpets, apples, pears, apricots, plums, cherries, wine, lubricating oils, specified chemicals, grape juice, fodder, wheat flour, alcohol, butter, powdered milk, bread wheat, and casein. Some products not quantitatively restricted also require import permits (i.e., products subject to health, plant quarantine, and veterinary regulations as well as those controlled by law and regulations concerning public morals and safety).

The primary objective of the quota controls is to protect Swiss agriculture and to assure a domestic supply of foodstuffs in case of need. All quantitatively restricted imports require import licenses. Import applications are examined individually and licenses are issued within unpublished quotas, which may vary from year to year, depending on domestic crops, production, and stock.

United Kingdom.--The United Kingdom maintains 10 licensing requirements. Four of the licensing requirements are discretionary and six are undetermined as to type. Unrestricted entry of most goods from the United States and other countries, except the Eastern Trading Area, is permitted under open general license, a privilege which allows British importers to enter goods without applying for a validated license.

The United Kingdom maintains 145 quantitative restrictions. Thirty-five of the restrictions are bilateral quotas, 22 are global quotas, and 26 are quotas of an undetermined type. Nine of the

restrictions are outright prohibitions against such items as hams, fish, sodium glutamate and steel traps; three are seasonal quotas against such products as tomatoes and onions. Fifty of the restrictions represent export restraints administered by other countries on shipments to the United Kingdom.

Import restrictions of primary interest to U.S. exporters are "global" quotas but in some instances specifically applicable only to the United States and other members of the dollar area, including Canada. Articles restricted under dollar area quotas include fresh grapefruit, canned grapefruit, frozen grapefruit, grapefruit and orange juice, rum, cigars, and bananas. These quotas originally were imposed when the United Kingdom had balance-of-payments problems, but the United Kingdom ceased to invoke this justification in 1960. It has been estimated that the trade loss to the United States resulting from dollar area quotas from 1960 to date exceeds \$60 million, with the current loss running \$10-15 million per year. Their continued existence has been one of the more contentious trade problems between the United Kingdom and the United States in recent years and in June 1973 an agreement was signed which provides for increases in the quotas over the next few years until a complete phase-out is achieved on most items by 1977.

Other items which are subject to annual import quotas are butter, butterfat, butter oil, coal, coke, coffee, certain bird feathers, certain firearms, fresh apples and pears, certain gold

medals, gold coins, certain hams, milk, certain animal food, certain fresh potatoes, certain radioactive substances, clover and grass seeds, certain sugar, certain jute manufactures, and shotguns.

Ireland

Ireland maintains 50 licensing requirements. Forty-nine of the restrictions are the discretionary type; one is an undetermined type. Licenses are necessary on a large number of agricultural commodities. Industrial items requiring licenses include private cars, buses, commercial vehicles, certain tractors, and bodies and chassis for these vehicles.

Ireland maintains 12 quantitative restrictions. Eight of the restrictions represent global quotas; the remaining four are seasonal quotas on such items as onions, apples, and tomatoes. The global quotas apply to such items as superphosphate; rubber tires and tubes; yarns, apparel, and piece goods; hose; vehicular springs and sparkplugs; electric lamps; and brooms and brushes.

Japan

All commercial imports into Japan, except those valued at less than \$200 and samples valued at less than \$1,000, require an import license, usually valid for 6 months from date of issuance. In practice, licenses for most imports are granted freely, but some items included on the "nonliberalized" list are subject to quantitative import restrictions. In 1963, the International Monetary Fund declared that Japan was no longer entitled to maintain import restrictions for balance-of-payments reasons. In recent years Japan has progressively reduced the number of

items on the "nonliberalized" list. In October 1969, there were approximately 118 items included on this list. A year later the number was down to 90 and by April 1973 down to 32. Table 8-Q lists the 32 BTN categories currently subject to quantitative import restrictions applied by Japan (at unpublished levels) contrary to the provisions of GATT and not covered by waivers.

The table indicates that there are eight industrial items remaining on the "nonliberalized" list, including digital computers, accessories, and components; certain integrated circuits; 1/ leather and leather footwear; coal, and ethyl alcohol. The remaining 24 items on the list are such agricultural products as beef, beans, peas, oranges, citrus juices, edible peanuts, and certain tomato products.

"Nonliberalized" commodities are subject to the Import Quota (IQ) system, which requires that the importer first apply to the Ministry of International Trade and Industry (MITI) for an import quota allocation certificate. If the certificate is granted (with or without conditions), the certificate entitles the holder to receive automatically an import license from an authorized foreign exchange bank upon application.

All remaining commodities were formerly imported under an Automatic Import Quota (AIQ) system and an Automatic Approval (AA) system. Under the former system, the importer applied to MITI for an import quota allocation certificate, which was usually granted automatically without restriction. Under the Automatic Approval (AA) system,

1/ In June 1973, the Japanese announced a plan to completely liberalize imports of integrated circuits in 1974 and computers in 1975. However, various other protective measures were being considered, such as financial assistance for the development of new computers, promotion of the use of computers by smaller businesses, etc.

Table 8-Q.--BTN categories currently subject to quantitative import restrictions applied by Japan (at unpublished levels) contrary to the provisions of GATT and not covered by waivers

BTN No.	Commodity description
	:
EX 02.01	: Beef
EX 03.01	: Herring, cod, yellow tail, mackerel, sardines, horse : mackerel, etc.
EX 03.02	: Hard roe of cod and herring
EX 03.03	: Scallops and cuttlefish
EX 04.01	: Fresh milk and cream
EX 04.02	: Milk and cream, processed
EX 04.04	: Processed cheese
EX 07.05	: Beans and peas
EX 08.02	: Fresh oranges and tangerines
EX 08.11	: Prepared oranges and tangerines
EX 11.01	: Flours of wheat, rice, barley, and other grains
EX 11.02	: Groats and meal of grain
	11.07 : Malt, roasted or not
	11.08 : Starches and inulin
EX 12.01	: Ground nuts (excluding those for oil extracting purposes)
EX 12.08	: Edible seaweeds
EX 14.05	: Other seaweeds
EX 16.02	: Prepared or preserved pork or beef.
EX 17.02	: Grape sugar, milk sugar, and malt sugar not containing : added sugar
EX 20.05	: Fruit puree and fruit pastes
EX 20.06	: Pineapple containing added sugar or spirit, fruit pulp, : and roasted ground nuts
EX 20.07	: Fruit juice (excluding lemon juice) and tomato juice
EX 21.04	: Tomato ketchup, tomato sauce, and mixed seasonings, : chiefly consisting of sodium glutamate.
EX 21.07	: Food preparations containing sugar, beverage bases, : peanut butter
EX 27.01	: Coal
	41.02 : Cattle and horse leather
EX 41.03	: Sheep and lamb skin leather
EX 41.04	: Goat and kid skin leather
EX 64.02	: Leather or fur skin footwear
EX 84.52	: Digital computers and accessories and components
EX 84.53	: Digital computers and accessories and components
EX 84.55	: Digital computers and accessories and components
	:

Source: Compiled from information supplied by the Japanese Embassy.

licenses were issued freely and without limitation by authorized banks without prior approval of MITI. Steps to simplify these procedures have resulted in the elimination of the AIQ system in February 1972 and replacing the AA system with a reporting system in December 1972. Liberalization was also recently made in the collateral requirements and the level of duty free allowance for travelers. However, importers who wish to pay for imported goods on terms different from the standard methods of settlement still must obtain advance government approval.

Because Japan is enjoying a very large trade surplus, complaints have become highly vocal concerning Japan's continuance of unwarranted quantitative restrictions on imports. In an effort to placate these complaints, Prime Minister Tanaka directed the Minister of Agriculture in March 1973 to study and make recommendations regarding liberalization of agricultural commodities, despite strong domestic opposition. It is believed that any such liberalization will be accompanied by domestic programs aimed at safeguarding farm income on a commodity-by-commodity basis. In the industrial sector, the main effort is being concentrated on computers. The Japanese government has announced that it will work toward eventual elimination of all remaining quantitative restrictions, with an interim expansion of those quotas still in existence.

Among moves to reduce its large trade surplus, in 1973 the Japanese government began controlling exports on an item-by-item basis with respect to price, amount, destination, and conditions of sale. However,

Japan has recently shown monthly trade deficits with both the United States and the rest of the world and certain of these self-imposed quotas are being discontinued.

New Zealand

About half of New Zealand's imports require some type of licensing. Similar goods receive the same treatment regardless of source: Most licenses are issued to importers according to a percentage allocation based either on the amount of their previous period's licenses or on the amount of actual imports made during a previous period. A few applications are considered individually and some are considered only in exceptional circumstances.

Under certain conditions, additional import licenses are issued to manufacturers for raw materials and components used in manufacture for export.

Importation into New Zealand of the following items is completely prohibited: Apples (except from Okanagan Valley, British Columbia), bees, birds' nests and bird-nest soup, chaff, feathers of protected birds, fish except tropical fish, hay, kumaras (except from Nive Island), live domestic poultry (except from Australia), molasses (except from Australia and Mauritius), moss (except sphagnum moss), noxious weeds, peat (except from United Kingdom and Eire), poultry meat, second-hand drums (except empty from South Pacific Islands and Antarctica), soil, sand and clay (except for manufacturing, scientific, or ballast purposes), straw, tortoises and turtles, used egg crates and fillers, and used sacks.

The following items are prohibited from some areas and subject to restriction from others: Animals, animal foods, animal hair, animal semen and ova, aviary birds, day-old chicks, turkey poults, ducklings,

pheasants, bananas, beekeeping appliances (used), biological products, birds, bone flour, bone meal, meat meal, boxes (for horses, cattle, dogs, cats, etc.), broom millet, bulbs, corms, tubers, the carcass of any bird, reptile, or mammal, citrus fruit, doctors' leeches, eggs, egg products and egg containers, feathers of unprotected birds, feathers for fly-tying purposes, fish (tropical), flowers, fruit, grapes, grape vines, herbarium specimens, hides, skins, lizards, meat and meat products, molasses, noodles, organisms causing disease, ova of salmon and trout, plants, potato tubers, research specimens, sausage casings, seeds, sheepskin rugs, skin drums, stored products, sweet corn and popcorn, timber, turtle shells, used vehicles (including tractors, earth-moving machinery, and associated equipment), vegetables, wheat, wool, (excluding that manufactured into articles suitable for sale to the general public), and zoological specimens.

South Africa

Except for a few items, imports from all countries require a prior import permit (i.e., license). The few exemptions include such items as samples of no commercial value, gifts under a specified value, and goods in transit. Goods subject to import licensing fall into 3 categories: (1) goods licensed "on the basis of reasonable requirements"; (2) vehicles subject to special controls; and (3) quota goods. Goods in the first category include capital equipment, industrial raw materials, maintenance spares and consumable stores, and specified consumer goods. Importers desiring to enter these goods must furnish details of previous purchases, current stocks and sales. The issuance of licenses is at the discretion of government authorities.

United States

The principal quantitative import restrictions applied by the United States are on certain agricultural commodities, textiles, vessels for use in coastwise U.S. trade, and, prior to May 1973, crude petroleum and petroleum products. The restrictions on agricultural products are imposed principally pursuant to Section 22 of the Agricultural Adjustment Act of 1933, as amended, the Sugar Act of 1948, as amended, the Agricultural Marketing Agreement Act of 1937, and the Meat Import Act of 1964. Restrictions on cotton textiles are applied under international agreements which have been negotiated under authority granted to the President by Section 204 of the Agricultural Act of 1956. The prohibition against foreign-built vessels in coastwise U.S. trade is contained in the Merchant Marine Act of 1920, and the limitations on petroleum were applied under the National Security Provisions of the Trade Agreements Extension Act of 1958 and the Trade Expansion Act of 1962. These major restrictions, and others of lesser significance, are summarized below. For international comparison purposes, U.S. quantitative restrictions totaled 188 in the counting method used in this report.

Section 22 of the Agricultural Adjustment Act, as amended.--For many years the United States has assisted the agricultural sector of the economy by supporting prices of specified agricultural products. If the support programs have resulted in domestic prices higher than world prices, imports, if not restricted, would increase and tend to depress prices. Hence, it was recognized that import limitations were necessary to prevent interference with the programs.

Import restrictions were initially provided for in 1935 by the addition of section 22 to the Agricultural Adjustment Act of 1933.

Most agricultural imports have not come under section 22 restrictions. Currently, section 22 import quotas are imposed on four products or groups of products: 1/ (1) Certain dairy products; (2) cotton, certain cotton waste, and semiprocessed cotton; (3) wheat and wheat flour, and (4) peanuts.

Sugar Act of 1948, as amended.--It is unlikely that any significant quantity of sugar would be grown in the continental United States if domestic production had to compete with uncontrolled imports of sugar. Since the sharp reduction in the tariff on sugar in 1934, a quota system has been used to annually allocate the quantity needed for domestic consumption to U.S. producers and a number of foreign countries. 2/ Under the sugar acts, domestic producers have generally supplied from 50 to 55 percent of the sugar marketed in the United States. Since 1962, mainland beet and cane areas have been allotted 65 percent in the annual growth in consumption requirements. During the 1964-70 period, imports charged against the U.S. import quota ranged between 3.6 and 5.2 million short tons.

1/ During 1973, the Tariff Commission at the request of the President instituted several investigations to consider whether import quotas on cotton fiber, cotton waste, certain cotton products (e.g., card laps); wheat and wheat mill products; nonfat dry milk and animal feeds containing milk or milk derivatives, cheeses and substitutes for cheeses; and butter and butter oil should be increased or suspended. As of December 31, 1973, investigations were in progress on wheat and wheat mill products, nonfat dry milk and animal feeds containing milk or milk derivatives, and butter and butter oil. Temporary increases in quota limitations were allowed during 1973 for cheeses, nonfat dry milk, butter and butter oil.

2/ Imports of sugar are not limited if used in the production of livestock feed or alcohol, or if to be exported or used in the production of goods for export.

The Secretary of Agriculture may also limit the importation of sugar containing products to a quantity which he determines will not substantially interfere with the objectives of the limitations on sugar. Beginning in 1972, imports of confectionery and certain sweetened chocolate were made subject to quota control.

Agricultural Marketing Agreement Act of 1937, as amended.--Marketing order programs for certain fruits and vegetables are authorized pursuant to the Agricultural Marketing Agreement Act of 1937, as amended. Under this authority, restrictions may be imposed which limit the size, grade, or quality of domestic products which may be permitted to be marketed. Such orders may not be issued until after public notice and opportunity for hearing by any interested persons. When restrictions are imposed on domestic marketings, the same general restrictions may be applied to imported products. In 1972 import requirements were applicable to 11 commodities.

The national security clause (section 232) of the Trade Expansion Act of 1962.--Since World War II the import trade in a number of commodities has been evaluated in light of the effect on national security, and legislative measures designed to ensure that imports do not impair the national security have been enacted. The main provision of law presently operative on this matter is section 232 of the Trade Expansion Act of 1962. Several domestic industries have sought to invoke the national-security provisions of the TEA, but only in the case of petroleum and petroleum products has such an appeal resulted in quantitative restrictions on imports.

For fourteen years, from the spring of 1959 until May 1973, mandatory quantitative restrictions were applied to imports of crude petroleum and petroleum products. 1/ Imports were regulated by licensed quota allocations to individual companies, based principally on the amount of domestic crude oil processed in the preceding year. Notwithstanding the import restrictions, aggregate U.S. imports of crude petroleum and petroleum products increased at a greater rate than domestic production of crude oil, due principally to increased imports of residual fuel oil, which became essentially decontrolled in April 1966. The ratio of imports to consumption in 1958-71 for crude petroleum ranged from 11-1/2 percent to 15 percent; for petroleum products (except residual fuel oil and petroleum asphalt) the ratio averaged between 2 and 6 percent.

In 1971, about 613 million barrels of crude oil were imported into the United States. In the same year U.S. imports of petroleum products including unfinished oils (other than residual fuel oil and petroleum asphalt) totaled 217 million barrels, and approximately 575 million barrels of residual fuel oil were imported. In 1971, about 43 percent of U.S. imports of crude petroleum came from Canada and about 2 percent from Mexico. 2/

1/ The mandatory restrictions were preceded by a Voluntary Oil Import Program, put into effect on July 1, 1957. Under the Voluntary Program, importers were requested to cut back imports of crude oil to a level 10 percent below their average annual imports in 1954-56. Late in 1958 it became evident that the Voluntary Oil Import Program was not accomplishing its purpose. Also, since finished petroleum products were not covered by the programs, imports thereof rose sharply. On May 1, 1973, the system of controlling the absolute quantity of imports by quotas was terminated and a license fee system instituted under which there are no absolute quantitative limitations.

2/ Imports from Mexico reported as crude oil are believed to be substantially all unfinished oils.

Restraints on meat.--Imports of fresh, chilled, or frozen meat of cattle, goats, and sheep (except lambs) are subject to the provisions of the Meat Import Act of 1964. The act provides that annual imports shall not exceed 725.4 million pounds, adjusted upward or downward by the same percentage that domestic commercial production changes in comparison with production during 1959-63. Consequently, as domestic production has increased during 1965-73, the basic limitation has increased each year from 848.7 million to 1,046.8 million pounds. Limitations are not required under the act until imports exceed the so-called trigger point--10 percent above the basic limitations. The level of imports remained substantially below this trigger point until 1968 when they increased sharply and threatened the imposition of quota limitations at the base levels.

The act provides that the quotas may be suspended if trade agreements entered into subsequent to the enactment of the legislation ensure that the policies set forth in the act will be carried out. Consultations were held in 1968 and voluntary restraints of exports to the United States were instituted which allowed annual imports of between 1 and 1.2 million pounds during the 1968-1972 period. However, on June 26, 1972, the President directed removal of restrictions for the balance of 1972 to assist American importers to obtain beef in world markets and slow down the increasing trend in meat prices. Similarly, on January 29, 1973, restrictions on imports were proclaimed for 1973 and immediately suspended.

Quotas under international agreements.--The United States imposes restrictions on certain imports under provisions of international agreements to which this country is signatory. In 1973, two such international agreements were in effect--the Long-Term Arrangement Regarding International Trade in Cotton Textiles 1/ and the International Coffee Agreement. 2/ Although the bulk of trade in products to which these agreements relate is controlled through export restraint measures, the successful operation of each agreement depends upon some measure of import restraint.

United States-Philippine Trade Agreement.--Under the 1946 trade agreement between the United States and the Philippine Republic, as revised, and the Philippine Trade Agreement Revision Act of 1955, imports of the following articles were made subject to absolute quotas as shown:

- (1) Sugars----- Annual quota of 952,000 short tons, of which not over 56,000 short tons may be in the form of refined sugar. 3/

1/ The LTA expired on December 31, 1973. It was subsumed by a multifiber "Arrangement Regarding International Trade in Textiles" which entered into force on January 1, 1974.

2/ The United States also "assists the governments of Taiwan and Korea in implementing limitations on their shipments of wool and man-made textiles to the United States under voluntary restraint agreements with these countries.

The United States monitors imports of steel to assist the European Community, the United Kingdom, and Japan in their "voluntary" restraints on exports of steel mill products to the United States.

3/ The quota allocated to the Philippines under the Sugar Act is invariably larger than that provided for in the Philippine Trade Agreement Revision Act, which provides that the sugar quotas established therein shall be without prejudice to any increases which the Congress might allocate to the Philippines. Hence, the absolute quota under the United States-Philippine Trade Agreement is inoperative and the Philippines actually participates in the U.S. sugar market to the extent authorized by the Sugar Act.

(2) Cordage of hard fibers----- Annual quota of 6,000,000
pounds each calendar year

The quotas were terminated on December 31, 1973.

Merchant Marine Act of 1920.--Under provisions of this act, foreign built vessels cannot be used in U.S. coastwise trade. Complaints have been lodged against this embargo by foreign suppliers of dredgers, tugs, hovercraft, and ships and boats.

Miscellaneous quantitative restrictions on U.S. imports.--In addition to the major U.S. import restrictions already discussed, imports into the United States of certain other articles are either prohibited entry or quantitatively controlled pursuant to various laws.

The Foreign Assets Control Regulations prohibit importations of merchandise of North Korean, North Vietnamese or Cuban origin not specifically licensed. Prior to June 1971, similar restrictions were in effect on merchandise from the Peoples Republic of China. The Rhodesian Sanctions Regulations prohibit the unlicensed importation of merchandise of Rhodesian origin. Products of Cuban, Rhodesian, ^{1/} North Korean or North Vietnamese origin are usually not granted licenses.

An embargo on seven types of furskins--mink, fox, muskrat, marten, weasel, ermine, and kolinsky--imported from the Soviet Union and the Peoples Republic of China is imposed pursuant to section 11 of the Trade Agreements Extension Act of 1951.

^{1/} Since January 1972, imports from Rhodesia of certain strategic and critical materials and ferrochrome produced from Rhodesian chromite have been allowed pursuant to a general license issued under the Rhodesian Sanctions Regulations.

Importation of articles using unfair methods of competition may be prohibited if the President determines the effect or tendency of such imports is to destroy or substantially injure an industry efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to destroy or monopolize trade and commerce in the United States. Articles excluded under this provision in 1972 included certain lightweight luggage, certain panty hose, and furazolidone, all of which were covered by claims of an unexpired valid U.S. patent.

In addition, a number of import restrictions are imposed as necessary to protect the morals, health, safety, and security of the citizens of the United States or for the conservation of wildlife.

Import Licensing and Quantitative Import
Restrictions in Developing Countries

Of the complaints dealing with licensing, quantitative restrictions and similar practices submitted to the Tariff Commission in the survey of trade barriers, almost 60 percent were against developing countries. About one-third of such complaints concerned import licensing requirements encountered in LDC's, and slightly less than one-third were against outright import prohibitions or embargoes. Quotas and exchange controls were the next largest categories. Among the developing countries named in the complaints were those listed below.

Latin America

Argentina
Barbados
Bolivia
Brazil
Central American Common
Market (Costa Rica,
El Salvador, Guatemala,
Honduras, Nicaragua)
Chile
Colombia
Dominican Republic
Ecuador
Guyana
Haiti
Jamaica
Mexico
Netherlands Antilles
Panama
Peru
Surinam
Uruguay
Venezuela

Asia

Afghanistan
Burma
India
Indonesia
Republic of Korea
Malaysia
Pakistan
Philippines
Taiwan
Thailand

Europe and Middle East

Cyprus
Greece
Israel
Iran
Jordan
Kuwait
Lebanon
Malta
Saudi Arabia
Spain
Turkey

Africa

Arab Republic of Egypt
Algeria
Angola
Central African
Customs and Economic
Union
(Cameroon, Central
African Republic,
Congo, Gabon) and
Chad
Ethiopia
Ghana
Malagasy Republic
Malawi Republic
Mauritius
Morocco
Nigeria
Rwanda
Tunisia
West African Customs
Union
(Dahomey, Ivory
Coast, Mali,
Mauritania,
Niger, Senegal,
Upper Volta)

Licensing and quantitative import restrictions encountered in exporting to the named countries are discussed, in alphabetical order by geographic area, in the following pages.

Latin America

Argentina.--There are no general import license requirements. However, special approval is needed for importation of live animals, internal combustion engines, passenger cars, certain other transport vehicles, certain tractors, automotive chassis, insecticides, veterinary products, foodstuffs, pharmaceutical products, and arms and ammunition.

Barbados.--Most items may be imported into Barbados under open general license but a limited number of products are under specific licenses granted on an individual basis. These include wholly and semimanufactured gold; belts, handbags and containers made of plastics; coconut meal; cottonseed meal; detergents; soap; eggs; fats and oils; poultry; prepared poultry feeds; fresh and frozen fish; macaroni, spaghetti, vermicelli, and other alimentary pastes; granulated sugar; lumber; aspirin; vitamins; sulfa tablets; phenobarbital tablets; potatoes; fresh, frozen and chilled vegetables; and condensed, evaporated and dried milk.

Bolivia.--For importation of some goods a prior license must be presented at a Bolivian consulate with other documents for approval. These products include bacon, milk, wheat, rice, cereal, flour, malt, lard, tallow, vegetable oils, certain solid sugars, molasses, tobacco products, natural sulphate, crude petroleum, paraffin, carbides,

organo-sulphur compounds, polymeric products, regenerated cellulose, hardened albuminated materials, transformed natural resins, other polyethylenes, patches, tires, tubes, certain synthetic or artificial textile fiber yarns, certain construction machinery and vehicles powered by diesel engines.

Since April 1968, Bolivia has prohibited importation of a list of goods competitive with Bolivian industry. The prohibited list includes many consumer goods, pharmaceuticals, foodstuffs, wearing apparel, household goods, and certain raw materials. The usual requirements for prior authorization are placed on imports of firearms, explosives and other dangerous goods.

Brazil.--All goods imported into Brazil generally require one of two types of import licenses: (1) The import license for commodities which benefit from special tariff concessions, privileges or controls and (2) an import permit for the vast majority of other commodities. Licenses are valid for 120 days. To obtain a license, the foreign exporter is often required to furnish a pro-forma invoice and a list of prices. Import licenses for imports of automobiles and goods considered "superfluous" will only be issued when the exchange contracts are already closed.

Central American Common Market countries

The five members of the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) all have some form of import controls which apply to most classes of the following commodities: Firearms, ammunition and explosives;

industrial or beverage alcohol or products used in the manufacture of either; seeds, plants and plant products.

In addition, El Salvador requires licenses for the importation of certain sugar cane, burnt sugar, certain burnt malt extract and caramel coloring, skins and leathers, certain liquors, distillery machinery, cotton for industrial use, jute packing and containers, coffee seeds and coffee plants for propagation, and labels for domestic and foreign goods. The importation of implements of war, material for the manufacture of certain wines, saltpeter, raw cane spirits, stamped cigarette paper, flour in used sacks, postage stamps, other fiscal stamps and documents and national coins, is reserved to the Government. Guatemala requires licenses for the importation of natural or synthetic rubber manufactures and semimanufactures.

Chile.--Import licenses are not required; however, importers are required to "register" all imports. Registration requires information of volume and value of imports of similar merchandise during the previous year. The importer must also submit a pro forma invoice which will verify that the price of the commodity being imported corresponds to its current price in the international market.

Colombia.--Most imports into Colombia are subject to import licensing by the Institute of Foreign Commerce. Licenses are required for all items which according to their tariff classification are neither on the "freely permitted list" nor on the list of prohibited imports. Items currently produced in Colombia in sufficient quantity and quality and those for which the Government desires to promote domestic production are either subject to import-limiting requirements or placed on the list of prohibited imports.

Dominican Republic.--Due to chronic balance-of-payments deficits, all imports require prior authorization and nonessential imports are controlled by exchange restrictions. In addition, specific import licenses are required for a few products such as fruits, plants, flowers, vegetables, wheat, wheat flour, semolina, and heavy construction machinery. Products exempt from import restrictions in general include medicinals, scientific and medical equipment and surgical instruments, veterinary products, livestock and poultry for breeding, agricultural equipment and implements, farm machinery and accessories, barbed wire, seeds, insecticides, fungicides, herbicides, fertilizers, industrial machinery and equipment, industrial containers, most raw materials, petroleum, and products thereof.

Ecuador.--All items permitted to be imported are on one of two category lists. List I consists of items considered essential; list II includes "semi-essential" or "luxury" products or items produced domestically in sufficient volume to satisfy demand. Products not appearing on either list are prohibited entry. Licenses are required for all imports except books, newspapers and periodicals. The importer must in some cases provide the seller's price lists and/or samples or, in some cases, a pro forma invoice covering the goods for which the license is sought.

The license requirement is waived under certain circumstances, such as equipment and materials destined for the development of national production when imported as investments by firms holding Government contracts.

Special authorizations are required for a number of imports, usually when the Government exercises some control over the production and distribution.

Guyana.--For most imports, an open general license is required, but a specific license is necessary for a few items including vegetables, cereals, meats, poultry, jewelry, gold, firearms, certain petroleum products and other fuels. Imports of the following products are prohibited: Matches, shaving and tooth brushes, base coin of any country, opium, fictitious stamps, infected cattle, food unfit for consumption and indecent articles. A number of other items are restricted. These include: Arms, ammunition, certain drugs, wines, spirits, tobacco, tobacco products, exotic fish, and certain films. Guyana prohibits all trade with Southern Rhodesia, South Africa, and Portugal and possessions. Trade with certain Communist countries is controlled.

Haiti.--There are no formal import licensing requirements although there are procedures for imposing import quotas or prohibitions where necessary to protect local industry. At present the following products benefit from such protection: Certain types of footwear, various household articles of aluminum or enamel, detergents, rubber heels and soles, various plastic articles, cotton fabrics, tomato paste, sugar, butter, flour, machetes, indigo, shoe laces, candles, and shoe polish. In the event of local shortage, these products may be imported with prior Government authorization.

In addition, imports of certain products are controlled by designated monopolies. These include fish, hardboard, cellotex, plywood, formica and corrugated roofing materials. Prohibited imports include used clothing, used household furnishings, old newspapers, and Christmas trees.

Jamaica.--Items prohibited entry into Jamaica include various animals, certain citrus and other fruit, clocks and watches. Most other goods from all countries (except Communist countries and South Africa) may be imported under general license. Approximately 150 items require specific import licenses, including specified food products, textiles, apparel, pharmaceuticals and synthetic detergents.

Mexico.--Mexico's general policy regarding imports is protectionist. Imports are controlled through a licensing system designed principally to encourage and protect domestic producers, to direct investment into economic sectors determined to require increased production, and to assure that foreign exchange is utilized primarily for essential imports. Major objectives are to replace imports with domestic products and to obtain sources of supply other than the United States. The Mexican Government requires that fixed minimum amounts of Mexican-made components be included in certain manufactured products. Tax exemptions are often granted to companies with a certain percentage of their products manufactured in Mexico.

Licenses are controlled and approved by various committees which represent the most important segments of industry. Import license controls apply equally to all countries and at first glance, the procedure might seem simple and uncomplicated. However, the vagueness of the rules for granting licenses causes a number of complaints from businessmen. Often the border is closed to products without explanation from the committee making the ruling and without adequate appeal. Firms are often forced to purchase Mexican products by withholding import licenses.

In recent years the Mexican Government initiated a campaign to reduce Mexican purchases in border stores on the U.S. side and to reintegrate the Mexican border zone into the economy of the rest of the country. Processing plants which have been established in Mexico along the U.S.-Mexican border (frequently specifically for utilization of the advantageous U.S. duty of TSUS item 807.00) are permitted duty-free importation into Mexico provided all of their end-products are exported. Adequate control must be exercised over such products to insure re-export.

Netherlands Antilles.--A license is required for all imports except those from European Community countries, the United Kingdom, Surinam, British and French West Indies, Guyana, and French Guiana. In practice, licenses are issued routinely except for a few luxury items such as tobacco products, alcoholic beverages and fireworks. Specific licenses are required for imports of hay, certain meats, live animals, birds, copyrighted books, certain base metal coins, parathion, certain explosives, and absinthe.

Panama.--Import quotas have been placed on a variety of goods, including fats and oils and other processed foods, toilet preparations, soaps, detergents and certain textiles.

Prior import licenses are required for a substantial list of products. Among the more important are specified products in the following commodity groupings: Fresh or dried fruits and vegetables, canned or preserved foods, beverages, textiles, clothing and footwear, and soaps and detergents. In addition, all food, certain chemicals and drugs, and beverage products must be approved by and registered before sale in Panama.

Peru.--Import licenses are not required except for firearms, explosives, textile machinery, animals, seeds, grains, plants and plant parts. Peru prohibits all imports of certain luxury and non-essential items, which include certain foodstuffs (meat, fish, vegetables, fruits, coffee, tea, cereals, flour, sugars), tobacco products, cosmetics, luggage, furs, paper products, carpets, clothing, shoes, glassware, jewelry, precious metals, kitchen appliances, radio and television sets, record players, watches, and certain automobiles. Imports of used machinery and equipment are prohibited except under special circumstances.

Surinam.--General import licenses are required on all commercial shipments entering from countries other than the European Community, Netherlands Antilles, Martinique, Guadeloupe, and French Guiana. They are issued routinely except for tobacco, alcoholic beverages, luxury items, and firearms.

A number of products are restricted and can be imported only with special government approval. These include certain edible oils, powdered milk, macaroni, vermicelli, certain fresh vegetables, bulk sugar, certain coffee, certain wood products, matches, and metal furniture. Quotas are applied on most women's apparel, wooden furniture, certain wood structures, wheat flour, dairy products, certain leather footwear, and certain types of athletic equipment.

Uruguay.--Although no import license per se is required, each import requires prior registration with exchange authorities. Imports are controlled by an extensive system of prior deposits.

Venezuela.--Certain imports, especially those similar to products domestically produced are subject to prior import licenses. Licenses are issued only up to the amount required to satisfy local demand.

Asia

Afghanistan.--Licenses are not required for imports into Afghanistan. The government prohibits imports of over 20 "nonessential" items to conserve foreign exchange; imports of some commodities are forbidden for religious, health, or security reasons (pork products, alcoholic beverages, some drugs, arms, and ammunition); and other products may be embargoed from time to time to protect domestic industry.

Afghanistan has bilateral trade and payments agreements with Bulgaria, Peoples Republic of China, Czechoslovakia, Poland, the USSR, and Yugoslavia. Trade with India and Pakistan is also subject to bilateral controls which impose quotas for individual commodities and schedules of commodities to be given trade incentives.

Burma.--All of Burma's foreign trade is directly controlled by the Government. Most major import orders are placed as a result of international tenders. Bids on tenders are submitted in German deutsche marks, U.S. dollars, British pounds sterling, French francs, and Swiss francs. Awarding of bids is based primarily on Burma's rigorous control of foreign exchange expenditures.

India.--India's shortage of foreign exchange has led the government to adopt an import policy under which importation of many goods is prohibited or limited by quota restrictions. The basic means of regulation is the requirement of a government-issued import license for practically all goods entering the country. Import licenses are granted to importers on a definite percentage of their base year imports as defined by the Import Trade Control Policy, issued effective April 1, and is valid for a 12-month period.

To be eligible for an import license, a person or firm must qualify as either an established importer or an "actual user." Established importers are generally companies or individuals in the import-export business prior to July 1952. Strict regulations make it difficult for firms to qualify as newly established importers. Most established importers have business connections with suppliers which extend over a very long period of time and to whom their first loyalty is pledged. It is very difficult for new foreign exporters to break into the line of established importers.

License priority is given to foodstuffs, capital goods, raw materials and other industrial goods needed for the development of India. Certain items which can be produced domestically are subject to quotas and/or embargoes and include: Spare parts for textile machines, power cables, certain tools, certain motor vehicles and asphalt.

Certain commodities are imported exclusively by state-sponsored corporations. These include mercury, sodium nitrate, and nitrate, palm oil, soybean oil, copra, mutton tallow, rock or mineral phosphate, X-ray film, certain nylon yarn, raw wool, wool tops, synthetic non-cellulose fibers, muriate of potash, sulphate of potash, sulphate of ammonia and corkwood. In addition, bulk imports for actual users of natural rubber, sulphur products, vitamins, antibiotics and the import of instruments and such materials as chemicals for use as proto-types are arranged through the state-sponsored corporations, who also act as an indent house 1/ for actual users of carbon black, aluminum oxide, phosphoric acids, titanium dioxide, and cellulose acetate.

Most imports require licenses. India does not maintain trade relations with South Africa, Southwest Africa, Rhodesia, Portugal, and Tibet.

Indonesia.--Only five import items are prohibited and import licenses have been eliminated.

Republic of Korea.--An import license, valid for 90 days, is required for every transaction and before a letter of credit can be opened in favor of a foreign supplier. All applications for import licenses must be accompanied by firm offers issued by foreign suppliers. Invoices are then checked to determine that offer prices do not exceed maximum import prices set by the Government. Commodities may be freely imported if not included on the "negative list." Prohibited items on the negative list include processed foods, apparel, certain

1/ Importers who import only upon definite orders received from domestic buyers.

paper wares, and some luxury goods. Restricted items on the list include selected foods, domestic appliances, certain pumps, various chemical elements and compounds, varnishes, lacquers and some pigments, essential oils and resinoids, synthetic fibers and certain types of office equipment. Specific quotas are established for a number of these products. The importation of quota items is linked to the record of producers of domestic raw materials used for exports. This linked quota system is designed to encourage increased use of domestic raw materials by granting the exclusive right of import of attractive quota items to such raw material producers. To engage in foreign trade, firms must (among other things) export commodities valued at \$200,000 for larger firms and \$50,000 for smaller firms. This minimum export level must be maintained annually to qualify for renewal of a license.

Malaysia.--Most goods may enter West Malaysia under an open general license without a specific validated license for each transaction. Some articles are admissible only under a specific validated license which is used to restrict imports and for surveillance purposes. Goods from South Africa are not permitted entry. East Malaysia also allows most goods to be imported under open general license. Specific licenses are required to import goods manufactured in Communist bloc countries.

Pakistan.--The amount and composition of imports are strictly controlled by the central government. Using estimates of industrial requirements and information on Government approved new capacity and modernization in industry, the Government determines the broad allocations for commercial and industrial imports. Although there is a so-called free list, quantitative limits are imposed on letters of credit making the procedure tantamount to import licensing. The current free list consists of 14 essential industrial and agricultural products such as iron and steel, nonferrous metals, chemicals, fertilizers, and pesticides. This list covers 41 percent of private sector imports. About 17 percent of private import requirements must have licenses. Licenses are limited to established importers plus such newcomers as are admitted by the authorities. Some bonus entitlement vouchers are issued representing a certain percentage of a firm's exports and these may be exchanged for import licenses for a wide range of products on a bonus import list, including many nonessential items not otherwise importable. About 24 percent of private imports are met through this scheme. Importers may also obtain licenses by surrendering bonus vouchers with a face value equal to 50 percent of the value of the license applied for. This scheme is applicable to about 18 percent of private requirements. It can be used for most items of industrial raw materials, components, and maintenance spares. Imports into Pakistan from Israel, South Africa, Taiwan, India, and Rhodesia are prohibited.

Philippines.--In general, there are no formal licensing controls on imports. However, prior import approval is required for the following products:

(a) About 900 products classified by the Central Bank as unclassified consumer goods, semiunclassified consumer goods, and nonessential consumer goods. Importation of these goods is never approved; thus, in effect, they are banned;

(b) Completely-knocked-down automobile units; and

(c) All imports to be financed over a period exceeding 360 days; and

(d) All imports of machinery and equipment with a unit value above \$50,000.

A few imports are expressly restricted by law. These include onions, potatoes, garlic, cabbages, certain coffee beans, rice, corn, used clothing, and certain tobacco. All imports from Rhodesia, South Africa and countries with which the Philippines has no diplomatic relations are prohibited.

Taiwan.--All goods shipped into Taiwan require an import permit. Merchandise is divided into three lists: Permissible, controlled and prohibited. Goods on the permissible list include raw materials, capital equipment and essential consumer goods. Items on the controlled list include luxury goods, goods subject to regulation and allocation and goods which the Government determines to be produced locally in sufficient quantity and quality to meet domestic needs and whose factory prices are not more than 10 percent higher than c.i.f. prices of comparable imported goods. The prohibited list includes

narcotics and other articles usually excluded by most countries from importation, as well as a number of luxury and less essential goods. Licenses to import goods on the permissible list are granted liberally. Items on the controlled list are licensed restrictively while goods on the prohibited list may not be authorized for entry.

Thailand.--Three categories of items require import licenses:

(1) goods whose import is normally prohibited to protect local industries; (2) goods whose import is subject to a requirement for concurrent purchase of similar goods produced domestically; and (3) goods whose import is controlled for health, security or other reasons. Products which are regulated (in addition to being required to have licenses) include television sets, radio equipment, tobacco, certain plants, weighing and measuring instruments, playing cards, dangerous drugs, explosives, and arms and ammunition. Sugar may be imported only by one specified government agency and one semigovernmental organization. The import of gold for ornamental and industrial uses is restricted as an austerity measure.

Europe and the Middle East

Cyprus.--Most goods may be imported freely except from Albania, North Vietnam, North Korea, Bulgaria, USSR, Tibet, East Germany, Peoples Republic of China, Hungary, Poland, Romania, Czechoslovakia, Rhodesia, and South Africa. Individual import licenses are required for goods originating in these countries and for certain items from all sources. These are generally items competing with domestic

production or covered in bilateral trade agreements, including some agricultural products and processed foods, alcoholic beverages, and tobacco manufactures, textiles and textile products, cement, certain chemicals, certain chemical products, wood products, manufactures of base metals, and nonelectric machinery.

Greece.--A few items are subject to import controls. For one group of products, which are subject to ad hoc approval of import licenses issued by the Greek Ministry of Commerce, licenses are generally issued without any quantitative limitation. A second group of items, which includes machinery and mechanical equipment considered by the government to be adequately manufactured in Greece is subject to ad hoc import licensing requirements by the Ministry of Industry. Severe import restrictions are imposed on these goods for protectionist purposes. In addition, imports of certain state monopoly goods are controlled by the government. Monopoly items include potatoes, wheat, meslin, rye, barley, oats, maize, grain sorghum, buckwheat, various petroleum products, salt, emery, sulphur, copper sulphate, narcotics, saccharin, phosphatic and nitrogenous mineral and chemical fertilizers, cigarette paper, and playing cards.

Israel.--Certain consumption, semimanufactured, and investment goods of a type produced in Israel, accounting for about 38 percent of Israel's imports, are subject to an automatic licensing system.

The system was devised to introduce a measure of foreign competition to local manufactures and provides a means of monitoring the effect of such competition. About 8 percent of the country's imports are subject to individual import licensing. All commercial imports are restricted to registered importers. Firms may be approved as general importers, or limited to the importation of specific items.

Iran.--All imports are subject to control by the central government. In general, industrial and agricultural products and non-luxury consumer goods are authorized for importation. Certain specified commodities such as goods produced in Iran (but not in sufficient quantities to meet requirements) are authorized only with prior government approval. Full details of the transaction are required in order to receive a license and quantitative limits may be imposed. Certain commodities, such as tobacco and cigarette paper, are imported subject to approval of a state monopoly. A few commodities, primarily agricultural products, are governed by bilateral agreements and may be imported only from the signatory country.

Importers of machinery, technical equipment, transport vehicles, communications apparatus and household equipment, who are sole agents for such items are required to import spare parts sufficient to meet consumer requirements and maintain suitable servicing shops.

Unauthorized imports consist mainly of luxury items and goods produced in Iran in sufficient quantity for domestic needs. Imports of used commodities are generally unauthorized. However, unauthorized

goods may be imported if the government deems it necessary because of (a) a shortage of the protected local product; (b) failure of local producers to meet standard requirements; or (c) unfair price increases by local producers.

Prohibited items include certain photographic apparatus, transmitters, telephone apparatus, records, tapes, certain publications, commodities with misleading markings, lottery tickets, certain drugs, certain metal coins, and arms and ammunitions.

Jordan.--Imports into Jordan from Israel and Rhodesia are prohibited. With certain exceptions (notably Government imports, agricultural products from neighboring countries, imports covered by the Arab Common Market agreement, goods below a certain value, newspapers, magazines and books), all imported goods require an import license. Licenses are issued for the value of the merchandise and freight, but not insurance and loading expenses. A fee of 4 percent of the value of the license is charged prior to issuance of the license. Regulations are very specific on the individuals and organizations which are allowed to import goods.

Prohibited items include macaroni, used cars for commercial purposes, electric gambling machines and most cigarettes. Articles which can be imported only with special government permission include eggs, shaving cream, some chemical detergents, dry batteries, paints, and certain types of machinery.

Kuwait.--Licensing is required for all products except foodstuffs. The importation of flour and wheat is limited to one mill. Insecticides and ethyl alcohol must have special government permission to be imported. Imports of alcoholic beverages, used trucks, certain spiral welded steel pipe, certain medicines and certain types of oxygen gas are generally prohibited. The government has authority to impose additional restrictions to protect new industries. Imports from Rhodesia, Portugal, South Africa, and Israel are prohibited.

Lebanon.--Most commodities may be imported into Lebanon without a license, but for a number of commodities which are domestically produced, a license is required. These include foodgrains, flour, edible fats, certain fruit juices, canned apples, milk, animals, meat, sugar, cement, tiles, shoes, boots, certain women's clothing, certain textile products, glass, glassware, aluminum pipes and rods, kerosene, gasoline, fuel oil, crude petroleum and industrial machinery and spare parts. A few items are prohibited entry; e.g., noise makers, cyclamic acids, liquid milk, and poultry eggs. All trade with Israel and Rhodesia is prohibited.

Malta.--Items requiring import licenses include many agricultural commodities, matches, certain mattresses, certain metal manufactures, candlesticks, crucifixes, certain mirrors, certain paints, peat moss, certain plastic foam products, prefabricated houses, certain printed matter, certain smoker's articles, soap, detergents, steel wool,

certain textiles, certain tiles, toilet paper, suitcases, used tires and motor vehicles, venetian blinds, washing soda, certain paintings, gold bullion, and certain marble and marble work. All goods imported from Eastern area countries require licenses.

Saudi Arabia.--Few licensing controls and no quantitative restrictions are imposed on imports. Cigarettes, tobacco, tobac, jurak, cigarette paper, drugs and medical supplies may only be imported by persons licensed to deal in these products. Imported hunting arms require prior licensing; other arms, ammunition and war material may be imported only by the government. Certain items are banned as offensive to the Muslim religion. Imports from Rhodesia, South Africa, and Israel are prohibited.

Spain.--Most imports, including raw materials, semimanufactures, machinery, and chemicals, are classified as liberalized and may be imported from OECD countries without licenses and are free of quantitative restrictions. If prices are suspected to be abnormally low, customs declarations may be withheld pending a full investigation.

Certain agricultural products, some raw materials and certain commodities over which the state has a monopoly are state traded.

Nonliberalized goods require an import license. Global quotas are set for these goods, which may be imported freely from OECD countries up to the limit of the quota. Some effort has been made in recent years toward complete liberalization and some quotas have been increased. However, if applications for a given quota exceed

the announced amount, Spanish authorities still may refuse some applications totally or partially. Occasionally licenses are granted well in excess of the quotas originally announced.

Turkey.--A license is required for all authorized imports which are classified in two categories: (1) The free list and (2) the quota list. Generally, items not appearing on either list may not be imported. The free list contains goods essential to running the economy but not locally available. Investment goods for export oriented industries also appear on the free list. Licenses are issued automatically for free list items.

Imports of items on the quota list are limited to global monetary quotas allocated either to industrialists importing for their own use or commercial importers. The list contains quotas for individual commodities as well as allocations for assembly and manufacturing enterprises, for government departments, and for emergency requirements. Some manufactures can receive foreign exchange allocations for imports in an amount up to 50 percent of certain exports.

With the exception of rotary printing presses, all used or reconditioned goods are prohibited.

Africa

Arab Republic of Egypt.--Imports of new personal effects exceeding a specified value and imports not requiring the transfer of foreign

exchange are subject to import licenses. All other imports are regulated through exchange allocations. Imports from Israel, Rhodesia and South Africa are prohibited.

Algeria.--Under new regulations issued as of June 1971, all goods being imported into Algeria require either prior licensing or "specific" licensing for goods on the contingency list. Of specific interest to U.S. manufacturers is the inclusion on the contingency list of chemicals, rubber products, certain textiles, industrial machinery, and a wide range of technical equipment such as business machines, telecommunications equipment, and geophysical instruments. Goods prohibited entry into Algeria include fancy feathers, flowers, soft drinks, granite, carpets, umbrellas, a certain range of jewelry, and a selection of items in the "luxury" category.

Angola.--All imports except those originating in Portugal and Portuguese Overseas Territories are subject to licensing. Import licenses are granted, in most instances only for commodities not manufactured in Portugal or the Overseas Provinces, though some items which are so manufactured can be imported in restricted quantities. Imports are usually authorized if foreign exchange is available. Certain specified products which are also produced locally, such as tires, electric wiring, beer, and certain radio equipment require special authorization even when imported from Portugal and the Overseas Territories. Imports of medicines and goods essential for economic development have not been subject to restrictions regardless of currency area from which they may come.

Preference is given to imports from GATT members and non-GATT countries with which Portugal has concluded trade agreements.

Central African Customs and Economics Union (UDEAC) and Chad.--

Licenses are required for virtually all imports into UDEAC countries (Cameroon, Central African Republic, Congo, Gabon) and Chad which are not goods produced in and exported from European Communities or franc zone countries. Under terms of the Yaounde Convention of Association with the European Community, imports from the EC and most associated African countries receive preferential tariff treatment and quota allocations.

Ethiopia.--With the exception of arms and ammunition, import licenses are not required. However, certain luxury items and locally-produced goods may be imported only against proof of payment. In addition, special permits are required for the importation of firearms, ammunition, matches, and cigarette lighters. Tobacco imports are controlled by a government tobacco monopoly.

Ghana.--All commercial shipments into Ghana require a specific import license, issued to a registered Ghanaian importer.

Policies followed in granting licenses give first preference to capital and producer goods needed for development of the country. Essential consumer goods come next, followed by goods which compete with products manufactured locally. For certain goods on a "restricted" list, import licenses are issued to individual applicants only under "very special circumstances." This list includes certain luxury foods

and manufactures, such as home air conditioners and automobiles, and other consumer goods such as used clothing, manmade fibers, and cement.

Another group of commodities are on a "banned" list for which "under no circumstances" will import licenses be issued. These commodities are those deemed to be produced or capable of being produced in Ghana in sufficient quantity to supply the populace. These include some foods, alcoholic beverages, paints, polyester foam, paper bags and boxes, plywood, cigarettes, and radios.

Malagasy Republic.--All imports from countries outside the franc area, other than liberalized commodities originating in European Community countries, are subject to import licensing. A few items (such as edible oils, batteries, used empty barrels, used jute bags, and used clothing) from any source are subject to licensing. Annual global quotas are established for commodities originating from countries outside the franc area. Long delays are often experienced in importing American products because detailed license application forms are not properly filled out, and there is reported to be a strong tendency to deny import licenses for dollar zone goods which can be imported from France and the franc area.

Malawi Republic.--Goods imported from sterling area countries require no import licenses, except for a short list of items requiring specific import permits. A limited number of goods (including lubricating oils, greases, gasoline, exposed movie film, mineral oils, fuel oils, and certain kerosene) may be imported from any country without a license.

Goods requiring specific import licenses when imported from any country include sugar, wheat flour, cement, certain uniforms, gold, certain knives, used clothing, game traps, bird nets, firearms, ammunition, explosives, radio-active substances, poisonous and dangerous drugs, game trophies, and stills. Prohibited goods include certain tobacco, certain spirits, and seditious matter. Most goods imported from the United States have entered under open general license.

Mauritius.--Most goods from the United States require specific import licensing. Licenses generally are readily available and are valid for 1 year. Most imports from Britain and other members and former members of the British Commonwealth may be imported without an import license. However, some 39 restricted commodities require an import license when imported from any source.

Morocco.--Importation of goods for which local production covers domestic needs and certain nonessential products is prohibited. Agricultural and industrial products which are in insufficient supply to meet local demand as well as goods which are subject to import control for "technical and commercial" reasons require certificates of importation and are quantitatively controlled.

Essential products not produced locally, certain foodstuffs, raw materials and semifinished products for local industries, equipment for agriculture and industry, luxury consumer goods subject to high tariffs, low demand items and products normally exported by Morocco

may be imported without import licenses but only by persons or firms that have been exercising (for at least 1 year) trade in the goods in question. Government agencies maintain a monopoly over the importation of tea, sugar, tobacco, and tobacco products.

Nigeria.--Many goods are imported under open general license, but over 90 items accounting for 15 to 20 percent of Nigerian imports require specific import licenses. These include air conditioners, refrigerators, some textiles and piece goods, rice, developed movie film, automobiles, palm by-products, meat products, coal and coke, petroleum products, articles of gold, second hand clothing, cotton and cotton by-products, peanuts and by-products, soybeans, cement, certain vaccines, keymaking machines, certain gambling machines, tear gas, poisonous cyanides, and live fish.

Rwanda.--Import licenses are required for all commercial imports, primarily for statistical purposes. Restricted items include dangerous drugs, flick knives, and similar classes of merchandise. An open general license permits importation of certain petroleum products and butane gas from specified countries.

Tunisia.--Most goods imported into Tunisia from non-European Community or non-franc zone countries require a specific import license. Licenses are relatively easily obtained for liberalized goods, which consists of capital goods and certain raw materials considered essential. The granting of a license is, however, subject to the availability of foreign exchange. Other goods are licensed on the basis of global quotas or quotas under bilateral

trade arrangements. Products under global quota are quite limited in number. Imports of some 90 commodities from any source are severely restricted and may be imported only with a specially authorized individual license. Such goods are generally considered to be manufactured domestically in sufficient quantities to meet local needs. Included among these are beer, wine, textile fabrics, footwear, tractors, and furniture. Certain goods are imported only by state monopolies. These include tobacco, matches, playing cards, imports from the United States under U.S. Public Law 480, coffee, tea, sugar, and fruit. Other commodities, such as timber, paper and various metallurgical products may be imported only by certain importers. Imports of luxury consumer items are discouraged. Trade with South Africa and Southern Rhodesia is prohibited.

West African Customs Union (UDEAO).--Through the Yaounde Convention of Association between the European Community and several African states, UDEAO member states (Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal, and Upper Volta) favor imports originating in the French franc area and the European Community. Each government draws up an annual import program within which import licenses are issued. For imports from countries outside the European Community and franc zone, the annual import program establishes a quota for bilateral commercial agreements and a global quota. With the exception of a small group of prohibited goods, all imports from France and the franc zone may be imported without licensing or certification requirement. ^{1/} All imports from other foreign countries,

^{1/} Some of the Customs Union nations apply similar treatment to other EC countries.

including those from the United States, are subject to import authorization, consisting of either import licenses for merchandise subject to quotas, or import certificates for merchandise which is "decontrolled," i.e., not subject to quotas. The list of "decontrolled" products consists largely of raw materials and semi-finished goods which are not important in the trade with the United States.

Import licenses are issued only to licensed traders and in exceptional cases, to industrial or agricultural producers who are considered end-users of the imported merchandise. Private persons cannot obtain import licenses except for transactions not involving foreign exchange. Licenses are issued for specific types of goods and substitution of another type of goods is strictly prohibited.

"Voluntary Export Restraints" and Other Export Controls

Perhaps one of the more outstanding innovations of the twentieth century in the nontariff barrier field is the voluntary export restraint. Most other trade distorting practices discussed in this report have been known and utilized for many years, if not centuries, but the phenomenon of countries "voluntarily" limiting their own export trade to lessen competition with producers in another market exhibits a new approach to an ancient problem.

Hong Kong, India, Japan, Korea, Malaysia, Pakistan, Poland, Singapore, Trinidad, Tobago, and Yugoslavia have registered complaints against their GATT trading partners about "voluntary" export restraints. They contend that such limitations are resorted to only as a means of avoiding the application of more stringent import restrictions by the country requesting the voluntary restraint. Japan has claimed that many of her "voluntary" restraints imposed on exports to the United States reflect actual threats or pressures growing out of anti-dumping or escape-clause investigations, boycott campaigns, and the introduction of import restriction bills in Congress, and that most "voluntary" controls have been implemented after bilateral consultations with U.S. Government officials. Such restraints are "voluntary" only in the sense that the exporter agrees to adhere to restrictions on its exports without exercising rights of compensation which it would have if the restrictions were imposed by the importing country.

Defenders of the "voluntary" approach argue that restraints are applied by exporting countries when they feel it is in their best

interest to do so. The voluntary action has frequently been taken under negotiated terms which allow for periodic increases on which the exporting industry can depend and plan accordingly. It is often far less disagreeable for an exporting country to administer the controls in order to assure that the impact is equitably distributed among its producers. The exporting country has the continued option of reopening negotiations on voluntary controls, but can exert little influence on a foreign government to alter a unilaterally applied quota.

The effects of "voluntary" restraints on exports are identical in many respects to import restrictions. In at least one respect, however, they are more discriminatory than import restrictions in that they do not always control trade into a market from all sources. This was particularly true in the case of cotton textiles, where Japan began controlling exports to the United States as early as 1956, while other exporting countries substantially increased their share of the U.S. market. Many contend that voluntary quotas on exports to the U.S. market are a means of establishing protectionist devices without the necessity of justifying the claim of import injury under the statutory escape-clause criteria. It is argued that export restraints allow the true offending country (the requesting importer) to escape blameless and without retaliation. Some domestic consumer groups argue that such restraints limit competition and raise prices in the domestic market

and have challenged some arrangements in court under antitrust laws. 1/ Steel and textiles have been the outstanding examples of "voluntary" trade restraints in recent years.

Restraints on textiles

Beginning in the 1950's, international trade in textiles has come under increasing quantitative controls, principally in the form of "voluntary" restraints by the exporting countries. All major importing countries (Europe, the United States and Canada) have sought "voluntary" restraints by the major exporters.

Section 204 of the Agricultural Act of 1956, as amended, authorizes the President of the United States, whenever he determines it to be appropriate, to negotiate with representatives of foreign governments to obtain agreements limiting the export from such countries to the United States of any agricultural commodity or product manufactured therefrom or textile or textile product. He is authorized to issue regulations governing entry or withdrawal from warehouse of any such imported commodity, product, textiles, or textile products to carry out any such agreement. In addition, if a multilateral agreement exists among countries accounting for a significant part of world trade in the articles concerned, the President may also issue regulations controlling trade with the United States in products of countries not parties to the

1/ During January 1973, a U.S. District Court stated that such voluntary agreements are not exempt from antitrust legislation. The Government has appealed the opinion to a higher court. In addition, during January 1973 a suit was filed in a District Court charging The Commerce Department with violation of the Freedom of Information Act in connection with its administration of textile quotas. It is charged that the public is not allowed sufficient participation in the establishment of restrictions. However, this case was settled out of court when the Commerce Department agreed to the demands made by the consumer's group.

agreement. The existence of this legislation is the authority for certain agreements limiting exports to the United States and is the basis for numerous consultations conducted with foreign governments to develop some restraining action on shipments of particularly sensitive items. This authority has been used not only as the basis for formal bilateral agreements but also as the catalyst to persuade foreign producers and governments of the advisability of "voluntary" restraints on sensitive exports to the United States. Some restraints are maintained "voluntarily" to avoid a formal agreement which might be more restrictive. Some governments fear that formal agreements bind their shipments and allow third parties to increase their share of an import market.

American importers claim that trade restrictions on textiles and apparel impose an exorbitant cost on U.S. consumers, and that these costs substantially outweigh any real or imagined benefits which domestic industries may have received from the protection. It is estimated that restraints on textiles and apparel annually cost the American consumer \$1 billion.

Cotton textiles.--World trade in cotton textiles has been very largely controlled since 1962 under the provisions of the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), which was negotiated under the sponsorship of the General Agreement on Tariffs and Trade (GATT), principally in response to demands from the United States. The LTA is a multilateral agreement among some 30 nations having a substantial interest in international trade in cotton textiles. Prior to the LTA, Japan had (since 1957) voluntarily controlled its

exports to the United States of a wide range of cotton textile items, and Italy had controlled its exports of cotton velveteen to the United States. However, shipments of cotton textiles to the United States were neither comprehensively nor equitably controlled by these early efforts. The overall purpose of the LTA was to guarantee to all textile-producing nations a share of the markets of the major importing nations, including the United States, without disrupting the market for any particular category of products.

The arrangement was the direct result of promotion by the United States. The LTA became effective October 1, 1962, initially for a period of five years; it was extended twice, first in 1967 and again in 1970, each time for three years. ^{1/} Under the LTA, countries experiencing domestic market disruption resulting from cotton textile imports can control the level of such imports by implementing the provisions of article 3 of the LTA. An importing country can request an exporting country to limit shipments of the cotton textiles causing disruption. If the exporting country does not accede to the request within 60 days, the importing country can impose an import quota on the specified products at levels specified in the agreement; annual quota increases (usually five percent) are provided for if the restraints remain in force for additional 12-month periods. Exports of participating countries cannot be restrained more severely than exports of nonparticipants.

^{1/} The LTA expired on December 31, 1973. It was subsumed by a multifiber "Arrangement Regarding International Trade in Textiles" which entered into force on January 1, 1974.

Article 4 of the LTA permits mutually acceptable bilateral trade agreements which regulate cotton textile trade on terms not inconsistent with basic objectives of the LTA.

(1) Restraints on exports to the United States.--During existence of the LTA, the United States has shifted away from use of article 3 restraint actions toward increased use of bilateral agreements. For example, in the first 12 months of the LTA the United States invoked the article 3 unilateral restraint provisions 115 times, but only four bilateral agreements involving the United States were in effect. During the second year, the article 3 restraints decreased to 67, while bilateral agreements involving the United States increased to 13. Since then there have been fewer restrictions under article 3 while bilateral cotton textile agreements involving the United States came into effect with 30 governments by 1972, compared to 8 agreements under article 3 (see table 8-R). Twelve countries control their own exports; all imports from eight countries are controlled by the United States; in 16 cases, trade is controlled partly by the exporting country and partly by the United States. Imports of cotton textiles from all of these countries accounted for over 85 percent of total imports of such products during 1971.

Under the LTA, U.S. imports of cotton textiles were permitted to increase from 1.1 billion equivalent square yards during 1960 to a peak level of 1.8 billion during 1966, an increase of 64 percent. They declined to 1.5 billion square yards in 1967 and remained between 1.5 and 1.7 billion square yards during 1968-71. Average U.S. imports of cotton products during 1966-71 was about 600 million square yards above

Table 8-8.--Quantitative limitations on U.S. import trade in cotton textiles, as of April 1, 1972, under the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA)

Type of limitation	Country of origin	Number of LTA categories involved ^{1/}	Limitations on import trade		Limitation controlled by--
			For 12-month period beginning--	Aggregate quantity (million equivalent square yards)	
Controls under authority of Article 3 of LTA.	Barbados-----	39	May 28, 1971	.4	U.S.
Controls under authority of Article 3 of LTA.	Ceylon-----	60	Aug. 3, 1971	1.0	U.S.
Controls under authority of Article 3 of LTA.	Costa Rica-----	53	Oct. 1, 1971	1.3	U.S.
Controls under authority of Article 3 of LTA.	Israel-----	61	do-----	.4	Israel
Controls under authority of Article 3 of LTA.	Israel-----	62	Oct. 5, 1971	1.4	Israel
Controls under authority of Article 3 of LTA.	Israel-----	63	do-----	.6	Israel
Controls under authority of Article 3 of LTA.	Mauritius-----	39	Aug. 25, 1971	.2	U.S.
Controls under authority of Article 3 of LTA.	Nicaragua-----	9	Nov. 30, 1971	.8	U.S.
Controls under authority of Article 3 of LTA.	Nicaragua-----	22	Apr. 29, 1971	1.0	U.S.
Bilateral agreements under authority of Article 4 of LTA: ^{2/}					
2nd year of 5-year agreement	Brazil-----	All	Nov. 1, 1971	78.8	Brazil and U.S.
1st year of 4-year agreement	Colombia-----	All	July 1, 1971	40.0	U.S.
3rd year of 4-year agreement	Czechoslovakia-----	All	May 1, 1971	2.8	Czechoslovakia and U.S.
1st year of 5-year agreement	El Salvador-----	All	Apr. 1, 1971	5.1	El Salvador and U.S.
1st year of 4-year agreement	Greece-----	All	July 1, 1971	10.9	Greece
1st year of 5-year agreement	Haiti-----	All	Oct. 1, 1971	4.5	Haiti and U.S.
2nd year of 3-year agreement	Hong Kong-----	All	do-----	3/ 454.4	Hong Kong
2nd year of 5-year agreement	Hungary-----	All	Aug. 1, 1971	4.5	Hungary and U.S.
2nd year of 4-year agreement	India-----	All ^{4/}	Oct. 1, 1971	120.6	India
2nd year of 2 3/4-year agreement	Italy-----	7	Jan. 1, 1972	2.3	Italy
2nd year of 3-year agreement	Jamaica-----	All	Oct. 1, 1971	27.3	Jamaica
1st year of 1 3/4-year agreement	Japan-----	All ^{5/}	Jan. 1, 1972	458.5	Japan
2nd year of 4 3/4-year agreement	Korea-----	All	Jan. 1, 1972 ^{6/}	36.8	U.S.
2nd year of 4-year agreement	Malaysia-----	All	Sept. 1, 1971	21.0	Malaysia and U.S.
6th year of 7-year agreement	Malta-----	All	Jan. 1, 1972	16.2	Malta and U.S.
1st year of 5-year agreement	Mexico-----	All	May 1, 1971	98.1	U.S.
2nd nine months of 1 3/4-year agreement	Nansei-Nanpo-----	All	Oct. 1, 1971 ^{6/}	11.7	Nansei-Nanpo
2nd year of 4-year agreement	Pakistan-----	All	July 1, 1971	89.2	Pakistan and U.S.
1st year of 5-year agreement	Peru-----	All	Oct. 1, 1971	5.0	Peru and U.S.
5th year of 6-year agreement	Philippines-----	All	Jan. 1, 1972	60.2	Philippines and U.S.
3rd year of 5-year agreement	Poland-----	All	Mar. 1, 1972	7.1	Poland and U.S.
2nd year of 4-year agreement	Portugal-----	All	Jan. 1, 1972	119.2	Portugal and U.S.
2nd year of 5-year agreement	Rep. of China (Taiwan)-----	All	do-----	94.5	Rep. of China and U.S.
Do-----	Romania-----	All	do-----	9.4	Romania and U.S.
2nd year of 4-year agreement	Singapore-----	All	do-----	47.1	Singapore
2nd year of 5-year agreement	Spain-----	All	do-----	51.4	Spain
1st year of 5-year agreement	Thailand-----	All	April 1, 1972	15.0	Thailand and U.S.
8th year of 9-year agreement	Turkey-----	All	July 1, 1971	3.9	Turkey
2nd year of 3-year agreement	United Arab Republic-----	All	Oct. 1, 1971	55.1	United Arab Republic
2nd year of 5-year agreement	Yugoslavia-----	All	Jan. 1, 1972	24.5	Yugoslavia and U.S.

^{1/} Import data for textiles wholly of or in chief value of cotton have been grouped into 64 categories of products. These categories are used by the United States in administering the provisions of the LTA and in reporting trade activity in each group. All categories from all countries are subject to limitation whenever market disruption exists; categories listed are those on which limitations were actually in force as of April 1, 1972. In those cases where an aggregate limitation applies to all categories from a country, smaller limitations apply to each category.

^{2/} Many bilateral agreements for countries listed superseded numerous restraints under article 3 of the LTA. Where applicable, the aggregate quantities shown for each country reflect increases (usually by 5 percent per 12-month period) above limitations imposed during the first agreement year and further annual increases are authorized until each agreement is terminated or expires.

^{3/} Includes wool textile products, other than apparel, in the amount of 0.2 million equivalent square yards, and manmade fiber textile products, other than apparel, in the amount of 2.1 million equivalent square yards. Imports of apparel of wool or manmade fibers are controlled under a separate bilateral agreement.

^{4/} Imports of certain uniquely and historically traditional Indian products are not limited by the agreement.

^{5/} Not all items in all 64 categories are under restriction.

^{6/} Nine-month period.

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

the level of imports during 1960. Operation of the LTA has reduced the tendency for imports to be concentrated in particular items.

(2) Restraints on exports to other countries.--Under the LTA, there has been only one limitation on U.S. exports of cotton textiles (Italy, 1965), but there have been a large number of restrictions imposed on cotton textile trade between other countries. Restraints by European countries, Canada, and Australia have been directed primarily toward the principal textile exporters of Asia. However, there are exceptions, such as Canada's restriction on certain textile products from Greece, Mexico, Spain, and the Arab Republic of Egypt.

Restrictions by the European countries predate the LTA, and go back to the 1950's and early 1960's. As early as 1958, an agreement between Austria, Switzerland, Norway, and the European Community countries restricted re-export to each others' markets of cotton fabrics imported duty free in the gray from Japan, Peoples Republic of China, India, Pakistan, and Hong Kong. During the 1950's, France and Austria applied an almost complete restriction on imports of cotton textiles from most developing countries. West Germany restricted imports of several important items. Italy, Belgium, Netherlands, Luxembourg, and the Scandinavian countries restricted imports of most cotton items from Japan. The United Kingdom concluded bilateral agreements during the 1950's with India, Pakistan, and Hong Kong which limited exports from those Commonwealth countries.

Most restrictions maintained in the 1950's were carried into the 1960's and some were incorporated into the machinery of the LTA. However, many restraints between countries other than the United States

have gone beyond provisions of the LTA in that they are more comprehensive in coverage, applying not only to cotton products but also manmade fibers and wool. There is some indication that restraints of other importing countries have diverted shipments to the U.S. market. On the other hand, there are several examples where U.S. exports have retained a significant share of a market where trade from a third party was restricted.

Since inception of the LTA in 1962, a number of countries have entered into agreements to restrain trade in textile products, both of cotton and other fibers. Although it is sometimes difficult to determine whether the trade is actually controlled by the exporting or importing country, the fact that both nations agree to the limitation qualifies the restriction as a "voluntary" export restraint. These restrictions are summarized in table 8-S.

Wool and manmade fiber textiles.--U.S. imports of manmade fiber textiles increased 1,300 percent during 1964-71, from 328 million equivalent square yards to 4.3 billion. There is evidence that this increase has been the direct result of shifts away from cotton during the 1960's as a result of the LTA. Imports of wool textiles (except floor coverings and rugs) fluctuated between 115 million and 192 million equivalent square yards during 1964-71, a period of sharp declines in production by U.S. industry. Prior to 1970, no countries controlled their

Table 8-S.--Limitations imposed during the past 10 years on textile trade between foreign countries

Importing country	Exporting country	Restricted product
Australia	Hong Kong	Cotton drills, cotton denims, and knitted shirts
Austria	Egypt, Japan, India, Israel, Pakistan, Mexico, Korea, several Communist countries	Various products
Benelux	Japan Hong Kong India, Pakistan Several Eastern European countries, U.S.S.R.	Cotton, wool, and manmade textiles Cotton shirts, woven nightwear, handkerchiefs, bedlinens, household linen, and terry cloth Cotton textiles Wool and manmade fiber fabrics and manmade fiber clothing
Canada	Israel, Portugal, Greece, Colombia, Mexico, Spain, Egypt, Brazil, Korea, Hong Kong, India, Taiwan, Mainland China Hong Kong, Japan, Taiwan, Macao, Korea, Malaysia, Singapore, Poland, Romania, Trinidad/Tobago	Cotton yarn Certain fabrics, made-up goods, and apparel (of various fibers)
Denmark	Egypt, Japan, Korea	Various products
European Community	Japan, India, Pakistan, Hong Kong, Taiwan, Egypt	Various products
France	Japan, India, Pakistan, Hong Kong, Korea, Egypt Argentina, Australia, Brazil, Burma, Ceylon, Chile, Cuba, Czechoslovakia, Dominican Republic, Haiti, Hong Kong, India, Indonesia, Israel, Japan, South Korea, New Zealand, Nicaragua, Pakistan, Peru, Poland, South Africa, Uruguay	Various products Textile products of wool or manmade fibers
West Germany	Japan, India, Pakistan, Taiwan, Egypt, Korea Japan, Taiwan, South Korea, Singapore, India, Pakistan, Egypt, Yugoslavia, Bulgaria, Czechoslovakia, Hungary, Romania, Poland	Various products Manmade fibers and wools
Italy	Japan United States, Spain, Egypt, Hong Kong, Taiwan, India, Pakistan, Yugoslavia Albania, Czechoslovakia, East Germany, Poland, Bulgaria, Hungary, Romania, U.S.S.R.	Various products Grey and bleached fabrics Wool products Certain manmade fiber products
Finland	Some Eastern countries	Various products
Norway	Japan, Korea, Hong Kong Japan, Bulgaria, Poland, Romania, Czechoslovakia, Hungary, U.S.S.R., South Korea, Portugal, Macao, Hong Kong Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania	Yarn, fabrics, certain knitted fabrics, cotton undergarments, shirts and nightwear; wool jackets, sweaters and cardigans; manmade fiber anoraks, shirts, sweaters, jackets Wool and manmade fibers All textile fibers
Sweden	Japan Portugal, Macao Singapore Korea Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, U.S.S.R. Hong Kong	All textiles Wool and manmade fiber textiles Shirts Certain wool and manmade fiber apparel Various products Wool and manmade fibers plus other various products
United Kingdom	Hong Kong Japan, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, The Peoples Republic of China, U.S.S.R., East Germany India, Ireland, Israel, Japan, Malaysia, Spain, Yugoslavia, certain Eastern Area countries, Pakistan, Taiwan	Various products, including polyester/cotton fabrics Wool and manmade fiber products Various products

Source: Compiled from various GATT documents.

exports of wool fabrics to the United States. 1/ As a result of increased pressure from the industry, the U.S. Government pursued efforts to obtain restraints on wool and manmade fiber products similar to those on cotton products under the LTA. Long and difficult negotiations were conducted with the principal exporters and agreements with five countries were eventually reached. Agreements with Hong Kong, Korea, and Taiwan became effective October 1, 1971, to control exports of wool and manmade fiber textiles to the United States for a period of five years. A similar agreement with Japan became effective on the same date for three years. Malaysia signed an agreement for four years beginning September 1, 1970. The level of restraint for each of these countries

1/ In 1963, the Virgin Islands began efforts to control shipments of wool fabrics shipped through them to the United States from another country (Italy) but processed sufficiently in the Islands to qualify for duty-free status as the product of an insular possession on entry into the United States. Fabrics of reprocessed or reused wool are imported into the Virgin Islands and, after undergoing a showerproofing process, are shipped to the U.S. mainland as products of the Islands. Imports of such fabrics into the United States began in February 1962, and amounted to 6.4 million linear yards for that year. After many protests in the United States, the Government of the Virgin Islands established annual production quotas by means of a tax of 65 cents per linear yard on showerproofed woolen fabrics, among other textile items, manufactured or processed in the Virgin Islands in excess of a quantity (to be determined by the Governor) "consistent with the protection of the economic stability and commercial relations of the Virgin Islands." Production within the limits of the quota are taxed at only one cent per linear yard. The annual quotas determined by the Governor during the 1963-72 period have fluctuated between 1 million linear yards in 1964 and 5 million in 1963. Simultaneously, shipments to the United States have ranged between 594,000 linear yards in 1967 and 5 million in 1963.

is shown in table 8-T. The five countries with which the United States now has agreements accounted for over 60 percent of the U.S. imports of manmade fiber textiles and over half of wool textiles during 1971.

Table 8-T.--Quantitative limitations on U.S. import trade in textiles of wool or manmade fibers pursuant to bilateral agreements ^{1/}, as of April 1, 1972

Products restrained	Country of Origin	Limitations on import trade		Limitation controlled by--
		For 12-month period beginning--	Aggregate quantity (million equivalent square yards)	
Apparel of wool ^{2/} -----	Hong Kong	Oct. 1, 1971	40.0	Hong Kong
Apparel of manmade fibers ^{2/} -----	Hong Kong	Oct. 1, 1971	210.0	Hong Kong
Textile products, of wool-----	Korea	Oct. 1, 1971	12.7	Korea and U.S.
Textile products, of manmade fibers--	Korea	Oct. 1, 1971	344.3	Korea and U.S.
Textile products, of wool-----	Japan	Oct. 1, 1971	42.8	Japan
Textile products, of manmade fibers--	Japan	Oct. 1, 1971	954.7	Japan
Textile products, of wool-----	Malaysia	Sept. 1, 1971	.1	Malaysia
Textile products, of manmade fibers--	Malaysia	Sept. 1, 1971	5.4	Malaysia
Textile products, of wool-----	Rep. of China	Oct. 1, 1971	4.7	Rep of China and U.S.
Textile products, of manmade fibers--	Rep. of China	Oct. 1, 1971	467.5	Rep of China and U.S.

^{1/} Agreements with Hong Kong, Korea, and Republic of China (Taiwan) are for 5 years beginning Oct. 1, 1971; the agreement with Japan is for 3 years beginning Oct. 1, 1971; and the agreement with Malaysia is for 4 years beginning Sept. 1, 1970.

^{2/} Limitations on wool and manmade fiber products other than apparel are included under the bilateral agreement with Hong Kong negotiated under the authority of the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA) effective Oct. 1, 1970.

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

Restraints on steel

The rapid increase in U.S. imports of steel throughout the 1960's prompted discussions which led to the announcement by Japan and the European Community of "voluntary" restraints on their steel exports to the United States for the 1969-71 period. The arrangement has been extended for an additional three years through 1974 and now includes the United Kingdom. The eight countries now participating in the arrangement accounted for approximately 85 percent of total steel mill products imported into the United States in 1971.

Under the current arrangement, Japanese producers will restrict exports of steel mill products to the United States during 1972 to

6.5 million tons, and will limit the annual increase to 2.5 percent in 1973 and 1974. Producers in the United Kingdom and the European Community will limit their combined exports in 1972 to 8.0 million tons; exports to the United States in 1973 will not be more than 1 percent above the 1972 limit and those in 1974 will not be more than 2.5 percent above the 1973 limit. The overall restraints include specific quantitative limitations for each of the participants on specialty steel--stainless, tool, and other alloy steel--in each of the years 1972, 1973, and 1974, and limits exports of cold finished bars and fabricated structural steel in 1972 to 2.5 percent above 1970 exports and to an annual increase of 2.5 percent thereafter. There will also be efforts to maintain the geographic pattern of distribution of exports to the United States that existed during the 1969-71 period.

During 1972, a consumer group filed suit in a U.S. District Court seeking injunctive relief from restraints under the Steel Arrangement. It was charged that artificially high steel prices are the result of these restraints and therefore they have violated the Sherman Antitrust Act. It was also alleged that the actions violated the Trade Expansion Act of 1962, which calls for a Tariff Commission finding of injury before remedies can be imposed. The Court denied the injunction on the grounds that the firms acted in good faith based on the assurances of U.S. officials that the agreement was legal. However, the Court stated that such voluntary agreements are not exempt from antitrust legislation and that "a flat agreement among private foreign producers mutually to limit a substantial amount of goods to be sold in the United States is a violation of the Sherman Act. . ." The Government has appealed the opinion to a higher court.

Restraints on Japanese exports (other than steel and textiles)

Japan is by far the principal country applying "voluntary" restraints to exports. In addition to the widely publicized export controls on the textiles and steel products, lesser known controls have been exercised for some time over a wide range of goods exported to many countries. During the past few years, some 25 items, other than textiles and steel, have been subject to quantity and price controls when exported to the United States. Japan's exports of these items to the United States totaled about \$500 million in 1970, or about nine percent of Japanese exports to the United States.

The avowed purposes of the controls are to maintain orderly shipments or orderly marketing. However, they are more often a means of preventing erection of more ominous trade barriers by the importing countries or preventing antidumping actions against Japanese products. Japan contends that no other country must enforce "voluntary" restrictions over so many export items. However, "voluntary" restraints apparently are considered preferable to other alternatives. Representatives of various U.S. interests have contended that the restraints by Japan on exports of so many products to so many destinations, and especially the major markets of Europe, have encouraged Japanese exporters to concentrate sales on the less restrictive U.S. market.

In 1971, Japan had quantitative controls on her exports of several dozen items to a number of countries (table 8-U), besides a long list of items over which she maintains both export and domestic shipment controls. Price and/or quality restrictions are maintained on exports to various

Table 5-U.--Japanese voluntary quantitative export controls on products, other than textiles and steel, by country of destination, as of July 1971 ^{1/}

Articles	Countries of destination
Bicycles-----	United States, Canada, and Mexico
Stainless steel knives, forks, and spoons-----	Benelux
Radios of six or more transistors-----	United States, Australia, Austria, Belgium, Canada, Denmark, W. Germany, Finland, France, Greece, Hong Kong, Ireland, Italy, Luxembourg, Malaysia, Netherlands, Norway, New Zealand, Panama, Portugal, Rep. of Korea, S. Vietnam, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, and the United Kingdom
Wool fabrics-----	All countries, except Iran, Iraq, Nansei Islands, Okinawa, South America, and Africa
Zoris made of rubber sponge-----	United States and Canada
Umbrellas-----	United States, W. Germany, France, Italy, Belgium, Netherlands, and Luxembourg
Umbrella ribs and stretchers-----	United States, France, Italy, W. Germany, Belgium, Netherlands, and Luxembourg
Baseball or softball gloves and mitts-----	United States, Canada, and Hawaii
Badminton rackets and frames-----	United States, Italy, France, W. Germany, Belgium, Netherlands, and Luxembourg
Ceramics (tableware, kitchen utensils, personal effects, ornaments, smokers' supplies, toys, stationery) ^{2/} -----	All countries, except U.K., Iran, Iraq, Nigeria, S. Rhodesia, and Nansei Islands
Glazed ceramic wall tile ^{2/} -----	United States and Benelux
Ceramic mosaic tiles-----	United States, W. Germany, and Canada
Flatware ^{2/} -----	All countries, except Iran, Iraq, Nigeria, S. Rhodesia, and Nansei Islands
Iron and steel wood screws-----	United States, Norway, Sweden, U.K., Denmark, Ireland, Benelux, France, W. Germany, Switzerland, Portugal, Spain, Italy, and Austria
Frozen swordfish-----	United States and Canada
Iodine and iodine products-----	All countries, except Nansei Islands
Binoculars-----	All countries, except Nansei Islands
Household sewing machines-----	United States and Canada
Canned mandarin oranges-----	United States, U.K., Canada, Belgium, W. Germany, Netherlands, Luxembourg, France, Italy, Sweden, Norway, Ireland, Switzerland, and Denmark
Fresh mandarin oranges ^{2/} -----	Canada
Tuna, canned in brine-----	United States
Fresh or frozen tuna-----	American Samoa, British and French New Hebrides, Malaysia, and Dutch St. Martin Island
Batteries with manganese layer-----	France, Italy, W. Germany, Belgium, Netherlands, Luxembourg, Switzerland, and Sweden
Polyvinyl chloride leather-----	Australia
Knives (kitchen, pocket, hunting, and carving) ^{2/} -----	United Kingdom
Apples ^{2/} -----	Taiwan, Hong Kong, Macao, S. Vietnam, Thailand, Malaysia, Singapore, and the Philippines
Polychloride resins ^{2/} -----	All countries, except African countries (other than the U.A.R. and Rep. of S. Africa), United States, and Nansei Islands
Rubber shoes (excluding rubber beach sandals) and shoes made of textiles with rubber soles-----	Benelux

^{1/} In addition to the items listed above as having voluntary quantitative export controls, the following items have both export and domestic shipment controls: cellophane, high quality paper, coated paper, rolled light metal products, selenium, malleable cast iron joints, shovels, scoops, western style farm instruments, gas pipe, fence tube, ferro-chromium, ferro-manganese, dry batteries, 8 mm film, editing machines, TV receivers, sulphur, paint, explosives, caustic soda, methanol, acetic acid, soda sulphide, and certain polyethylene resins.

^{2/} In addition to quantitative restrictions, other factors are controlled, such as price, design, evidence of bona fide importer, and type of transaction.

Source: Department of State Airgram Number A-567 from American Embassy in Tokyo dated July 21, 1971.

countries of silk scarves, mufflers, handkerchiefs, ceramic tableware, insulated electric wires and cables, and pearls (table 8-V). Controls over type of settlement, marketing, identity of importer, design, sanitation and safety are maintained over the exports to numerous countries of such items as graphite electrodes, cement, household sewing machines, certain cameras, cigarette lighters, certain bearings, frozen clams, pepper and ginger, flower bulbs, and used cars.

Table 8-V.--Japanese export controls other than quantitative, by type of control, product, and country of destination as of July 1971

Type of control	Products	Countries of destination
Price restriction-----	Silk scarves, mufflers, and handkerchiefs	All countries, except Iran, Iraq, Hansel Islands, South American, and Africa
Price restriction-----	Ceramic tableware	United States and Canada
Price, quality, and settlement restrictions-----	Pearls	All countries, except Iran, Iraq, Nigeria, S. Rhodesia, and Hansel Islands
Price and orderly marketing restrictions-----	Graphite electrodes	All countries, except Hansel Islands, Iran, Iraq, and S. Rhodesia
Price and orderly marketing restrictions-----	Cement	All countries, except in Europe and Africa, and except the Hansel Islands
Require evidence of bona fide importer-----	Household serving machines	W. Germany and France
(a) Restriction of repair guaranty-----	Still and 8 mm cine cameras, bodies, and lenses thereof	(a) United States, Canada, and Hong Kong
(b) Require evidence of bona fide importer-----		(b) U.K.
Design restrictions-----	Cigarette lighters and parts	All countries, except Iran, Iraq, S. Rhodesia, and the Hansel Islands
Orderly marketing restrictions-----	Ball and roller bearings	United States, Canada, W. Germany, France, Belgium, Italy, Netherlands, Luxembourg, Spain, U.K., Australia, and Taiwan
Sanitary restrictions-----	Frozen short neck clams and sea mussels	United States
Settlement method restrictions-----	Dried and powdered cayenne-pepper and dried ginger	All countries, except Iran, Iraq, Nigeria, S. Rhodesia, Hansel Islands, S. America, and Communist Bloc countries
Settlement method restrictions-----	Flower bulbs	All countries, except Iran, Iraq, Nigeria, S. Rhodesia, Hansel Islands, S. America, and Communist Bloc countries
Safety and repair restrictions-----	Used cars	All countries, except Hansel Islands
Quality restrictions-----	Insulated electric wires and cables	All countries, except Iran, Iraq, Nigeria, S. Rhodesia, and the Hansel Islands

Source: U.S. Department of State, Airgram No. 567 from American Embassy in Tokyo, dated July 21, 1971.

In addition to these more-or-less long standing export restraints, to reduce its large trade surplus, the Japanese Government in 1973 began to control additional exports on an item-by-item basis with respect to quantity, destination, price and conditions of sale. Among the large export items brought under control were automobiles, motorcycles, household electric appliances, radios, stereos, tape recorders, 35 mm cameras, 8 mm motion picture cameras and exchangeable lenses for cameras. However, Japan has recently shown monthly trade deficits with both the United States and the rest of the world and certain of these self-imposed quotas are being discontinued.

Restraints on meat

Imports into the United States of fresh, chilled, or frozen meat of cattle, goats, and sheep (except lambs) are subject to the provisions of the Meat Import Act of 1964. The Act provides that annual imports shall not exceed 725.4 million pounds, adjusted upward or downward by the same percentage that domestic commercial production changes in comparison with production during 1959-63. Consequently, as domestic production has increased during 1965-70, the basic limitation has increased each year from 848.7 million to 998.8 million pounds. Limitations are not required under the Act until imports exceed a so-called trigger point--10 percent above the basic limitations. The level of imports remained substantially below this trigger point until 1968 when they increased sharply and threatened the imposition of quota limitations at the base levels.

The Act provides that the quotas may be suspended if trade agreements entered into subsequent to the enactment of the legislation ensure that the policies set forth in the Act will be carried out.

Consultations were held in 1968 and "voluntary" restraints of exports to the United States were instituted which allowed annual imports of between 1 and 1.2 million pounds during the 1968-71 period. The burden of the restraint fell on Australia and New Zealand, the two major suppliers, which were required to reduce exports while other exporting countries were permitted to maintain prevailing levels.

More recent negotiations resulted in agreements which would have allowed imports of 1.2 million pounds of meat during 1972. The countries which were subject to "voluntary" restraints in 1972 and their levels of restraint were: Australia, 600.4 million pounds; New Zealand, 250.9 million; Canada, 80.0 million; Ireland, 74.7 million; Mexico, 78.2 million; Nicaragua, 44.8 million; Guatemala, 25.3 million, Costa Rica, 39.8 million; Honduras, 16.7 million; Dominican Republic, 12.5 million; Panama, 6.1 million; the United Kingdom, 5.0 million; El Salvador, 3 million; and Haiti, 2.6 million. However, on June 26, 1972, the President directed removal of these restrictions for the balance of 1972 to assist American importers to obtain beef in world markets and slow down the increasing trend in meat prices.

Restraints on strawberries and tomatoes

U.S. imports of strawberries and tomatoes from Mexico have increased significantly in recent years. Exceptionally heavy production of frozen strawberries during 1969 and 1970, resulted in greatly increased shipments to the United States. The record high imports and end-of-season carryover depressed prices in the Pacific Coast states where the bulk of U.S. frozen strawberries are produced. The

smaller Mexican strawberry crop due to adverse weather during the 1970/71 season reduced the critical nature of the problem, but return to normal growing conditions prompted Mexican growers to cut back strawberry acreage and export sales due, in part, to a fear that the United States might initiate import restrictions.

United States and Mexican officials began negotiations in the summer of 1971 toward an agreement to restrain strawberry exports to the United States. The Mexicans were urged to continue their efforts to "voluntarily" limit strawberry shipments to the United States for the mutual benefit of producers on both sides of the border.

The two Governments concluded an agreement which limited exports of frozen strawberries and strawberry paste and pulp to 82 million pounds in 1972.

Exports of tomatoes to the United States from Mexico, after being limited by the United States under a marketing order program, have been "voluntarily" controlled in recent years by Mexican producers. During the 1970/71 season an export quota was established at 180,000 metric tons.

Restraints on mushrooms

During the 1960's, Taiwan became the most important source for imports of canned mushrooms by the United States. Imports from that country rose from 300,000 pounds in 1960 to 16.6 million pounds in 1967. The prospect of even larger exports in 1968 led to the conclusion of an agreement whereby Taiwan limited exports to the United States to 18.6 million pounds. After 1968, the Government of Taiwan reduced export target levels and production incentives due to a large buildup

in stocks and the 1968 agreement was not renewed. However, increased yields due to improved cultural techniques have again resulted in large supplies for export and efforts are being renewed to negotiate export limitations. Similar efforts are being made with the Republic of Korea which has sharply increased exports of canned mushrooms to the United States in recent years.

Restraints on coffee

The International Coffee Agreement of 1968 and the preceding agreement of 1962, were designed to stabilize the price of coffee at approximately the 1962 levels through an export quota system administered by the International Coffee Organization (ICO). Over the long term, producer members are expected to adjust production to amounts needed for domestic consumption, exports, and carryover in magnitudes which will maintain coffee prices at a relatively stable level, but high enough to provide adequate foreign exchange earnings for the producing countries. Most producing countries depend in great part on the sale of coffee for the foreign exchange needed to pay for their imports and to meet foreign debt obligations. Producing countries are expected to abide by the export quotas allotted by the ICO, and, if persistently in violation, may be required to withdraw from the agreement.

Importing countries adhering to the agreement (including the United States, which consumes about 40 percent of the coffee sold in the world) are obliged to require a certificate of origin (validated by ICO export stamps) for all coffee imported from member countries and to forward such certificates to the International Coffee Organization. By this procedure, the ICO determines whether or not the member

producing countries are adhering to stipulated export quotas. 1/ The importing countries, including the United States, also control imports of coffee from nonmember countries at a level "not in excess of its average annual imports of coffee from those countries during the calendar years 1960, 1961, and 1962" (see section on Quantitative Restrictions and Licensing Arrangements).

In a recent resolution passed by a majority of members of ICO (over the objections of producing countries) the agreement was extended for two years beyond September 1973 but without the machinery to control the amount of coffee released to the world market and establish price ranges within which it is bought and sold.

Restraints on cocoa

The International Cocoa Agreement, which became effective October 1, 1973, is designed to stabilize the world cocoa market by assigning annual export quotas, as follows: 2/

	<u>1,000 metric tons</u>
Ghana	580.9
Nigeria	307.8
Ivory Coast	224.0
Brazil	200.6
Cameroon	126.0
Togo	28.0

1/ The ICO failed to establish export quotas for the period from December 11, 1972 through September 30, 1973. This was the first time in the history of the agreement that export quotas were totally absent; however, the United States continued to control imports from countries which are not members of the ICO.

2/ Quotas were also assigned to the Dominican Republic, Equatorial Guinea, and Mexico, but these countries did not sign the agreement. Several countries with annual production of less than 10,000 metric tons are exempt from export restrictions; also certain producers of fine or flavor cocoa are exempt.

These basic allocations have been established according to each country's highest production since the 1964-65 crop year. Quotas will be regulated according to certain pricing mechanisms. Effective quotas range upwards from 90 percent to 105 percent of the established quota as prices increase from 23 cents per pound to 29 cents; when prices exceed 29 cents, the export quotas are suspended. When prices reach 31 cents and above, sales are made from established buffer stocks which have been purchased with funds collected from export levies. Importing signatories are required to place certain limitations on imports from nonparticipating nations. Although the United States is not a signatory to the Agreement, it plans to cooperate by furnishing statistics on trade and prices.

Restraints on footwear

In June 1973, the Government of the Republic of Korea began controlling its exports of certain rubber and plastic footwear to the United States. Exports of footwear with rubber soles and fabric uppers will be limited to an increase of 20 percent in 1973 (over 1972), 17 percent in 1974, and 13 percent in 1975. Exports of high-top protective footwear with soles and uppers of rubber or plastic will be limited to an annual increase of 20 percent in 1973, 1974, and 1975.

Other export controls

Historically, governments have imposed quantitative limitations on their own exports principally to conserve supplies of the controlled products for their own citizens or industries. Controls of this type

have also sometimes been used to compel development of more advanced industry in a country, or to prevent foreign demand from raising the prices of raw materials used by local industry. From time to time, however, exports have been controlled for military or strategic reasons.

The United States has employed major restrictions on its export trade with the Communist countries for over twenty years. The Export Control Regulations state that these controls have three purposes: The preservation of the domestic economy from a drain of scarce materials, the protection of national security and the furthering of U.S. foreign policy. An outgrowth of the Cold War, export limitations have existed in order to prohibit, if possible, the Communist nations from acquiring materials and technologies which could strengthen them in such a way as to be damaging to U.S. national security.

The present U.S. export controls began in 1948 with measures to restrict the exportation of most articles intended for the East European trade. These goods were placed under mandatory license. The Export Control Act of 1949 established an export trade policy with Communist nations which was subsequently extended in force until 1969. The 1949 act, which expanded the previous control efforts, was followed in 1951 by the Mutual Defense Assistance Control Act (the Battle Act) under which the U.S. embargoed all exports to the U.S.S.R. and its satellites of arms, ammunition, atomic energy materials, petroleum, implements of war, transportation materials considered to be strategic, and goods used in the production of all these items.

The Export Control Act provided the President with nearly total discretionary authority to place restrictions on exports from the United States (except the power to impose taxes on exports which is unconstitutional). All exports are under mandatory license except most of those destined for Canada. Two types of licenses are involved. A general license is a broad authorization allowing exportation of goods which may be freely traded under certain basic conditions. No application is required and a license document is not issued. A validated license authorizes a particular shipment within specific limitations detailed in this formal document. Since 1949, the number of items once requiring validated licenses which have been transferred to the general license category has been substantial. 1/

Under the Export Control Act, all nations, except Canada, have been divided into several groups by the desired level of export restriction. The degree of restriction is dependent on administrative judgments of the likelihood and extent of danger to American security resulting from export of the product in question. An embargo was imposed on U.S. exports to North Korea, North Vietnam, Cuba and, until 1972, China. Export controls for China and the U.S.S.R. remain generally greater than those for the nations of Eastern Europe. There are also differences in the treatment which individual East European countries receive. Yugoslavia is dealt with much like a Western country; exports to Romania and Poland, while still being restricted, are less limited than exports to the rest of the Warsaw Pact countries.

Those who violate the export control regulations in the United States are subject to fine, imprisonment, seizure of goods and denial

1/ In 1971, over 375 commodities were decontrolled to the U.S.S.R. and other East European countries, thus raising to 1,700 the number of commodities which, at that time, had been decontrolled since 1969.

of export privileges. If abroad, they are denied U.S. exports under license. In 1971, fines against violating individuals and firms totaled \$42,900 and 188 shipments valued at \$394,160 were seized.

The United States and the other NATO nations (less Iceland, plus Japan) established the Coordinating Committee on Export Controls (COCOM) in 1950. The purpose of this organization was to multilaterally control trade with the East in "strategic" items. There are 600 items on the COCOM restricted list; the United States' list contains about 1,000 additional items. Since the other COCOM countries have no export limitations to Communist countries beyond those items specifically on the COCOM list, the U.S. restrictions usually do not prevent Communist nations from procuring items on the U.S. list (except in those situations where the United States has a monopoly). American efforts to influence other Western nations to follow its example on standards of control have failed. In fact, American drives for more stringent controls have sometimes caused strain in relations between the United States and its COCOM allies. In addition, the COCOM group has been growing less and less restrictive as changes have occurred in political relations with the Communist nations. This same situation has occurred in the China Committee (CHINCOM), a multilateral group instituting controls on exports to China. In this association too, there has been a gradual erosion of support for controls.

Moves to liberalize U.S. export controls achieved notable results in 1969. Though similar in structure and methods to the 1949 act, the Export Administration Act of 1969 began to relax U.S. restrictions and such items as disinfectants, cement, vaccine, yellow corn and fabrics were freed from rigid limitations. During 1969-72 a series of moves

took place to liberalize trade with China, culminating in February 1972, when the list of restricted items for China was made the same as that for the Soviet Union.

Following the trend of relaxation of export controls, again in February of 1972 the President removed restrictions imposed on exports of foreign subsidiaries of American companies, within certain general conditions. These subsidiaries are freed from licensing control if the goods involved are totally of foreign manufacture, contain no U.S. materials and are not based on restricted U.S. technology. As a result of this action, U.S. subsidiaries abroad now are placed on the same basis as foreign companies, subject to the law and policy of the nation in which they operate.

Amendments to the Export Administration Act of 1969 were passed in August 1972. Recognizing that export trade is being lost to U.S. allies who interpret the term "strategic" more leniently, these amendments call for the American export control policy to be examined and evaluated in the light of the current political and economic situation. The Secretary of Commerce is ordered to undertake an investigation which will indicate those items (including technical data) no longer requiring export control. Many of the restricted articles and much of the limited technical information is already available without restriction from sources outside the United States. The provision is made, however, that those controls which do protect national security and foreign policy shall remain.

While there has been a definite relaxation of export controls for national security reasons under the provisions of the Export Administration Act, other controls have recently been implemented

pursuant to this authority to prevent a drain of scarce agricultural products. "Short supply" controls are used only when they are necessary to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand. During the summer of 1973, the Department of Commerce determined that the United States faced a possible shortage of major foodgrains, feedgrains, and soybeans. Consequently, an export licensing system was inaugurated under which export quotas could be established for soybeans, cottonseed and certain of their products and certain additional categories of farm commodities which are competitive with soybeans and cottonseed, including livestock protein feed, edible oil and animal fats. After further analysis of the supply-demand situation, these restrictions were liberalized for contracts entered into on or after September 8 and all restrictions were terminated as of October 1. Since then, concern over the supply-demand situation for certain fertilizers has led to the establishment of a monitoring system with respect to production, inventories, shipments (foreign and domestic), and foreign orders for fertilizers and related chemicals.

These and other shortages which have developed in the United States during the period of price/supply distortions in 1973 have resulted in various repercussions in other countries. For example, in June Canada placed gasoline, heating oil, and protein feedstuffs under export control and in August placed beef and pork under control to prevent a drain on Canadian supplies. During this same period the European Community introduced export levies for corn and barley and stopped the issuance of export certificates for durum wheat.

Argentina and Brazil also reportedly applied export controls on feed-grains and protein meals. More recently, Canada has imposed an export embargo on steel scrap.

Also in the summer of 1973, the United States instituted a contract licensing system for export of ferrous scrap. ^{1/} This system was superseded in 1974 by export quotas on a country basis. The overall quota for the first quarter of 1974 was established at 2.1 million short tons, allocated by countries of destination, as follows:

	<u>Short tons</u>
Argentina	34,800
Canada	200,300
European Community	197,400
Greece	22,800
Japan	823,300
Korean Republic	123,700
Mexico	165,000
Spain	182,000
Taiwan	100,700
Thailand	14,800
Turkey	27,600
Venezuela	50,000
All other countries (including contingencies)	<u>157,600</u>
Total	2,100,000

Allocation of the quota among exporters will be based on monthly performance during the period from July 1, 1970, to June 30, 1973.

United States producers and exporters submitted several complaints to the Tariff Commission against U.S. export controls, charging that the controls had simply resulted in loss of valuable business without producing the intended benefits to national security.

^{1/} The term "ferrous scrap" includes various types of heavy melting steel scrap; certain iron or steel borings, shoveling and turnings; shredded steel scrap; certain tin-plate and terne plate; iron scrap; and rerolling material; for purposes of the export control system of the United States, it does not include stainless steel scrap.

Exchange Controls and Other Monetary and
Financial Barriers to Trade

As goods and services and financial capital move across national borders, payments in some form of acceptable currency or medium move in the opposite direction. The term "financial barriers to trade" is used here to refer to restrictions on the payments and/or financial cycle of a trade flow. Restrictions on the financial side slow the flow of real goods and services by raising the costs of trade in a manner similar to tariffs and other nontariff barriers. Common examples of such financial barriers are foreign exchange controls and other regulations on the method and time of payment for imports. Financial barriers to trade are found principally in the developing countries, which have experienced severe shortages of foreign exchange for many years, but such obstacles are also encountered in the industrialized nations.

Financial barriers are often embedded in the exchange rate system. Here manipulations of the exchange rate for trade balance purposes are encountered. Even though they generally are accepted as complying with the rules set up by the International Monetary Fund, the numerous variations of exchange rate systems used especially in developing countries for balance of payments purposes are cited by exporters of other countries as financial barriers to trade.

Many developing countries have, or have had, systems of multiple exchange rates. This is actually a form of protection, since goods which can be imported, for example, at 20 pesos per dollar are going

to be preferred over those that must be imported at 40 pesos per dollar. An example of the potential trade barrier effects of a multiple exchange rate system is given for Brazil for 1956 in table 8-W. In Brazil, available foreign exchange was allotted in certain proportions to five categories of goods and was auctioned off to the highest bidders in each category. ^{1/} This system resulted in differing average exchange rates for each category which were converted to protection percentages.

Table 8-W.--Brazilian import exchange rates in 1956 and resulting protection percentages ^{1/}

Import category	Average exchange rate (cruzeiros per dollar)	Resulting protection (percent)
1. Inputs to agriculture; certain pharmaceuticals and inputs to the pharmaceutical industry; and some other "essential" commodities-----	74	4
2. "Essential" raw materials (i.e., those for favored industries, almost all producers of intermediate goods)-----	81	14
3. Other raw materials and "essential" spare parts and equipment (those for favored industries)-----	103	45
4. Other spare parts and equipment, and fresh fruits-----	116	62
5. All other commodities (i.e., most finished consumer goods)-----	222	210

^{1/} "Protection" is the percent by which the rate exceeds the free trade rate estimated in the Brazil study.

Source: Bela Belassa and Associates, The Structure of Protection in Developing Countries, Johns Hopkins Press, Baltimore, 1971.

^{1/} In 1957, the number of import categories was reduced to two--"general" and "special." Auctioning of foreign exchange for products in the general category was discontinued in 1961, and by 1967, all products in the special category had shifted to the "general" category, and a free market was allowed to function.

The table shows that for Brazil the average exchange rates resulting from the foreign exchange rationing scheme provided an enormous amount of protection. Other countries have had schemes of set multiple exchange rates, but the Brazilian case in 1956 was especially interesting because the multiple exchange rates were a direct result of foreign exchange rationing. However, the protective effect was as if the multiple exchange rates had been fixed, or the equivalent tariff had been imposed. As is true with many other financial barriers to trade, this scheme on the foreign exchange basis was tied to licensing. Usually foreign exchange is granted at the set rate only when an import license has been obtained.

Another common type of financial barrier (used especially by developing countries) is the prior import deposit. This typical barrier used to restrain imports is discussed in the section of this report dealing with nontariff charges on imports.

There have been numerous complaints against the payments system used in Japan. Prior to the recent changes in the import licensing system, foreign exchange obtained through authorized banks could be remitted abroad by holders (or third persons) of automatic approved (AA) licenses or automatic import quota (AIQ) licenses. Importers under the import quota (IQ) system had to apply to the Ministry of Trade and Industry for import quota certificates. Banks issued import licenses to quota certificate holders and the foreign exchange

could be remitted abroad only by an import license holder. This "financial barrier" in the form of an exchange restriction was only a method of enforcing the quota system. These methods appear to be hangovers from the days when Japan had a deficit balance of payments. Her transition to a surplus country has outpaced her dismantling of some of the financial trade barriers typically used by chronic deficit countries.

Some argue that the "standard method of settlement" for imports to Japan constitutes a financial barrier to trade. This method requires that imports be paid for within four months of the receipt of the bill of lading. A "non-standard method," which allows a longer time to pay for the imports, requires permission from the Ministry of Trade and Industry. This permission is needed by the foreign exchange banks before they can settle payments by a nonstandard method. Standard methods of settlement, on the other hand, can be automatically handled by the foreign exchange banks. The argument against the standard method of settlement on the import side is sometimes based on the fact that while four months are allowed for a standard settlement of import payments, six months are allowed for export payments to be settled. Some feel this is unfair since it in effect allows a longer credit period for exports than imports. This argument is somewhat offset

by the fact that the export credit period is calculated from the date of export license issuance which is usually three or four weeks prior to shipment. The import credit period, on the other hand, is counted from the time of the receipt of the bill of lading indicating that the goods have already arrived. Thus, the actual time difference for credit possibilities between exports and imports is less than a month.

In the United Kingdom foreign exchange remittances may be sent on evidence that goods have been or are about to be dispatched. Except for the few goods subject to control by licensing, there were no significant financial barriers to imports into the United Kingdom at the end of 1970. However, the United Kingdom is an excellent example of a country that used many financial barriers to trade around the time of the devaluation of the pound in 1967. In 1966 the United Kingdom restricted the amount of foreign exchange allowed for travel out of the sterling area (£ 50 per year for tourism). This was raised to £ 300 per trip in 1970, after the sterling crisis was well past. Several other types of currency restrictions which kept foreign exchange from going out of the sterling area served, among other things, as a barrier to keep United Kingdom tourists from going abroad. The United Kingdom case was clearly one where financial barriers to trade were used prior to and following devaluation as supplementary curative measures for Britain's payments deficit.

Financial barriers are perhaps more complex than other NTB's to analyze because: (a) they are often tied to the use of other NTB's, so that pinpointing the real restriction is often quite difficult; (b) they are sometimes allowed for balance of payments purposes by the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT); (c) they are more easily applied and withdrawn than many other trade barriers and their "valve like" nature makes their use widespread for balance of payments purposes, both in developed and developing countries; and (d) some are an integral part of the general protection system and domestic economic policies of certain countries, thus making their isolated study difficult. All of these factors point to a need for placing financial barriers to trade in their general economic context if their intent and operation is to be understood.

A domestic economy produces a set of goods and services for sale domestically and abroad. Domestic income is derived from the production of these goods and services. An exchange rate (or rates) translates domestic prices to foreign prices and visa-versa. Import tariffs, nontariff barriers, and subsidies to exports or imports can serve to change relative domestic and foreign prices, i.e., create a larger differential between them than would otherwise exist. Producers, domestic and foreign, look at the price structure they face (accounting for both the prices of the potential goods produced and

the costs of needed inputs to production) and decide what they can most profitably produce. In some cases subsidies to producers will allow them to produce goods (for domestic consumption or for export) which the price structure would normally indicate to be unprofitable.

Domestic consumers taking into account their income, and domestic producers taking into account their input costs, both note the relative prices of domestic and foreign goods and services (as they are influenced by the exchange rate and protection system) and their preferences in deciding what combination of domestic and foreign goods to purchase. The combination of domestic consumers' purchasing decisions and domestic producers' input purchase decisions, given the price structures and prevailing preferences, determine imports of goods and services into the domestic economy. Foreign consumers and producers make the same choices thus determining their imports and therefore exports of other countries.

Given domestic protection systems and their resulting domestic price structures, prevailing exchange rates, and the resulting collective choices of domestic and foreign purchasers, a trade balance results between the domestic economy and all foreign economies. The trade balance plus some other items such as capital flows combine to make up a current payments balance between a country and foreign nations.

If a country has a significant payments deficit for a long period of time, something must be done about it. A persistent deficit means that a country will deplete its reserves of foreign exchange or acceptable means of international payment for its foreign purchases. Some things can be done to improve the part of the payments balance due to nontrade items such as capital flows, but for the major trading countries, trade in goods and services is usually a large share of the current payments flow. For the United States, for example, the bulk of recorded current receipts are for U.S. exports and an increasing proportion of U.S. recorded payments to foreign countries are for imports. 1/ Thus, if a country has a persistent balance of payments deficit (depending upon the prevalent international trade and finance system in effect), various natural events will occur or policy decisions will be taken to correct the trade balance.

A complex mathematical model would be needed to specify all of the linkages and economic interplays relevant to a rational adjustment of a trade imbalance. Theoretically, a trade balance can be improved by: (a) restricting imports by some sort of tariff, financial, or other nontariff barrier, (b) promoting exports by subsidies of a direct or financial nature, (c) using the exchange rate system to influence the trade balance, i.e., multiple exchange rates or a devaluation may alter the ratio of domestic

1/ For the United States, in 1968 the ratio of exports to receipts was 82.4 percent and the ratio of imports to payments was 54.5 percent.

to foreign prices so as to encourage exports and discourage imports, or (d) using all of the above measures. All of these measures may include actions classified as financial because of their placement in the finance/payments side of a trade flow.

All talk about barriers to trade, payments deficits, etc., is based on some notion of an equilibrium state where these problems do not exist. The empirical problem in measurement of these barriers and deficits is to estimate what that equilibrium state would be in the absence of barriers and deficits. An equilibrium state in the trade-payments system may imply a set of parameters needed to maintain that state. If parts of the system such as trade barriers are changed, other parts may also have to change in order to maintain a payments balance under the new system. A common kind of statement reflecting this line of thinking is that a lowering of protection barriers by one country, unless matched by other countries, may require a devaluation of its currency to maintain a balance in its international payments.

Another example of the problem of determining a hypothetical equilibrium is found in the necessity of often postulating normal rates of return to factors of production when measuring the subsidy element of measures such as tax incentives to exporters. Measures of such subsidies are very dependent on what the normal rate of return might be. This rate of return, in turn, is partially dependent on the stage of the business cycle the economy is in, the state of demand for the product, and possibly many other factors.

Thus, many parameters which might be desired in an equilibrium state for comparison purposes may not be easily discernible in a dynamic world economy, especially if the desired parameters are not independent of the things to be measured.

Another problem particularly acute for analysis of financial barriers, but also relevant for many others, is the duration and cause of a particular economic problem for which a trade barrier is a temporary solution. For example, if a country runs a persistent payments deficit, it may be forced to do one of the following: (a) suspend payments (because it has run out of foreign exchange or acceptable international reserves); (b) resort to measures (some of which may be of a financial trade barrier nature) which will correct the payments deficit; or, (c) ration the remaining foreign exchange. The inability to pay for imports as well as the existence of financial or other barriers to slow down imports would constitute a trade barrier from the point of view of exporting countries. This situational context makes financial barriers or barriers associated with balance of payments problems a little more complex than other NTB's. The blame might be put on the financial barrier, or the economic policies and events which led to the payments problems. The deficit might be temporary due to the loss of an export crop because of a dry season or it might be due to cumulative errors in domestic and foreign economic policy of the deficit country.

Such conditions had to be considered in setting up some of the institutional arrangements for international trade and payments under which the present financial barriers to trade often occur.

Finally, the costs of protection through financial as well as other barriers to trade should be considered. In efficiency terms, protection means that resources are kept in relatively inefficient industries (in terms of world prices) and therefore out of relatively more efficient industries where the same factors could earn more real income. A unit of resources in an inefficient, protected industry saves much less in foreign exchange loss (due to foregone imports) than the same unit would earn if it were used instead in a more efficient export industry. Thus the balance of payments argument for protection to cure a payments deficit, except for emergency use, may be basically self-defeating. The institutional arrangement for dealing with payments imbalance had to lie between two theoretical possibilities. The first possibility would be to simply allow freely fluctuating exchange rates between countries. A deficit country would, as its reserves ran low, find its currency depreciating. This would tend to make its imports more expensive in domestic prices and would lower the foreign currency price of its exports; the price effects thus would work to improve the trade balance. Such a system might have the merit of restricting the international effects of incorrect domestic economic policies. The chief objection to the flexible rate system is the possible instability of

exchange rates. If much uncertainty was involved, the insurance costs against this uncertainty for traders would itself be a barrier to trade. Furthermore, some kinds of trade might be hurt more than others, i.e., trade in items which had a long period from order to delivery (such as jet planes, turbines, ships, etc.) might have higher exchange risk costs than items which would be ordered and delivered in a month. Finally, bad experiences during the depression of the thirties where countries devalued competitively in order to create export markets for employment purposes, left many people wary of schemes for too flexible exchange rates.

The other possibility would be fixed exchange rates with some sort of institutional way of allowing for temporary trade restrictions to correct payments imbalances and for changes in exchange rates when they were deemed necessary. Problems with this system have been made clear over the past few years where immense pressures were allowed to build up before exchange rates that needed adjusting were actually changed. This system, therefore, also has had its uncertainties and has led to the "temporary" use of many so-called financial barriers to trade as a substitute for, a delaying tactic until, or an accompanying program with eventual exchange rate changes that have been too slow in coming. The fixed rate type of system also has the defect that very little pressure for adjustment is put on surplus countries. A perfectly flexible system would appreciate the currencies of large surplus countries, thus tending to put downward pressures on the payments surpluses.

Thus all of the above arguments and reasonings have led to the present world monetary and payments systems in which financial barriers to trade often play a part in serious payments deficit situations. There are cases where financial barriers in existence today are not needed for balance of payments purposes. In some cases these barriers are left over from the days when the particular country was a deficit country and used the barriers as an additional tool to correct payments deficits. This again would be a case where, as a country moved from a deficit to a surplus position, too little accompanying pressure was maintained to cause removal of the trade restrictions used to correct the deficit.

The International Monetary Fund was set up in 1944 to maintain a system of fixed rates which could be changed only when something called "fundamental disequilibrium" occurred in a country's payments situation. The basic goal was to have a set of "par values" of currencies. Member countries would be obliged to maintain their individual currencies within plus or minus one percent of these par values and to avoid restrictions on payments for current international transactions. Currencies were to be "convertible," i.e., they were to be exchangeable for one another at their par values for purposes of making international payments settlements. The IMF also has an allowance in the Articles of Agreement for cases where convertibility could not be maintained. Article VIII of the Agreement of the International Monetary Fund roughly provides that

members should maintain convertible currencies and no payment restrictions while Article XIV provides for a period of transition in which exchange restrictions (and therefore no convertibility) are allowed while a country tries to undertake policies to correct its deficit situation. The Fund classifies a country as having either Article VIII or Article XIV status. In the latter case, the fund can exert pressure on a country to exert corrective policies and in return it allows restrictions on current payments, some of which are classified as common financial barriers to trade.

In addition to the IMF, the General Agreement on Tariffs and Trade allows restrictions on trade payments for balance of payments reasons when international monetary reserves become seriously low. Thus under the system of fairly fixed exchange rates, the international institutions allow some "temporary" financial barriers to trade for balance of payments purposes. The ideal goal to be promoted by these institutions is relatively free trade and unhindered payments for that trade. However, when countries have experienced severe payments difficulties, the escape provisions have been applied and payments restrictions allowed. Especially in the cases of developing countries, the granting of balance of payments restrictions has been accompanied by pressure from the organizations for either deficit corrective policies and/or exchange rate changes. While countries maintaining financial barriers but not experiencing payments problems are violating the GATT and IMF rules, the removal of

payments restrictions (like other trade restrictions) is sometimes slow for countries that move from deficit to surplus positions.

Financial barriers in selected countries

Table 8-X summarizes the IMF status and some financial barriers to trade for selected countries which are the largest customers for U.S. exports. As indicated in the table, it has largely been the developing countries which have been granted Article XIV status and which have thus imposed most of the exchange and payments restrictions. The following pages briefly discuss the various practices shown in the table. Some are only informational, i.e., not normally considered to be a trade barrier under the rules. For example, a country either is classified as having a convertible currency and no serious restrictions on payments or it is classified as having Article XIV status where restrictions are allowed for payments purposes. Article XIV status implies that the country together with IMF help is doing something to put its house in order. The approval of restrictions by the IMF has no other significance, since if the restrictions were not applied, the country would completely deplete its reserves and be unable to make payments for its trade anyway.

One can also note other linkages and nonlinkages among the item headings. Many of the barriers, such as multiple exchange rates, payments restrictions and import and export restrictions, come about when Article XIV status is granted. However, many restrictions on capital transactions occur even when the Fund indicates that a

Table 8-X.--International Monetary Fund Status of specified trading nations in 1970¹

Item	Canada	Japan	United Kingdom	West Germany	Netherlands	Mexico	Italy	France	Belgium/Luxembourg	Australia	Venezuela
Share of U.S. exports received in 1969 (percent)---	23.9	9.2	5.3	5.2	3.8	3.7	3.2	3.1	2.5	2.1	1.9
Article VIII status-----	x	x	x	x	x	x	x	x	x	x	x
Article XIV status-----											
Agreed par value-----	x	x	x	x	x	x	x	x	x	x	x
Par value applied-----		x	x	x	x	x	x	x	x	x	x
Unitary effective rate, not par value:											
Fixed rate-----											
Freely fluctuating rate-----	x										
Pegged rate-----											
Special rate(s) for some or all capital transactions and/or all invisibles-----											
Import rate(s) different from export rates-----											
More than one rate for imports-----											
More than one rate for exports-----											
Restrictions exist on payments in respect of current transactions-----			x					x			
Restrictions exist on payments in respect of capital transactions-----											
Prescription of currency-----	x	x	x		x		x	x	x	x	
Bilateral payments arrangements with members-----						x					x
Bilateral payments arrangements with nonmembers-----					x				x		
Import surcharges-----											
Advance import deposits-----											
Surrender of export proceeds required-----	x	x					x	x		x	x
Part of larger monetary area-----			x					x		x	
Participates in regional economic cooperation-----			x	x	x	x	x	x	x	x	x

Item	Brazil	Spain	India	South Africa	Switzerland ²	Sweden	South Korea	Argentina	Philippines	Hong Kong	United States
Share of U.S. exports received in 1969 (percent)---	1.8	1.6	1.4	1.4	1.4	1.3	1.3	1.0	1.0	1.0	-
Article VIII status-----					x	x		x		x	x
Article XVI status-----	x	x	x	x			x		x		
Agreed par value-----	x	x	x	x		x			x	x	x
Par value applied-----		x	x	x		x				x	x
Unitary effective rate, not par value:											
Fixed rate-----											
Freely fluctuating rate-----							x				
Pegged rate-----					x			x			
Special rate(s) for some or all capital transactions and/or all invisibles-----	x									x	
Import rate(s) different from export rates-----	x								x	x	
More than one rate for imports-----										x	
More than one rate for exports-----	x								x	x	
Restrictions exist on payments in respect of current transactions-----	x	x	x	x			x		x		
Restrictions exist on payments in respect of capital transactions-----	x	x	x	x		x	x	x	x		
Prescription of currency-----	x	x	x	x	x	x	x	x	x	x	
Bilateral payments arrangements with members-----	x	x	x								
Bilateral payments arrangements with nonmembers-----	x	x	x		x	x					
Import surcharges-----	x						x				
Advance import deposits-----		x					x	x			
Surrender of export proceeds required-----	x	x	x	x			x	x	x		
Part of larger monetary area-----			x	x						x	
Participates in regional economic cooperation-----	x			x	x	x		x	x		

^{1/} An "x" indicates the IMF's judgement of a country's status in 1970 with respect to the particular row item. Article VIII status loosely means that a country's payments are not restricted for current international transactions while Article XIV status indicates IMF acknowledgement of a "fundamental disequilibrium" in the payments balance and IMF allowance of exchange restrictions. Other items in the table not self explanatory are briefly discussed in the text.

^{2/} Switzerland is not a member of the International Monetary Fund. Data are shown for Switzerland to indicate what would apply if Switzerland were a member.

Source: Annual Report on Exchange Restrictions, International Monetary Fund; except share of U.S. exports is derived from OECD trade statistics.

country is not restricting current payments in general. A sign of slippage in the fixed rate system is that there are some countries such as Canada or others (when in foreign exchange crises) who have occasionally floated their rates, thus not maintaining the par rates as the IMF would like.

Article VIII status.--Loosely, Article VIII requires that a country can not restrict payments for current international transactions without IMF approval. It also requires convertibility of currencies, i.e., that a country must be willing to buy back balances of its currency held by other countries making payment in gold or other convertible currencies. In August 1971, the United States closed the gold window, meaning that it would not buy back dollars held by foreigners making payment in gold, i.e., the dollar now is not convertible and the United States does not presently meet Article VIII status.

Article XIV status.--Article XIV status allows a transitional period of adjustment during a period of "fundamental disequilibrium" for a country when the IMF will allow the operation of some exchange restrictions. Usually, if the IMF grants this status, it obliges a country to cooperate in a program to improve the trade balance, change the exchange rate, or correct whatever led to the foreign exchange shortage that triggered the need for restrictions.

Article XIV status is the antithesis to Article VIII status, i.e., a country will be granted either one or the other by the IMF.

Agreed par value.--Members of the IMF are expected to have a par value for their currency in terms of gold which is agreed on between them and the IMF. This row indicates whether or not such an agreed par value exists.

Par value applied.--This row indicates whether or not the agreed par value is actually applied. Normally countries are obliged to intervene in foreign exchange markets to maintain their exchange rates within plus or minus one percent of the agreed par value. However, some countries which have Article VIII status don't maintain a par value and have other exchange arrangements such as multiple rates. Some countries such as Canada, which do have a par value, allow their rate to fluctuate freely outside the limits encouraged by the IMF,

Unitary effective rate.--The unitary rate alternatives offered to par values are fixed rates, freely fluctuating rates, and pegged rates. Usually the allowance of the Fund for nonexistent par values is linked with Article XIV status. Temporary floats of currencies, however, have been used by Canada in the past and by other countries more frequently in conjunction with recent world monetary crises. Such floats are practically overlooked by the IMF as temporary measures.

Special rate arrangements.--Certain other exchange rate arrangements are allowed by the Fund only in "transitional" periods under Article XIV status. These are foreign exchange restrictions that would be definitely classified as financial barriers to trade, but under certain balance of payments difficulties, are accepted as being necessary by the IMF. One such arrangement is where a country

has a separate or special rate operating for capital transactions or invisibles on trade account (such as tourism). Another is where the import rate is different from the export exchange rate and another case is where multiple import and export exchange rates exist. All of these arrangements represent forms of multiple exchange rates that are used ostensibly for balance of payments purposes. Some countries have used special rates on capital transactions to regulate short term capital movements which can cause havoc in foreign exchange markets. Such restrictions can be given Fund approval and can even be requested by the Fund.

In the case of foreign exchange restrictions for regulating capital flows, the IMF's charter is ambiguous. However, IMF practice and the fact of the linkage of capital flows and trade flows in the foreign exchange markets under a system of convertible currencies have led the Fund into this area of exchange regulation as well.

The table also indicates whether or not payments restrictions exist on current transactions and on capital transactions. Restrictions often exist on capital transactions even if Article XIV status is not granted. The types of restrictions indicated can vary tremendously. They include the items listed in the table as well as such things as limits on the amount of foreign currency people can take out of a country for travel purposes.

The objective of the IMF is to allow payments for international transactions in convertible currencies or gold on a multilateral basis.

Restrictions that prescribe specific currencies for international payments are to be avoided. However, many countries have agreements with other countries on a bilateral basis or with currency areas which prescribe certain currencies for intercountry payments. Import surcharges are often imposed at times of balance of payments crises (e.g., the United States in August 1971). Advanced import deposits also are used as an emergency balance of payments measure and are discussed in the section on charges on imports.

The table also indicates whether or not an exporter has to surrender his export proceeds. Often this must be done at an authorized bank, and the foreign exchange must be surrendered for domestic currency at the official exchange rate. The existence of such regulations provides a potential tool in foreign exchange regulations. It prevents, among other things, domestic exporters from holding foreign currency accounts at home or abroad.

The last two lines of the table show whether the country is a part of a larger monetary area (specifically, the sterling area or the French franc area) and whether a particular country belongs to some sort of a customs union such as the EC.

Table 8-Y presents a crude index of the financial barriers to trade listed for the countries in table 8-X (except the United States), a crude measure of the credit worthiness of these same countries as seen by a major New York bank, and some data on their payments balances.

Table 8-Y.--International credit worthiness: Share of world exports, relative collection experience, balance of payments, and indicator of financial barriers for specified countries 1/

Country	Share of world exports in 1971	Relative collection experience, Jan. 1968-Apr. 1970	Variability of collection experience, Jan. 1968-Apr. 1970	Balance of payments indicator for goods and services 1968-1970 2/	Indicators of financial barriers seen by the IMF during 1970 3/
1	2	3	4	5	6
	Percent	Index	Index	Percent	
Canada-----	5.9	122	11.6	0.4	3
Japan-----	7.7	89	12.5	6.0	6
United Kingdom-----	7.2	103	13.5	3.1	10
West Germany-----	12.5	101	9.2	7.1	4
Netherlands-----	4.4	121	11.9	-.3	7
Mexico-----	.5	72	22.7	-22.9	6
Italy-----	4.8	100	14.0	6.9	7
France-----	6.6	90	16.5	-.1	10
Belgium-Luxembourg-----	4.0	111	13.5	2.0	7
Australia-----	1.7	106	5.9	-10.8	8
Venezuela-----	1.0	73	23.6	-2.1	9
Brazil-----	.9	58	20.6	-10.6	13
Spain-----	.9	69	30.3	-12.0	10
India-----	.7	69	29.6	-15.4	10
South Africa-----	.7	87	15.8	-10.1	9
Switzerland-----	1.8	107	18.9	6.8	5
Sweden-----	2.4	119	9.8	-.6	7
South Korea-----	.3	NA	NA	-31.5	8
Argentina-----	.6	72	22.3	-24.6	7
Philippines-----	.4	NA	NA	-14.1	9
Hong Kong-----	.9	88	19.5	NA	9

1/ All of the coefficients in the following Spearman rank correlation coefficient matrix are statistically significantly different from zero.

2	3	4	5	6	Columns
	0.46	-0.58	0.70	-0.46	2
		-0.79	0.64	-0.43	3
			-0.56	0.53	4
				-0.56	5
					6

2/ This number is the balance of payments for goods and services as a percentage of exports plus imports. A positive number means a surplus while a negative number means a deficit.

3/ A count of the x's for each country in table 8-X. All countries have some marks in table 8-X, but those with more restrictions have more marks.

Source: Compiled from IMF statistics, statistics of the Chase Manhattan Guide for Exporters, and from data in table 8-X.

The listed countries accounted for two-thirds of world exports in 1971; the table shows the share of world exports accounted for by the countries. These numbers are particularly useful in looking at various countries' export promotion (financial) schemes because the potential worth price effects of such schemes are greater in the larger exporting countries.

Index of relative collection experiences for the quarters of 4/68-4/70.--An index was prepared for each country by using the collection record for sight and time drafts published in the Chase Manhattan Guide for Exporters. The percentage of sight drafts for which payment was received within four weeks of the dispatch was calculated. The index was the ratio of the percent collected in four weeks to the import weighted percentage. A higher than average index number (higher than 100) indicates prompt collection of dollars for U.S. exports by Chase Manhattan while a lower than average index indicates a slower payment of dollars that could be associated with a country's balance of payments and foreign exchange restrictions and her resulting financial barriers to trade.

Variability of collection experience index.--This is an attempt to measure the variability of the index numbers used over the nine quarters from 4/68 to 4/70. The number represents the standard deviation divided by the mean for the index numbers for a country over the nine quarter period. A high number indicates that the collection records tended to vary quite a bit over the period.

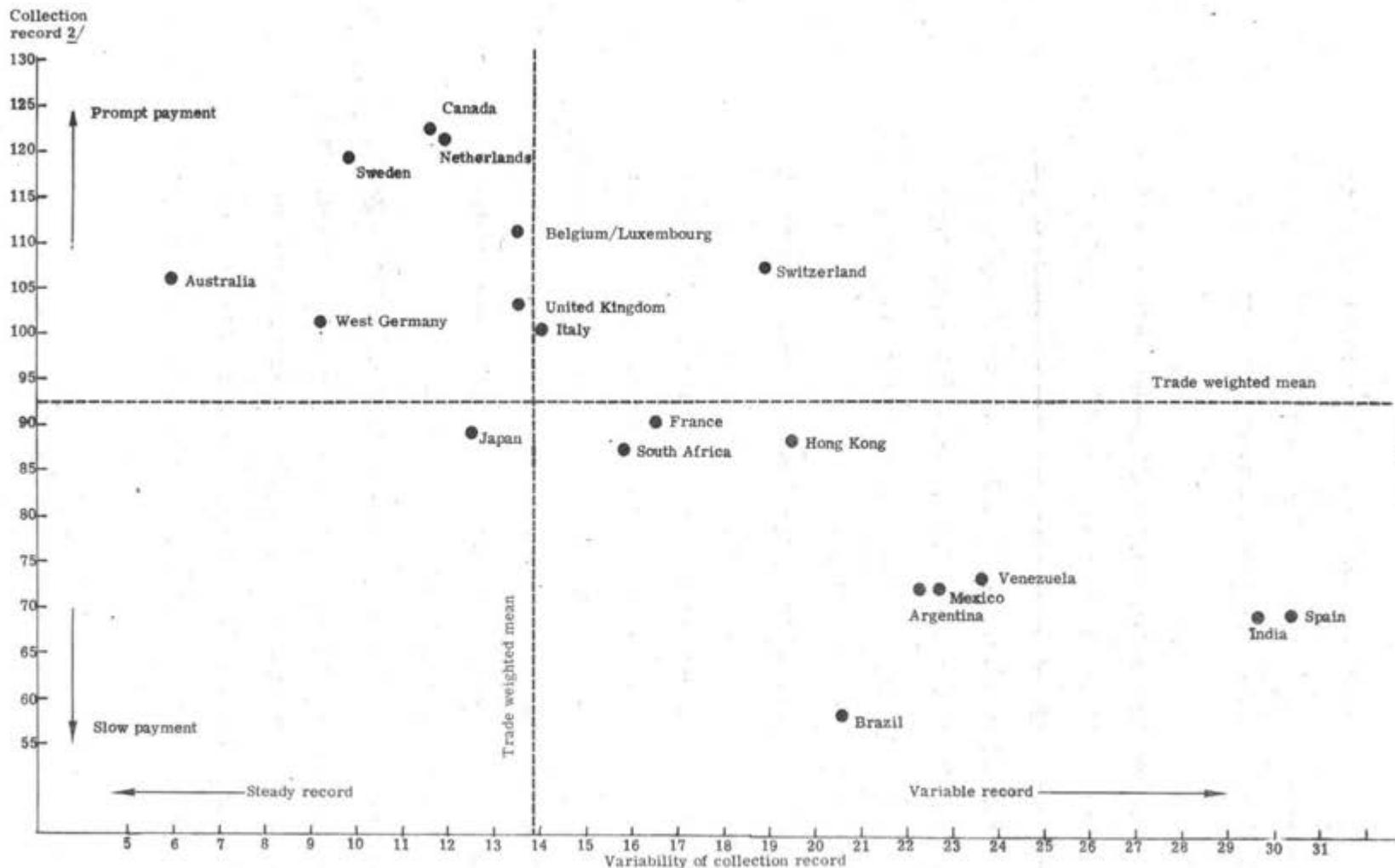
This probably indicates precarious balance of payments situations and foreign exchange positions. A lower number indicates that the relative indices of collection remained fairly constant over the period.

Balance of payments for goods and services.--These figures present a rough indicator of the average balance of payments for goods and services over the 1968-1970 period. The balance of payments for goods and services was divided by the total exports plus imports in order to make the relative balance of payments figure comparable on a cross-country basis. A positive number means a surplus while a negative one means a deficit.

Indicator of financial barriers.--These figures represent an effort to give a very crude indication of financial barriers to trade that were in effect during 1970. The numbers are simply the sum of all of the checks for each country in table 8-X. Thus, they only add up the number of barriers; the magnitudes of the barriers themselves are not measured. However, they do give a crude indication of the relative numbers of financial barriers that countries have had in effect for whatever reason.

Chart 8-A presents a graph of the index of collection experience versus the variability of the index for the period January 1968-April 1970. The left vertical axis roughly indicates how prompt the various countries were (relative to the average promptness) in returning dollars to Chase Manhattan Bank when the bank sent the

Chart 8-A. -- Graph of the magnitude versus the variability of payments collection record indices for selected countries 1



1/ The collection index is from column 3 in table 8-Y, while the payments balance variable is from column 5 of that table.
 2/ Trend adjusted index of average 4 week collection record for sight drafts for the period January 1968-April 1970 by Chase Manhattan Bank.

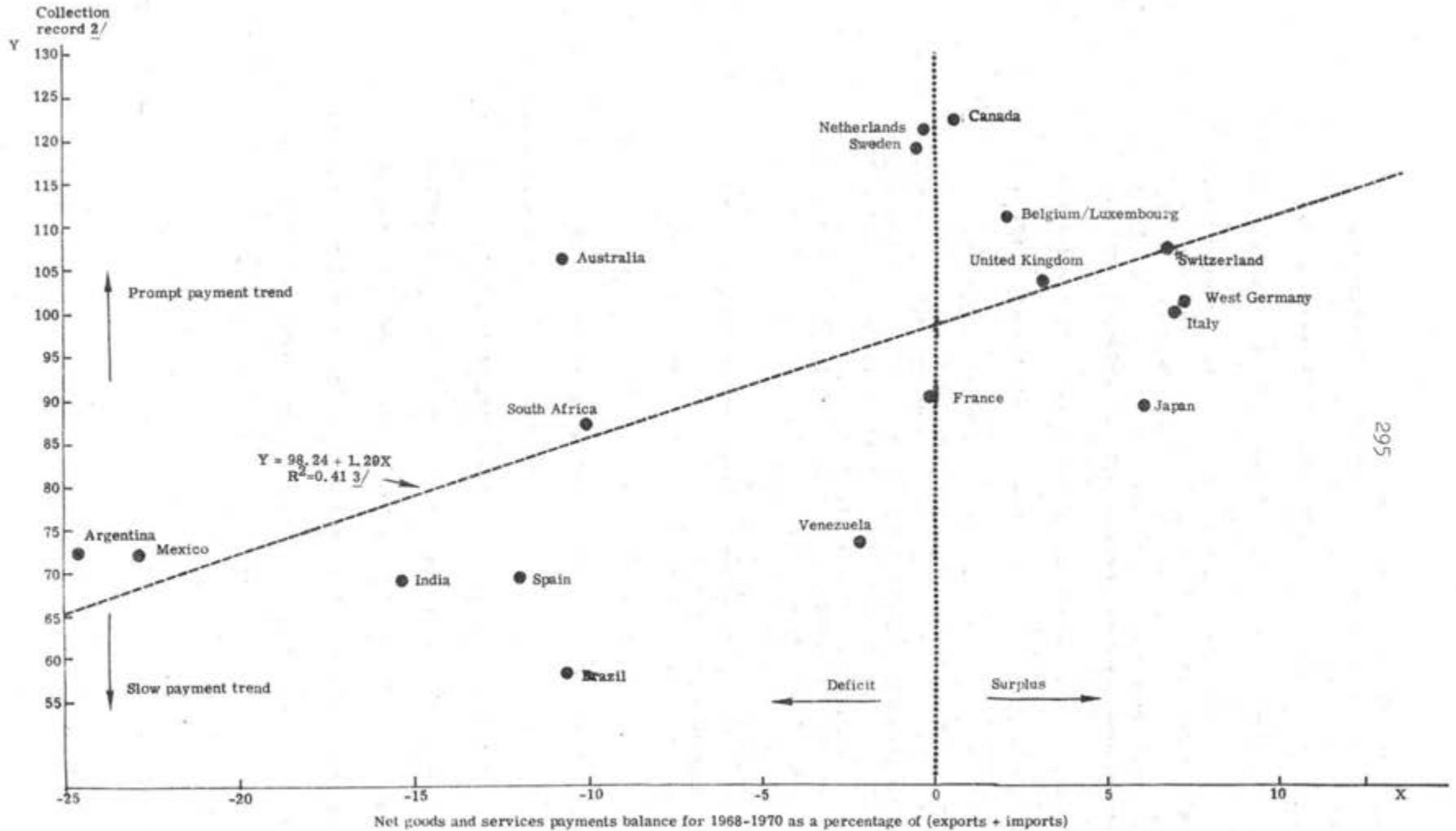
Source: Plotted from table 8-Y, as noted.

sight drafts to the countries for payment. A higher index means prompter payment of dollars while a lower index means slower payment on the average over the 1968-1970 period. The horizontal axis indicates the variability in payment periods for countries. A large number indicates that the collection period for that country varied considerably over the nine quarters covered while a lower number indicates a relatively fixed average collection time. The correlation coefficient between the index of collection records and the variability of the index is -0.79 indicating, as the figure shows, that these two items are quite strongly linked. The general picture is that the developed countries, who are our major trading partners, tend to pay their bills promptly and are fairly consistent in their promptness. These are the countries whose points are in the upper left part of the graph. The less developed countries, on the other hand, are the ones whose payments of dollars are often delayed and whose collection record varied considerably over the nine-quarter periods observed. Thus, the figure gives a crude picture of the international credit rating of certain specified countries. The countries down and toward the right on the graph are the ones which generally experience foreign exchange shortages and therefore are not always prompt in delivering dollars. They will be the ones most tempted to use financial barriers to trade for the expressed purpose of improving their poor foreign exchange situation.

Chart 8-B indicates the reason for the collection experience pattern for these countries by plotting the collection index on the vertical axis versus the measure of the net balance of payments for goods and services. There appears to be an association between the collection experience index and the payments balance. Countries tending towards a payments surplus over the 1968-1970 period paid their dollars to U.S. banks more promptly than those which were experiencing trade deficits over that period, thereby confirming the link of trade deficits to foreign exchange shortages and slow payment of dollars for U.S. exports. A foreign exchange shortage by a potential U.S. customer is a barrier to trade in reality because it forces the use of "financial barriers" to trade to ration what foreign exchange is available.

Any judgments about whether countries are overly slow in delivering dollars can only be made after a thorough study of the countries' financial situations. Other pertinent parts of the payments balances have to be checked (including capital flows). Assuming that the regression line is a crude indicator of the relation between collection experience and payments balances, then Brazil, Venezuela, and to a lesser extent, Japan, seem to deviate from the average relationship most in the negative direction. That is, their payments records should have been somewhat better given their relative payments deficit or surplus. This could be a weak indication that

Chart 8-B. -- Graph of the collection record versus the balance of payments for selected countries 1/



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1/ The collection index is from column 3 in table 8-Y, while the payments balance variable is from column 5 of that table.

2/ Trend adjusted index of average 4 week collection record for sight drafts for the period January 1968-April 1970 by Chase Manhattan Bank.

3/ The regression coefficient.

Source: Plotted from table 8-Y, as noted.

financial restrictions on the outpayment of dollars to the United States might have been stronger than needed for these three countries given their general financial situation.

The correlation matrix in table 8-Y indicates the expected relationships between the crude index of financial barriers and the credit and payments balance measures. A rank correlation coefficient of -0.69 between the financial barriers and the credit index strongly indicates that countries with more financial barriers are slow in payment of dollars to foreign exporters. A weak but significant coefficient of -0.39 between the financial barriers index and the payments measure points to a tie between the countries with more financial barriers and those with payments deficits. These results illustrate our point of linkage between balance of payments difficulties, poor international credit ratings, and financial barriers to trade.

Restrictive Business Practices

The Havana Charter defines restrictive business practices as practices engaged in, or made effective by one or more private or public commercial enterprises, or by any combination, agreement or other arrangement between such enterprises, that restrain competition, limit access to markets or foster monopolistic control. 1/

Restrictive business practices may restrain competition and trade within national boundaries only, or on an international scale. If "such commercial enterprises, individually or collectively, possess effective control of trade among a number of countries" 2/ then the restrictive practices involved constitute barriers to trade.

Restrictive business practices represent a thus far little known field of international trade restrictions. In contrast to various governmental measures and practices that impair international trade, private restrictive action is rarely even mentioned in discussions on nontariff barriers. While many countries have national antitrust legislation controlling private practices that impair domestic competition and trade, the effects of such practices on international competition and trade are still in the stage of initial exploration. Attention is only beginning to focus on the problem that, while governments are dismantling international trade barriers erected by themselves, private organizations have created such barriers of their own.

International cooperation in examining restrictive business practices has taken place predominantly in the framework of the United

1/ Havana Charter, Article 46.

2/ Ibid.

Nations, the OECD, the GATT, and the UNCTAD. In addition, the subject has been a natural matter of concern in the context of regional economic groupings such as the European Community and the European Free Trade Area. International arrangements on restrictive business practices thus far have been generally limited to an expression of principles and providing consultative machinery for settling disputes between countries; the international and regional organizations have not yet attempted to create a comprehensive system to deal with problems arising from internationally restrictive business practices. Proposals for this purpose have usually advocated that a multinationally agreed set of principles and rules be drawn up and an appropriate international machinery be established for enforcement.

In 1960, the GATT Contracting Parties adopted notification and consultation procedures for dealing with conflicts involving internationally restrictive business practices. ^{1/} The decision setting up the procedure also read, in part, as follows:

Recognizing that business practices which restrict competition in international trade may hamper the expansion of world trade and the economic development in individual countries and thereby frustrate the benefits of tariff reduction and removal of quantitative restrictions or may otherwise interfere with the objectives of the General Agreement on Tariffs and Trade,

Recognizing, further, that international co-operation is needed to deal effectively with harmful restrictive practices in international trade,

Desiring that consultations between governments on these matters should be encouraged,

^{1/} GATT, Decision of the Seventeenth Session, L/1397, 5 December 1960, p. 17.

Considering, however, that in present circumstances it would not be practicable for the Contracting Parties to undertake any form of control of such practices nor to provide for investigations,

The CONTRACTING PARTIES,

Recommend that at the request of any contracting party a contracting party should enter into consultations on such practices on a bilateral or a multilateral basis as appropriate. The party addressed should accord sympathetic consideration to and should afford adequate opportunity for consultations with the requesting party, with a view to reaching mutually satisfactory conclusions, and if it agrees that such harmful effects are present it should take such measures as it deems appropriate to eliminate these effects.

The Contracting Parties recommended that if no mutually satisfactory agreement can be reached between a requesting party and the party (parties) addressed, the complaint should be referred to the Contracting Parties as a whole. It appears, however, that these procedures have not been used.

In 1967, after extensive factual research by an OECD Committee of Experts in Restrictive Business Practices, the OECD Council adopted recommendations concerning various forms of cooperation between member countries on restrictive business practices affecting international trade. 1/ The OECD urged communication between member countries respecting their pertinent practices and national legislation, and suggested coordinated action of two or more members against restrictive business practices insofar as practicable under national laws.

1/ OECD, "Recommendation of the Council Concerning Cooperation between Member Countries on Restrictive Business Practices Affecting International Trade," 5 October 1967, OECD/C(67)53.

Both the Treaty of Rome establishing the European Economic Community and the Stockholm Convention establishing the European Free Trade Association contain rules concerning the operation of restrictive business practices within their respective areas of integration. Article 85 of the Rome Treaty deems "incompatible" and "prohibited" any arrangements between enterprises ". . . which are likely to affect trade between the member states and which have as their object, or result the prevention, restriction or distortion of competition within the Common Market." Article 86 prohibits ". . . action by one or more enterprises to take improper advantage of a dominant position within the Common Market or within a substantial part of it. . . ." The Commission of the European Community has been empowered to collect information, hold hearings, make recommendations for terminating violations and invoke sanctions. 1/

Article 15 of the EFTA Convention stipulates that restrictive business practices are "incompatible" with objectives of a free trade area "insofar as they frustrate the benefits expected from the removal or absence of duties and quantitative restrictions on trade between member states," whether they are the result of collusion between enterprises, or the exploitation of a monopoly position. In 1965 EFTA ministers agreed on detailed procedures to deal with possible infringements of the rule on restrictive business practices. 2/ Any firm which considered itself adversely affected by restrictive business practices

1/ Articles 3, 11, and 15 of Council Regulation No. 17, Official Gazette of the European Communities, No. 13, 204/62.

2/ Communique of EFTA ministers, see EFTA Bulletin, Vol. VI, No. 7 November 1965, pp. 2 and 16.

in a member country could request an investigation by its own government. Then, if so indicated, the matter would be taken up bilaterally or multilaterally by the governments involved. If the latter could not agree, the matter would be referred to the EFTA Council.

In describing or identifying internationally restrictive business practices, a distinction is generally made between (a) the collective restraint of competition by independent organizations, and (b) restrictions resulting from concentration of economic power or control in one organization. Most types of the former are commonly referred to as cartel activities. In the second group, the multinational corporation is the most likely type of industrial concentration which is in a position to engage in internationally restrictive business practices.

Cartels ^{1/}

Both national and international cartel activity may impair or distort international trade. While restricted by antitrust legislation in most industrial countries, participation in cartels is more prevalent among firms of foreign countries than firms of the United States. Under European (and most other countries) antimonopoly law, restraints of trade and price restraints are not per se illegal. While U.S. law tends to consider dominance as a violation, European law makes illegal only the misuse of a dominant position. European governments, and Common Market policy, consider concentrations and anticompetitive

^{1/} This discussion borrows heavily from two most recent reports of the UNCTAD: "Restrictive Business Practices," Preliminary Report by the UNCTAD Secretariat, TD/B/C.2/104, January 1971, and "Restrictive Business Practices," Report by the UNCTAD Secretariat, TD/122/Suppl. 1, January 1972.

agreements beneficial if they lead to increased productivity, economic growth, technological advance, or reduced prices. European antitrust laws, therefore, are not directed at breaking up cartels but at guiding them. Several of the European countries not only permit but encourage agreements among companies for the purpose of rationalizing production and regularizing the market. They have encouraged joint research and joint marketing, have permitted pricing agreements, and have not objected to export cartels to non-EC countries. Hence, cartels are a source of restrictive business practices frequently restricting U.S. trade.

Cartels restricting imports.--Import cartels involve agreements relating principally to imports, concluded among competing firms in one country or in several countries. Such cartels may collectively limit the total amount of specified imported goods, determine the sources of supply and/or fix the prices and terms of purchase. The known cases of import cartels in the developed market economy countries are rare, since they are either prohibited by law, or are subject to controls under the relevant restrictive business practices laws.

In the United States there are no legal import cartels. Arrangements similar to import cartels with respect to imports of tungsten and molybdenum exist in the Federal Republic of Germany. The United Kingdom approved an import cartel for imports of sulphuric acid. Japan apparently has a number of import (and export) cartels which,

acting as purchasing agents, serve, among other things, to enforce the "administrative guidance" of the Government in imports. From time to time illegal import cartels have been found to exist in various countries.

Rebate cartels discourage users of certain products to purchase from sources outside the cartel by granting their customers rebates on the purchase price. This practice restricts the imports of the goods in question. In the United States, rebate cartels are prohibited. In certain other countries, although rebate cartels may be prohibited in principle, they may be permitted subject to specific authorization. For example, in the Federal Republic of Germany, at the end of 1970, 33 rebate cartels were in operation, and similar arrangements, with regard to several products, have been found in Australia.

Holders of patents relating to a specific product area have often joined in a patent-pool, monopolizing markets and dividing them among the participants. According to the complaint of a U.S. manufacturer in the home electronics industry, European patent pools have successfully excluded U.S. products from competing in European markets by licensing only local manufacturers and refusing to license U.S. exporters. (These European patent pools had U.S. participants for a number of years until, as a result of legal action initiated by other, adversely affected U.S. companies, the pool lost American patent power.)

In an earlier case, a U.S. company was found to conspire with two European companies to prevent the imports of Japanese sewing machines into the United States. The U.S. company entered into cross-licensing

arrangements with the European companies concerning certain patents, and thus was given the right to enforce the U.S. patents of the European companies in the domestic market, excluding Japanese imports by virtue of its patent power.

Export cartels.--Export cartels are arrangements between competing firms relating to exports. The main restrictive practices of export cartels include agreements on export prices or conditions of sale, the establishment of export quotas, and the allocation of export markets. There are national and international export cartels, the latter comprising firms from more than one country. Export cartels generally are less strictly controlled by governments than cartels that restrict competition on a domestic market. ^{1/} Accordingly, export cartels would seem to be the most frequent type of national cartel activity. Some examples of national export cartels are given below.

In the United States, export cartels with a share of about 70 percent or more of total U.S. exports in a particular product in 1962 were: Sulphur Export Association, 86.1 percent; motion picture and TV films export cartels, 80 percent; Carbon Black Export, Inc., 69 percent. There are a number of other export cartels in the United States relating to exports of products such as potash, pulp, paper and paperboard. These export associations serve predominantly to facilitate uniformity in export prices and terms of sale.

^{1/} The Webb-Pomerene Act, legalizing American export cartels in the United States, was enacted in 1918, primarily in an effort to promote export trade in the face of powerful cartels abroad.

In the Federal Republic of Germany, cartels are mostly found in engineering products, electrotechnical products and chemicals, and are concerned principally with price fixing arrangements, frequently supplemented by quantitative limitations. In some cases, there is an exchange of information concerning bids and, exceptionally, an allocation of export markets. U.S. exporters of a wide range of products may be affected by German export cartel activity in third country markets. Specific examples have been found in the experience of the major U.S. exporters of electrical products and organic chemicals.

In Japan, most export cartels are in textiles, secondly in chemicals and chemical products, and the rest are scattered over almost all industry groupings. The majority of their practices relates to controlling prices and quantities. Export cartels in Japan are materially encouraged by the Government. One major U.S. producer of electrical products points out that the Japanese Trade Council, a body headed by the Premier, encourages territorial allocation of markets between individual companies, urging them not to compete with each other on the same market. In the electronic field, companies are encouraged to pool their research efforts in order to develop the products most acceptable to export markets.

National export cartels exist also in other developed market economies but little information is available on them.

In addition to national export cartels, there are several international cartels affecting a sizable share of international trade in

a wide range of raw materials and manufactured products. 1/ It appears that in the post-war period a revival of cartel activity took place in Western Europe, either sanctioned, or supported by the national governments in question, and by the European Community.

Multinational Corporations

It is sometimes stated that national and international cartels of the 1930s and 1950s were a step in the evolution of the multinational corporations of subsequent years. Multinational corporations can be broadly defined as companies with affiliates in more than one foreign country, the operations of which satisfy certain criteria of integration and centralized control. Existing multinational enterprises are in large part controlled by U.S. parent companies, therefore, complaints against restrictive practices of such enterprises are directed in great measure against the United States. While there is indication that multinational corporations may be, on balance, favorable for world trade, 2/ in many instances they are alleged to restrain competition in international markets and have a distortive effect on international trade.

For example, the acquisition of a former competitor on the domestic market or export markets, or a joint venture therewith,

1/ Certain agricultural products are also subject to some form of international marketing control which, however, is more in the nature of a commodity agreement than a cartel proper.

2/ "The growth of large international corporations with multinational operations is likely to improve economic efficiency worldwide, though on occasion it will work in the direction of restraint of trade." Charles P. Kindleberger, Hearings on International Aspects of Antitrust Before the Subcommittee on Antitrust and Monopoly of the Committee of the Judiciary, United States Senate, 89th Congress, 2d Session, Part 1, p. 173, 1966.

terminates competition between them and may change the patterns of trade. Multinational companies can limit the freedom of particular affiliates in making their decisions on sales or purchases on the basis of commercial considerations alone. Parent companies are known in certain instances to restrict the exports of their foreign subsidiaries (sometimes to the home market of the parent) primarily by allocating corporation exports between them or retaining sales rights for themselves. Surveys conducted on foreign-owned companies in Australia and Canada indicated, that, in many instances, their affiliation had a decidedly unfavorable effect with regard to their exports. On the other hand, a study on foreign investment in the United Kingdom found that there was no evidence of such a problem, despite existing market-sharing agreements between the U.S. parent company and its United Kingdom subsidiaries. In fact, the study stated that U.S.-owned subsidiaries in the United Kingdom were more export-oriented than the United Kingdom manufacturing industry as a whole. 1/

Similarly, multinational corporations may require their subsidiaries to import raw materials, intermediate goods or capital goods from within the corporation's structure. It has been found, for example, that both in Canada and in Australia, foreign-owned subsidiaries are more import-oriented than domestically owned firms. On the other hand, U.S.-owned subsidiaries in the Federal Republic of Germany appear to show the same import propensity as the German industry on the whole. 1/ Such practices

1/ Information on this page is derived from various recent reports from the Secretariat of the United Nations Conference on Trade and Development on "Restrictive Business Practices" and interviews conducted by the Tariff Commission staff in preparation of its report on Implications of Multinational Firms for World Trade and Investment and for U.S. Trade and Labor, February 1973.

may have a distortive effect on international trade, or the domestic trade of the importing country; they may violate the legitimate interests of domestic suppliers or of suppliers of other countries.

Other areas of restrictive business practices

Imports and exports can be restricted not only by cartels or multinational companies, but also by single-firm concentration, if these have a dominating position as suppliers or purchasers of the commodity in question. For example, according to U.S. manufacturers of business equipment, the Nippon Telephone and Telegraph Company (N.T.T.) in Japan, a dominating purchaser, has a policy of buying equipment of Japanese manufacture only. This policy constitutes a serious impediment to U.S. exports to the Japanese market.

Moreover, licensing agreements may involve restrictive business practices; for example, a patent or trademark licensee may be prohibited, or restricted to export into countries where the licensor himself has obtained corresponding patent or trademark protection, including the home market of the latter. Licensing agreements can restrict not only the exports but also the imports of the licensee; they may require the licensee to purchase all, or specified materials, components or equipment exclusively from the licensor, or from designated suppliers.

Although restrictive business practices are by definition engaged in by businesses, some practices of governments or organizations other than businesses occasionally are considered to fall in this category

of nontariff barriers. An example of such a government practice is "flag-discrimination" in shipping. Several countries require that their imports must be carried in ships and planes flying their own flag. Such provisions may constitute a barrier to imports owing to frequently lacking shipping space, particularly in certain countries, and they also impede free competition of international transport.

The import-restricting practices of labor unions provide an example of practices engaged in by "nonbusiness organizations." Several countries accuse the labor unions in the United States of restricting imports by putting pressure on importers to cancel orders. Such pressure has taken the form of disrupting the exhibition of imported goods and threats to withdraw labor from dealers of imported goods.

Discriminatory Bilateral Trade Agreements

Bilateral trade agreements are frequently concluded between two countries to facilitate trade between them by granting special advantages to each other, such as preferential customs treatment or financial arrangements and commitments to purchase prescribed amounts of specified commodities from the bilateral partner before purchases are made from third countries. Such agreements are often implemented by discriminatory quotas and licensing practices. However implemented, they are implicitly discriminatory against third countries and hence are considered to constitute nontariff barriers to third-country trade. 1/

In the Tariff Commission survey of trade barriers, fifty-two complaints were lodged against discriminatory bilateral agreements. About 58 percent of these complaints were against less developed countries, and the remainder equally divided between centrally planned and developed market economy countries. All complaints against developed market economy countries involved European nations and concerned arrangements chiefly with developing countries (principally former colonies) or centrally planned economies. Bilateral trade agreements of the type considered here are favored especially by countries with centrally planned economies and by developing countries in order to provide easier access to markets for their export products and/or to enable them to pay for imports with their own export products instead of scarce foreign exchange. The following few examples of discriminatory

1/ Another type of bilateral agreement discriminates against the trade not of third countries but of a party to the agreement. In such arrangements one bilateral partner agrees to unilateral restrictions upon its exports to the other. The quantitative restrictions may be administered as import controls by the receiving country, or the exporting country may "voluntarily" limit its exports. Such restraints upon trade are discussed in the section of this report dealing with "voluntary" export restraints and other export controls.

bilateral agreements are illustrative; they have not been chosen on the basis of importance.

Poland, a country with a centrally planned economy, maintains several discriminatory bilateral agreements not only with other countries having centrally planned economies, but also with developed market economy countries. Poland asserts, with justification, that as far as its market economy trading partners are concerned, it is their wish and not Poland's to trade bilaterally. Another centrally planned economy country, Yugoslavia, is known to discriminate against Western sources of imports in favor of other centrally planned trading partners with which it has bilateral agreements.

Among developing countries, India provides a good example of a country maintaining discriminatory bilateral agreements, especially with respect to capital goods. India concludes bilateral agreements preferably with countries that not only can supply the capital goods it badly needs, but also accept products of India's manufacturing industries in return. India claims that it must conclude such bilateral agreements to secure additional markets for new export products.

A case of bilateral trading by a developed market economy country is found in agreements made by Switzerland dealing with the importation of red wine. Such agreements frequently involved bilateral quotas.

Discriminatory selection of the source of imports

Some countries, under various arrangements, favor specific countries as sources for certain imports, thereby discriminating against other suppliers. Such arrangements are referred to as "discriminatory sourcing." Perhaps the majority of complaints against discriminatory sourcing relate to situations in which the exporting (usually developed) country imposes on an importing (usually developing) country "discriminatory sourcing" of particular commodities as a condition for financial aid, or by offering the products on extremely favorable financial terms. ^{1/} The economic assistance offered is tied to sales of products of the grantor.

When a country offers economic assistance conditioned upon purchase of its own exports, the objective is, in part, to find additional markets for such exports, all such assistance is usually interwoven with export subsidization schemes of the donor. "Tied assistance" can be said to involve nontariff barriers on two counts: Discriminatory sourcing on the part of the importer, and export subsidies by the exporter. Such arrangements distort international trade since the importer is not free to purchase the commodities solely on the basis of free commercial considerations. Recipients of tied financial assistance are charged with "discriminatory sourcing" by countries which are potential exporters of the products in question and compete for the markets of the recipients. However, it is generally recognized that the fault is not with the recipient but the donor country.

^{1/} A closely related practice of growing importance is the increasing competition among the major countries to provide any purchaser of their exports financial terms more favorable than can be obtained in the regular money markets. Such concessional financing is essentially an export subsidy and is discussed in the part of this report dealing with subsidies.

The foreign economic assistance programs of all major countries formally or informally restrict procurement to their own or other specified sources.

Economic aid provided by the European Community is generally tied to procurement from sources of Community members and associate countries, although in specified cases the beneficiary is allowed to give some price preference to local suppliers. When member countries of the Community provide economic assistance as individual countries, such assistance is also frequently tied to their own exports. This is true of all EC members, although not to the same degree. However, in some arrangements and under specific conditions, the beneficiary is allowed to purchase from local suppliers or other developing countries.

Canada and Japan also tie economic assistance in various ways to procurement of their own goods and services, with some concessions to local procurement or to procurement from other developing countries. Moreover, Japan appears to practice discriminatory sourcing in an effort to diversify the sources of its farm imports. The objective is to draw from several sources rather than to depend exclusively on one or two major ones. Another objective of such diversification is to assist developing countries, particularly those in Southeast Asia, in increasing their farm production. In addition to opening its markets to them, Japan actively gives production assistance to such countries as Indonesia, Thailand, and Cambodia in growing farm commodities which

Japan needs to import. Another purpose of such assistance is to help the beneficiaries reduce their unfavorable trade balance with Japan, and enable them to buy more Japanese industrial products. Discriminatory sourcing of farm products by Japan in favor of countries in Southeast Asia (including Australia) is having an adverse effect on present and future U.S. exports to Japan, particularly of commodities such as corn, grain, sorghum, tobacco, cotton and others.

Sales of U.S. farm products that have taken place under the Agricultural Trade Development and Assistance Act (Public Law 480, enacted in 1954 and extended periodically since) also provide a typical example of discriminatory sourcing. This law originally authorized sales of U.S. farm products in exchange for local soft currencies, facilitating thereby the purchase of food by needy countries, lacking the necessary hard currency to buy it in world markets. Public Law 480 authorized such sales also in exchange for long-term dollar and convertible foreign currency credits. A 1966 amendment to the Act required that the two latter forms of sales should displace sales for local currencies by 1971. The declared purpose of Public Law 480 is not only to benefit other countries ("to combat hunger and malnutrition and to encourage economic development in the developing countries"), but also "to develop and expand export markets for U.S. agricultural commodities."

United States exports to developing countries under the Agency for International Development (AID) loan and grant programs provide another example. The United States AID policy, in general, requires commodity

procurement charged against AID dollar appropriations to be confined to U.S. sources, with certain exceptions (i.e., commodities may be purchased from selected less developed countries if a major U.S. assistance purpose would be served as a result of such procurement). The less developed countries must agree to accept payment through U.S. source letters of credit, under which the grants are tied to financing imports from the United States. Official U.S. loans other than the ones under the two above-mentioned programs are offered also with procurement restrictions designed to assure stimulation of U.S. exports.

Just as discriminatory sourcing in aid programs is closely related to export subsidies, other forms of discriminatory sourcing are likely to be simply a facet of a more important type or class of nontariff barrier. For example, in government procurement of defense supplies from abroad, many countries will not purchase from certain sources for strategic reasons. State trading organizations commonly exhibit a bias in the sources of their purchases.

One U.S. firm complained to the Tariff Commission that Japan practices discriminatory sourcing in its petroleum imports by giving preference to Arabian suppliers. Japan claims that refineries have no obligation concerning the choice of their purchases; nonetheless, under government guidelines designed to assure a stable supply, a certain share of total imports should come from the Arabian Oil Company.

Some complaints which were received simply reflected long standing trade patterns or cultural ties which the complainant felt were not justified on purely economic grounds. For example, according to some adversely affected U.S. exporters, many of the former French colonies in Africa follow the general practice of designating French firms as their suppliers, discriminating thereby against imports from all other competitive sources.

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 6 OF 11

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CHAPTER X. STANDARDS AS TECHNICAL BARRIERS TO TRADE

CHAPTER XI. CUSTOMS PROCEDURES AND ADMINISTRATIVE
PRACTICES

CHAPTER XII. DISCRIMINATORY OCEAN FREIGHT RATES



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UNITED STATES TARIFF COMMISSION

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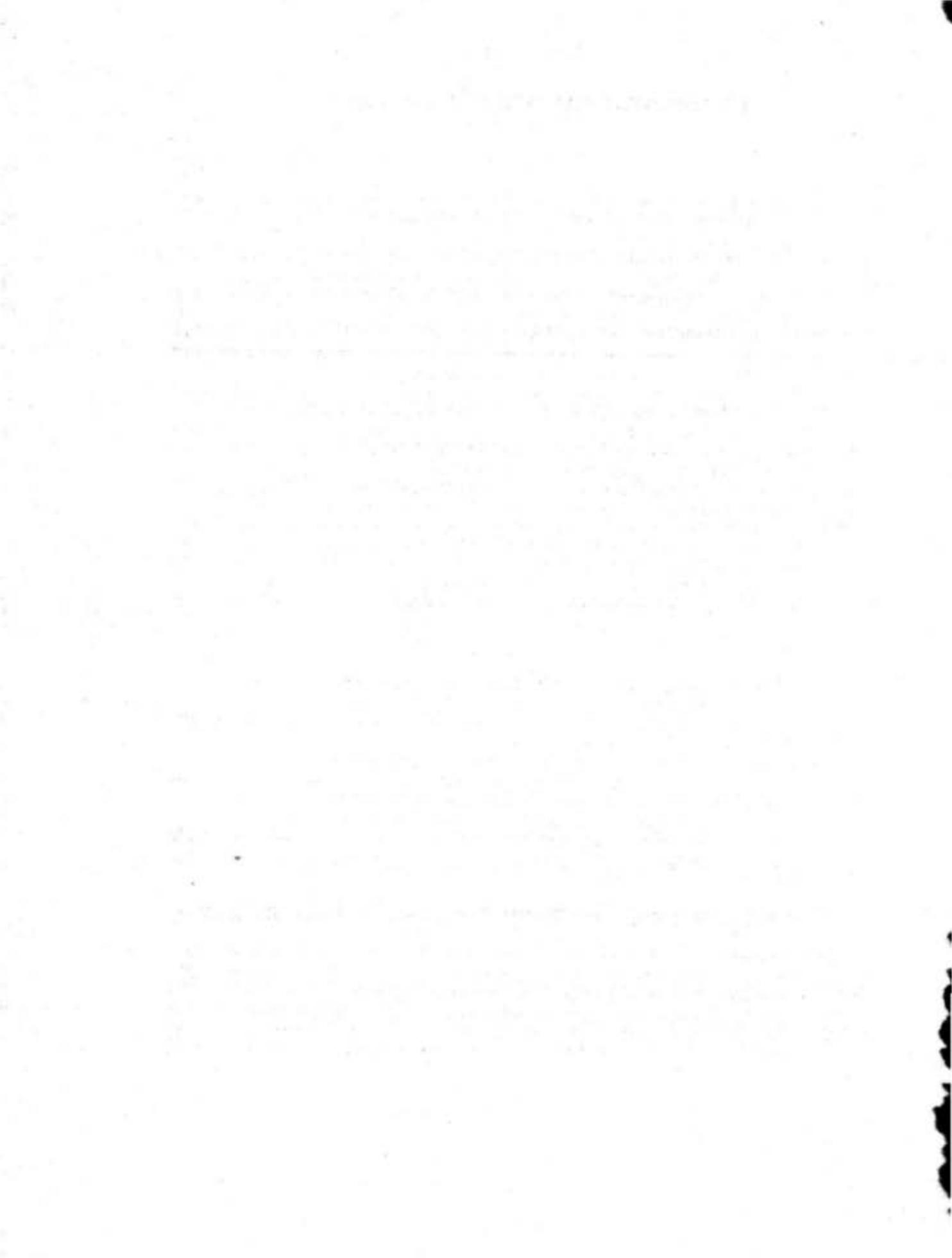
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Chapter IX

GOVERNMENT PARTICIPATION IN TRADE

Introduction

The trade barriers which have received the greatest public attention are, for the most part, governmental regulatory measures applicable to trade between private parties: Tariffs, quotas, embargoes, licensing requirements, consumption taxes, health and sanitary regulations, product standards, etc.

One of the most important areas of trade distortion, however,--perhaps, even, the most important--is to be found when governments are themselves participants in trade, rather than merely administrative overseers of commerce between private individuals.

Governments participate in trade as purchasers of goods for governmental use, as buyers or sellers of goods for private use, as producers of goods or services sold to the public, as investors in private industry, and through subsidies or other aids to private business.

In theory, trade in which the government participates should provide precisely the same economic advantages as trade between private parties. Trade by the government could conform to the principles of comparative advantage to the same extent as private trade. In practice, governmental trade frequently is found to differ significantly from private trade. Generally speaking, market factors determine the actions of private traders, whereas governments are likely to give strong attention in their trading activities to political, social or other noncommercial considerations. When these considerations largely displace the principle of

comparative advantage, there is a less efficient utilization of the world's resources. It seems generally conceded that government participation in trade usually is accompanied by a redirection of trade from the "normal" pattern which would exist under an unfettered operation of the principle of comparative advantage. Indeed, such a redirection may be the specific aim of the government in order to accomplish a desired social or political goal.

Government participation in trade has grown to an importance scarcely imagined just a few decades ago. Governments have become the largest single purchaser of goods in every major country. The growth in national economic planning in all countries has led to establishment of government monopolies in important products, to the nationalization of basic industries, and to heavy governmental investment in or subsidization of industries considered essential for national welfare. In addition, with the spread of economic socialism a significant part of the world operates under centrally planned economies where all trade is conducted by the state.

The international trade problems which arise from government participation in trade have proven far more difficult to address with any degree of effectiveness than the problems arising from the conventional government regulation of trade. There are several reasons for this. One is the difference in public knowledge or awareness of discriminatory treatment. A tariff or quota, for example, is highly visible to all concerned and, in effect, is a public announcement that imports are to be limited. On the other hand, a charge that the same degree of limitation or discrimination is being secretly accomplished by the private administrative decisions of

government officials in their trading activities can be difficult or impossible to prove. Another reason why problems in the government trading area have been more difficult is that they frequently stem from policies which the government considers basic to the accomplishment of its social or political goals.

The existing international rules for the conduct of trade have been developed with transactions between private enterprises principally in view. The major part of the General Agreement on Tariffs and Trade deals with minimizing governmental regulation or interference with private trade; comparatively little is said on how the government should conduct trade. In fact, an important area of government trading activity--procurement for government use and not for resale--is specifically excepted from the GATT rules. The provisions dealing with state trading, in effect, have not been implemented, and the same can almost be said for the provisions dealing with subsidies.

In the Tariff Commission's present investigation of trade barriers, over 550 complaints were received concerning problems arising from governmental participation in trade. The complaints are summarized in table 9-A,

Table 9-A.--Summary count of complaints made against government participation in trade

Type of practice	Number of complaints			Total
	against--			
	Developed:	LDC's	Communist:	
	countries:	countries:	countries:	
1. Subsidies and other aids-----	179	40	4	223
2. State trading, government monopolies, and exclusive franchises-----	75	59	4	138
3. Laws and practices which discourage imports-----	46	32	-	78
4. Government procurement-----	60	14	1	75
5. General government policy problems-----	32	7	1	40
Total-----	392	152	10	554
Percent-----	70.8	27.4	1.8	100.0

Source: Compiled from submissions to the Tariff Commission.

where it is seen that 40 percent of the complaints dealt with governmental subsidies and other aids to private industry. One-fourth of the complaints concerned state trading operations, government monopolies, and exclusive franchises bestowed by governments, and 14 percent were against discriminatory government procurement practices.

Seventy percent of the complaints named developed countries having market economies, 27 percent dealt with developing nations, and less than 2 percent with Communist countries. The distribution of the complaints by country is shown in table 9-B. Japan drew more complaints (13 percent of the total) than any other single country. The six countries which made up the European Community prior to EC enlargement in 1973 received, all together, 21 percent of the complaints; the United States was involved in about 8 percent, the United Kingdom in about 5 percent, and Canada in about 3 percent.

Table 9-C shows the distribution of the complaints by product sector. Products in all 23 industrial sectors and all 9 agricultural sectors were involved. In the industrial area, the largest concentrations of complaints were found in the following sectors: Nonelectrical machinery, chemicals, electrical machinery, transport equipment, and ores and metals. In the agricultural area, the largest concentrations were in beverages and spirits, grains, foodstuffs, and tobacco.

The remainder of this chapter is devoted principally to a discussion of trade distortions which may result from governmental aids to domestic industries, discriminatory government procurement practices, and state trading practices. At the end of the chapter is a very brief summary of

Table 9-B.--Number of complaints made against government participation in trade, by country and type of practice

Country	Total		Type of practice ^{1/}				
	Num- ber	Per- cent	1	2	3	4	5
Developed countries, total-----	392	70.8	179	75	46	60	32
European Community (of six), total-----	118	21.3	61	17	15	19	6
France-----	42	7.6	17	9	8	5	3
Italy-----	20	3.6	12	5	1	2	-
West Germany-----	14	2.5	8	-	2	3	1
Other ^{2/} -----	42	7.6	24	3	4	9	2
EFTA (of eight) and Finland, total-----	89	16.1	39	28	8	12	2
United Kingdom-----	27	4.9	17	1	1	7	1
Austria-----	12	2.2	2	8	1	1	-
Switzerland-----	11	2.0	3	5	3	-	-
Norway-----	10	1.8	3	5	1	1	-
Other ^{3/} -----	29	5.2	14	9	2	3	1
Japan-----	72	13.0	45	12	5	6	4
United States-----	44	7.9	10	1	5	15	13
Canada-----	15	2.7	2	6	3	3	1
Australia-----	10	1.8	8	1	1	-	-
Other Developed countries ^{4/} -----	44	7.9	14	1	9	5	6
Less developed countries, total-----	152	27.4	40	59	32	14	7
Latin America, total-----	49	8.8	16	9	20	4	-
Europe and the Middle East, total-----	45	8.1	11	23	7	3	1
Spain-----	17	3.1	5	7	3	2	-
Greece-----	10	1.8	2	5	2	1	-
Other-----	18	3.2	4	11	2	-	1
Asia, total-----	33	6.0	10	12	2	3	6
Africa, total-----	25	4.5	3	15	3	4	-
Eastern trading area, total ^{5/} -----	10	1.8	4	4	-	1	1
Total, all countries-----	554	100.0	223	138	78	75	40

^{1/} Type of practice:

- | | |
|---|---------------------------------------|
| 1. Subsidies and other aids | 4. Government procurement |
| 2. State trading, government monopolies, and exclusive franchises | 5. General government policy problems |
| 3. Laws and practices which discourage imports | |

^{2/} Includes Belgium, Luxembourg, Netherlands, and complaints against the EC without specifying a country.

^{3/} Includes Iceland, Austria, Sweden, Denmark, Finland, Portugal, and complaints against EFTA without specifying a country. (With respect to development status, Portugal is a "borderline" country, but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.)

^{4/} Includes Ireland, New Zealand, South Africa, Poland, and complaints against developed countries without specifying a country.

^{5/} Excludes Poland.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to totals shown.

Table 9-C.--Number of complaints made against government participation in trade, by type of practice and product sector

Sector	Total		Type of practice 1/				
	Number	Percent	1	2	3	4	5
<u>Industrial</u>							
Total all industrial sectors-----	495	82.1	217	117	47	84	30
I-1 : Nonelectrical machinery-----	60	10.0	36	5	5	11	3
I-2 : Transport equipment-----	47	7.8	30	3	5	3	6
I-3 : Ores, metals and metal manufactures-----	38	6.3	13	12	1	10	2
I-4 : Chemicals-----	55	9.1	15	21	11	3	5
I-5 : Textiles-----	17	2.8	1	10	4	1	1
I-6 : Electrical machines and apparatus-----	49	8.1	33	3	3	9	1
I-7 : Pulp, paper and paperboard, and manufactures-----	19	3.2	5	11	2	-	1
I-8 : Coal, petroleum, and natural gas-----	29	4.8	11	16	1	-	1
I-9 : Mineral products and fertilizers, ceramic products and glass-----	18	3.0	3	13	1	-	1
I-10 : Professional, scientific and controlling instruments, photo- : graphic apparatus, clocks, and watches-----	12	2.0	6	-	-	4	2
I-11 : Wood and cork and manufactures-----	3	.5	-	2	1	-	-
I-12 : Precious stones, precious metals, and manufactures-----	2	.3	-	1	-	-	1
I-13 : Rubber and rubber manufactures-----	2	.3	-	2	-	-	-
I-14 : Raw hides and skins, leather and furskins and manufactures-----	2	.3	-	1	-	-	1
I-15 : Footwear and travel goods-----	1	.2	1	-	-	-	-
I-16 : Musical instruments, sound recording, or reproduction apparatus-----	28	4.6	23	2	2	1	-
I-17 : Firearms, ammunition, tanks, and other armored fighting vehicles-----	2	.3	-	-	-	2	-
I-18 : Furniture-----	2	.3	-	-	-	-	2
I-19 : Toys and sporting goods-----	1	.2	-	-	-	-	1
I-20 : Photographic and cinematographic supplies-----	30	5.0	26	3	-	-	1
I-21 : Works of art and collectors' pieces-----	-	-	-	-	-	-	-
I-22 : Office and stationery supplies-----	2	.3	-	-	1	1	-
I-23 : Manufactured articles not elsewhere specified-----	14	2.3	6	7	-	1	-
I- : Products not specified-----	62	10.3	8	5	10	38	1
<u>Agricultural</u>							
Total all agricultural sectors-----	108	17.9	26	63	5	7	7
A-1 : Foodstuffs-----	14	2.3	4	8	1	1	-
A-2 : Grains-----	21	3.5	5	14	-	2	-
A-3 : Animals and products thereof-----	5	.8	2	1	1	1	-
A-4 : Oil seeds, fats and oils, and their products-----	7	1.2	3	3	-	1	-
A-5 : Beverages and spirits-----	27	4.5	2	20	1	-	4
A-6 : Dairy products-----	12	2.0	5	4	-	1	2
A-7 : Fish, shellfish, and products-----	5	.8	1	1	1	1	1
A-8 : Tobacco-----	13	2.2	1	12	-	-	-
A-9 : Miscellaneous agricultural and forestry products-----	4	.7	3	-	1	-	-
: Total 2/-----	603	100.0	243	180	52	91	37

1/ Type of practice:

1. Subsidies and other aids
2. State trading, government monopolies, and exclusive franchises
3. Laws and practices which discourage imports
4. Government procurement
5. General government policy problems

2/ Total counts are not the same as those in tables 9-A and 9-B, because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submissions to the Tariff Commission.

Note: Due to rounding, percents may not add to totals shown.

complaints against certain government regulations, policies or practices which have a significant effect on trade but are not covered in other chapters of this report.

Subsidies and Other Governmental Aids

International trade can be distorted by governmental aids designed explicitly to increase exports (export subsidies), and also by subsidies and aids of a more general nature given to domestic producers if these stimulate exports or cause domestic products to be substituted for imports. Subsidized domestic producers who also sell abroad obtain an artificial competitive advantage in export markets over foreign producers, and they also are given a special advantage in their competition against imported products. General subsidies, therefore, may have essentially the same effect in distorting international trade as export subsidies and import duties. In contrast to export aids, however, general subsidies usually have as their prime objective a purely domestic goal, such as regional development or national defense; and the competitive advantage which general subsidies confer upon domestic producers in foreign markets (against competing exports of other countries), or in the domestic market (against competing imports) usually is only a secondary consequence of the subsidy program.

The trade distortions caused by subsidies and other governmental aids constitute one of today's major nontariff trade problems. Because the subsidies themselves are generally embedded in basic governmental policies which are not readily susceptible to change, this is perhaps the most difficult area in the trade field.

Defining subsidies

The definition and identification of subsidies presents one of the important difficulties in dealing with the effect of subsidies in

international trade. The absence of an agreed international definition, or of a comprehensive list of practices which are considered to constitute subsidization, has effectively precluded enforcement of GATT provisions in the area of subsidies and has left them, as yet, not subject to meaningful international regulation or surveillance.

There is a considerable diversity of opinions on what constitutes a subsidy; interpretations of the term range from the very narrow to the very broad. A recent staff study prepared for the use of the Joint Economic Committee of the 92nd U.S. Congress defines subsidies as follows:

. . . provision of Federal economic assistance, at the expense of others in the economy, to the private sector producers or consumers of a particular good, service or factor of production. The Government receives no equivalent compensation in return, but conditions the assistance on a particular performance by the recipient--a quid pro quo--that has the effect of altering the price or costs of the particular good, service, or factor to the subsidy recipient, so as to encourage or discourage the output, supply, or use of these items and the related economic behaviors. 1/

The same study also cites Carl Kaysen's definition as a good conceptual statement of the term:

. . . a subsidy to an enterprise can be defined as an increase in the demand for its output, or a decrease in the costs which it must bear to produce its output, which are not the result of market forces . . . ; but rather result from the deliberate action of the subsidy giver (Government). 2/

1/ U.S. Congress, Joint Economic Committee, The Economics of Federal Subsidy Programs, Jan. 11, 1972, p. 18.

2/ Carl Kaysen, "On Defining a Subsidy", in Public Policy, Yearbook of the Graduate School of Public Administration, Harvard University, Vol. IV, 1953, p. 5.

Various sources usually concur that subsidies are acts of governments, although it is possible to include grants by private bodies in the definition of subsidies. 1/ In separating subsidies from other governmental measures, it is agreed under GATT rules that subsidies have to involve some loss or other cost to the government. As the above definitions suggest, there is a wide range of government activity that may be regarded as a subsidy. However, the principal forms subsidies may take are generally:

- (a) Explicit cash payments (cash subsidies);
- (b) Implicit payments through a reduction of a specific tax liability (tax subsidies);
- (c) Implicit payments by means of loans at preferential interest rates (credit subsidies);
- (d) Implicit payments through provisions of goods and services at prices or fees below market value (benefit-in-kind subsidies);
- (e) Implicit payments through government purchases of goods and services above market price (purchase subsidies). 2/

GATT provisions on subsidies

The General Agreement on Tariffs and Trade has not really been able to deal effectively with the problem of subsidies. This has been in part because of the definitional problem.

1/ The U.S. statute relating to countervailing duties (19 U.S.C., 1303 (1964)) is interpreted to consider also grants by private bodies as subsidies, while the generally accepted view of GATT members is that the term "subsidies" covers only provisions by governmental or semigovernmental bodies.

2/ This classification plus an additional category was used in the Joint Economic Committee Study, "The Economics of Federal Subsidy Programs" etc., p. 18.

Article XVI of the GATT requires any contracting party that grants any subsidy (including any form of income or price support) which operates to increase exports from, or to reduce imports into, its territory shall notify the Contracting Parties of the extent and nature of the subsidization and its effect on trade. If it is determined that the subsidization causes or threatens serious prejudice to the interests of any other contracting party, the subsidizing country is required to consult on the possibility of limiting the subsidy.

Section B of Article XVI states that the contracting parties recognize that an export subsidy by one contracting party may have harmful effects for others, and accordingly, contracting parties should "seek to avoid" subsidizing the export of primary products. 1/ If, however, a subsidy is granted, it "shall not be applied in a manner which results in that contracting party having more than an equitable share of world trade in that product."

Furthermore the article stipulates that after January 1, 1958 (or the earliest practicable date thereafter), "contracting parties shall cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product which results in the sale . . . for export at a price lower than . . . the comparable price . . . in the domestic market."

Section B of Article XVI also obligates the Contracting Parties to review from time to time their progress in "avoiding subsidization

1/ A "primary product" is understood to be any product of farm, forest, or fishery, or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade (as defined by GATT in the Notes to the Article).

seriously prejudicial to the trade interests of contracting parties." To implement this provision, notification procedures were adopted which included the submission of a questionnaire giving detailed information on the nature, incidence, amount, and effect of existing subsidies.

Another GATT Article that indirectly relates to subsidies (Article VI) permits an importing member to impose countervailing duties on imported products, the production or exports of which have been subsidized, if injury or threat of injury to a competing domestic industry has been found. 1/

The General Agreement on Tariffs and Trade offers no comprehensive definition of subsidies; and the contracting parties to the GATT have not agreed on such a definition, or even a binding list of relevant practices, at any time after the General Agreement became effective. This fact can best be explained by the fear of several countries that any particular definition, or the inclusion of some specific act in a binding list, would prevent them from continuing a desired practice of subsidization. However, in an effort to give effect to the prohibition against export subsidies of non-primary products, 17 GATT members 2/ have agreed on an illustrative list of government acts that are to be regarded as export subsidies. This list of practices, which was considered by the parties to this agreement as tentative and nonexhaustive,

1/ See the section dealing with countervailing duties in chapter XI.

2/ Austria, Belgium, Canada, Denmark, France, Federal Republic of Germany, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Rhodesia, Sweden, Switzerland, United Kingdom and United States.

is indeed far from a complete list. The practices in the list are as follows: 1/

- (a) Currency retention schemes or any similar practices which involve a bonus on exports or re-exports;
- (b) The provision by governments of direct subsidies to exporters;
- (c) The remission, calculated in relation to exports, of direct taxes or social welfare charges on industrial or commercial enterprises;
- (d) The exemption, in respect of exported goods, of charges or taxes, other than charges in connection with the importation of indirect taxes levied at one or several stages on the same goods if sold for internal consumption; or the payment, in respect of exported goods, of amounts exceeding those effectively levied at one or several stages on these goods in the form of indirect taxes or of charges in connection with importation or in both forms;
- (e) In respect of deliveries by governments or governmental agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices;
- (f) In respect of government export credit guarantees, the charging of premiums at rates which are manifestly inadequate to cover the long-term operating costs and losses of the credit insurance institutions;
- (g) The grant by governments (or special institutions controlled by governments) of export credits at rates below those which they have to pay in order to obtain the funds so employed;
- (h) The government bearing all or part of the cost incurred by exporters in obtaining credit.

The uncooperativeness or inability of the contracting parties to agree on a definition of subsidies or on a binding list of pertinent

1/ From GATT, Basic Instruments and Selected Documents, Ninth Supplement, 1961, pp. 186-187.

practices which would constitute a subsidy has made the effective implementation of the GATT rules next to impossible.

The lack of a definition weakened the usefulness of the GATT reporting procedures on subsidies, enabling governments to interpret and apply (or ignore) the GATT rules according to their own interest. Several countries have felt free not to mention certain governmental acts that clearly should have been reported, implying (or sometimes claiming explicitly) that these did not constitute subsidies or trade barriers as they saw them. For example, a GATT review of notifications observed that, despite the fact that subsidies for shipbuilding are common in several countries, reference to them was made in one instance only. Another example the reviewers noted was a range of tax deferrals or deductions, and government aids in the area of insurance and export credit financing, all destined to promote export sales, that were employed in France and Japan, but not reported by those countries. It was noted further that numerous cases of direct payments to domestic industries had not been reported, such as subsidies to coke producers paid by some European Community countries, and subsidies to the motion picture industry in several countries such as France, Italy and the United Kingdom. In general, compliance with the notification requirement has been poor; some countries did not respond at all, and even on the reported practices information was far less specific than requested. Neither have GATT provisions on consultative procedures been made use of to any meaningful degree.

The GATT provision relating to the subsidization of only primary products has lent itself to implementation even less than the rest of

the GATT subsidy rules, owing to its liberal wording, and the lack of a clear concept on what constituted "an equitable share of world trade." Since the acceptability of specific agricultural subsidies under the GATT is to be determined on this basis, this provision has had little practical effect in checking the rapidly increasing use of agricultural subsidies by most countries.

U.S. provisions

Not only has the GATT failed to come up with a comprehensive definition of subsidies; U.S. laws do not offer one either. The countervailing duty statute 1/ provides for the assessment of special "countervailing" duties on imports which enter the United States with the benefit of a foreign subsidy. This statute uses the terms "bounty" or "grant"--roughly earlier synonyms for subsidies--but the statute does not define what bounties or grants are. Neither have pertinent administrative regulations issued by the Treasury Department or the Bureau of Customs stated what practices are considered to be bounties or grants for the purposes of the statute.

The history of U.S. countervailing actions gives some insight into the concept of "bounties" and "grants" used by the U.S. Treasury Department in making its countervailing determinations. It appears that the government actions described in the illustrative GATT list generally coincide with the U.S. list of foreign practices to be countervailed. 2/

1/ Section 303 of the Tariff Act of 1930 (19 U.S.C. 1303).

2/ Illustrative examples of the types of foreign practices against which the United States has applied countervailing duties are given in chapter XI under the section dealing with countervailing duties.

However, opponents of U.S. countervailing practices believe that the U.S. interpretation of "bounties" and "grants" is too broad, and will invite foreign retaliation against numerous existing U.S. subsidies, the foreign counterparts of which the Treasury Department has countervailed against.

Provisions of the European Community and the
European Free Trade Association

The charters of the major regional economic organizations also have provisions against government aids that have a restrictive or distortive effect on intraregional trade and competition. The Treaty of Rome that established the European Economic Community provides in Article 92 that "any aid . . . which distorts or threatens to distort competition by favoring certain enterprises or certain productions shall, to the extent to which it adversely affects trade between Member States, be deemed to be incompatible with the Common Market." The article also lists types of aids which shall be deemed to be compatible with the Common Market and aids which may be deemed compatible. Among the aids which may be deemed to be compatible are aids for economically depressed areas, or aids to remedy "a serious disturbance of the economy of a Member State."

The Convention establishing the European Free Trade Association prohibits, in Article 13, in addition to a specific list of export subsidies, "any other form of aid, the main purpose or effect of which is to frustrate the benefits expected from the removal or absence of duties and quantitative restrictions on trade between Member States."

Subsidies which affect international trade

Subsidies which reduce the cost and prices of domestic products that have import competition may limit imports through substitution of imports by the subsidized domestic products. Subsidies which have an export promoting effect either lower the cost for domestic producers or cover losses occasioned by international sales below domestic prices. In both cases, the domestic producer is induced to produce and export more of the product. To insure that such increase in total output will be purchased by foreigners, however, foreign demand (a) must consist of a significant portion of the market and (b) must be relatively elastic. If foreign demand is inelastic, export prices will fall substantially as a result of increased supply, and the domestic producer will have to share the benefit of the subsidy with the foreign consumer. Foreign demand may account for too small a share of the market or may be inelastic to an extent that it defeats the purpose of the subsidy.

Subsidies with an import substitution effect

Governments generally will admit more freely to subsidies that can have an import limiting effect, since these are not so explicitly prohibited by GATT rules as are export subsidies. While the adverse effect on international trade and efficient allocation of world resources of such aids is sometimes undeniable, the government granting the subsidy feels it is justified by domestic considerations. For example, the assistance of the United Kingdom Government to its domestic aluminum industry, given mainly in the form of concessional loans, reduced transport and electric power costs, and served predominantly to cut down on

United Kingdom aluminum imports coming mostly from Norway and Canada. At the same time, however, these subsidies are part of a regional development program for a depressed area of the country. In several advanced industrial countries, assistance given to the textile industry is designed to counteract the disruptive effect of the industry's decline on companies and workers. Such government aids have, however, an adverse international trade effect for the textile exports of less developed countries, which do not have many alternative possibilities of exporting industrial products.

The "adjustment assistance" which the United States and other governments extend to firms adversely affected by increased imports might also be construed as a form of subsidization with an import-limiting effect. Under the Trade Expansion Act of 1962, firms can receive technical assistance, loans, and tax benefits, if the increased imports injuring their interests are found to have resulted in major part from trade concessions.

Another example of import limiting subsidization is the assistance given to coal production and consumption in certain countries of the European Community. The purpose of these subsidies is to sustain indigenous energy sources, cut down on imports of coal, and substitute domestic coal consumption for part of oil imports. In Canada, a recent measure provided for a systematic search for possibilities of import substitution.

Subsidies with an export promoting effect

Export subsidies are those designed specifically for the purpose of stimulating exports, and are frequently calculated in relation to actual exports, and usually are given directly to exporters. General subsidies may also lead to an expansion of exports.

Subsidization of agricultural exports has been principally by direct cash payments on exports (cash subsidies), or through direct sales by the government at world market prices of products the government formerly purchased at higher prices from the farmer (purchase subsidies). Such subsidies on agricultural exports have been employed, for example, both by the European Community and the United States. Governments rarely admit to the granting of direct export subsidies on industrial products, since these would be controversial under GATT rules. Sometimes, however, they do admit to a number of government actions which, while not explicitly export subsidies, may have an export-promoting effect. Some such techniques affecting all types of exports are described below.

Government aids to export financing

Government aids to export financing (credit subsidies) constitute probably the fastest growing area of subsidization in the international trade field in recent years. Export financing at concessional rates and export credit guarantees have been provided by governments of all major industrialized countries for many years. The United States extends such assistance principally through the Export-Import Bank of Washington. The activities of this government facility include the provisions of

direct loans, guarantees of loans made by commercial banks to foreign buyers of U.S. exports, and insurance and guarantee of credits extended by exporters. The purpose of these operations is to finance U.S. exports that would not otherwise be purchased. Concessional financing by the U.S. government of agricultural exports under various laws has been especially significant in some past periods.

Most U.S. trading partners have arrangements similar to those of the United States for export financing aids. Medium-term and long-term export credits in France are financed by private companies but then refinanced by special government-controlled credit institutions. The Export-Import Bank of Japan also directly finances long-term and medium-term export credits, charging significantly lower interest rates than commercial banks. The Japanese Government insures exporters against a wide range of risks, even against the risk of tariff increases in export markets.

In the United Kingdom, the Export Credit Guarantee Department (ECGD) provides credit insurance to exporters, guaranteed rates of return to banks, and refinancing of bank credit in order to keep export credit rates on a low level.

The purpose of concessional financing is to provide credit for the purchase of a country's exports on terms which are unavailable from the private sector. Most trade among industrialized countries is conducted without recourse to such arrangements because of the greater financial liquidity of these countries. Concessional financing has largely been

used to support sales to developing countries, but there is a growing tendency for governments to guarantee financing on concessional terms on transactions between industrialized nations.

Within a country, the firm with the stronger capital structure or better access to outside capital sources can offer better credit terms to customers than the smaller manufacturer who cannot, himself, carry all or part of the credit risk; the seller with the better credit terms gains the customers. Between countries, when manufacturers need help in financing credit to an importing country, the country whose banking community (or government) is more cooperative is likely to gain the export business.

For more than a decade, the governments of the major countries have been engaged in intense competition in the financial terms which they will provide on their own exports. A common practice among major exporting countries has been to insulate interest on financing for exports from variations in domestic interest rates, generally by formally instituting relatively automatic discounting for export paper at interest costs pegged below market rates, and financing from the public treasury the differential between the interest costs on domestic commercial credits and those extended to finance exports. Such measures make funds available to banks for export financing at less than market costs and permit exporters to offer concessionary financing to foreign importers. For example, in the fall of 1970, France was providing export financing at rates of 4.5-6 percent, compared with a central bank domestic discount rate of 7 percent and domestic rates on comparable paper of about

10 percent. Similar figures could be found in the other major exporting countries.

The types of export credit guarantees, insurance, and other financial arrangements provided by government agencies in Canada, France, Japan, the United Kingdom, and the United States are briefly summarized in the following pages.

Canada.--The Export Credits Insurance Corporation (ECIC) is a semi-autonomous government-owned corporation established by Canada in 1944 to insure export credits and provide long-term export financing when it is unavailable from commercial sources.

The ECIC has two main types of insurance, global and specific. The global policy is available for short-term credits covering consumer goods and miscellaneous general commodities shipped on consignment for sale or exhibition purposes. The specific policy is applicable to all persons or corporations in Canada exporting goods or providing engineering, construction, technical and similar services to clients in foreign countries on a deferred-payment basis. This policy is usually issued to cover medium-term credits. The ECIC does not cover risks which can be insured by the commercial insurer, American Credit Indemnity, which insures commercial risks on Canadian sales to the United States.

Exporters of capital goods, in general, finance their medium-term export credits (one to five years) with the commercial banks and may refinance them with the Export Finance Corporation of Canada, Ltd. (EFC). Transactions carried out on a long-term basis through buyers' credits generally are carried out by the ECIC. The primary purpose of the EFC

is to refinance medium-term suppliers' credits and to insure that the cost of financing these credits are comparable with the costs in other countries.

France.--In the European Community, each member country institutes its own insurance and export credit programs. Since many of the programs practiced in the Community are similar, the French program is used here to typify the actions of the Community.

The French credit insurance program is operated by the Compagnie Francaise d'Assurance pour le Commerce Extérieur (COFACE), which was established in 1946. The purpose of COFACE is to administer the government export credit insurance program and to guarantee, in general, all foreign trade transactions.

Transactions eligible for insurance by COFACE include sales of goods, provision of services (i.e., preparation of studies, technical assistance, participation in trade fairs, etc.) and execution of public works abroad. In respect to these transactions COFACE insures short-term and medium-term suppliers' credits as well as long-term export credits (including both buyer and supplier credits).

Global insurance policies covering commercial risks are available to exporters from COFACE for short-term transactions. Noncommercial risk coverage is available on demand by the exporter. Specific insurance policies covering commercial and/or noncommercial risks are available for medium and long-term transactions. Guarantees for investments connected with noncommercial and transfer risks 1/ in export operations are available to exporters where foreign buyers have difficulty in assessing the reliability of the importing enterprise.

1/ Transfer risks cover the insured persons' inability to repay all or part of the funds invested due to political or economic events occurring outside France.

Arrangements for financing suppliers' credits are made by banques de dépôt (deposit banks) and/or banques d'affaires (investment banks), in cooperation with the Banque Francaise du Commerce Extérieur (BFCE). The function of the BFCE is to facilitate the financing of exports by way of endorsements, acceptances, discounts or any other form of short or medium-term credit.

Loans are granted by the French Government to foreign governments, public authorities or enterprises of countries situated outside the franc area and not owned by citizens of EC countries. These loans include tied loans for the repayment of French exports, direct loans for refinancing down payments and untied loans.

In addition to the above mechanisms, there are two other particularly significant incentives operating in France that help facilitate the financing of export transactions. One incentive relates to the fact that profits of the deposit and investment banks realized from financing of exports are exempt from the turnover tax. The second incentive is that banks can build up, within limits, tax-free reserves to protect themselves against possible export losses. By the lure of profits and tax shelters the French Government hopes to encourage more exports by the business community.

Japan.--As in the other major countries, the credit insurance facilities of Japan play a major part in determining the availability of financing for exporters. The Japanese export insurance programs are operated by the Ministry of International Trade and Industries (MITI). All insurance premiums and losses flow to and from the Export Insurance Special Account established and financed by the Treasury.

There are eight types of export insurance offered in Japan:

General export insurance, export proceeds insurance, export bill insurance, export finance insurance, consignment sales insurance, overseas advertising insurance, overseas investment profits insurance, and overseas investment principal insurance. The types of insurance most frequently used are the first six, and by far the most important of these is general export insurance, which accounts for 60 to 75 percent of all contracts insured.

General export insurance can be obtained for exports of equipment produced, processed or purchased in Japan and for exports of other goods designated by MITI. The risks covered include both commercial and noncommercial risks as well as increases in freight or marine insurance owing to rerouting due to noncommercial reasons. The maximum risk cover is 60 percent in the case of commercial risks and 90 percent in the case of noncommercial risks. Export proceeds insurance is available for goods designated by MITI and covers the major commercial and noncommercial risks. Export bill insurance insures against the risk of nonpayment of export bills by the buyer. When an exporter suffers a loss due to commercial or noncommercial reasons, he is eligible for a loan to cover his debts incurred. This loan can be insured under the export finance insurance program. Losses arising from the inability of the exporter to recover his goods on consignment sales are covered under consignment sales insurance programs. Overseas advertising insurance covers the exporter against losses resulting from non-amortization of expenditures incurred in connection with existing advertising abroad.

Japanese export credits are financed by the commercial banks and the Export-Import Bank of Japan. The Export-Import Bank of Japan, established in 1950, is the foremost institution in the financing of medium and long-term credits. If the Bank decides to participate in a requested loan, its share in financing is expressed as a percentage of the contract price, less down payment and profit. The buyer is usually asked to make a down payment of about 20 percent of the value of the contract and to obtain a repayment guarantee for the remainder from a reliable bank in his own country.

In financing the export credit itself, both the Export-Import Bank interest rate and the commercial bank interest rate have to be considered. The rate charged by the Bank when financing 70 to 80 percent of the credit varied between 4.5 and 5.5 percent for fiscal year 1972. In determining this rate, the degree of urgency in developing and securing markets for Japanese exports is considered. When a commercial bank participates with the Export-Import Bank in financing credit, the interest rate charged is the same as the rate on domestic term loans to prime rate customers, usually 8.0 to 8.5 percent.

United Kingdom.--The Export Credits Guarantee Department (ECGD) was established in the early 1920's. The ECGD has over 20 different guarantee and insurance programs from which an exporter may choose. The two main types are the comprehensive and the specific policy. Under the comprehensive policy the ECGD will insure all of an exporter's trade or his trade with a balanced group of markets ("good" and "bad" risk markets). The main guarantee program is the direct bank guarantee.

Direct bank guarantees fall into two categories, specific and comprehensive. The specific guarantee usually applies to goods sold on payments for more than two years. Financing arrangements are made available to the exporter at a fixed rate, and the bank is provided with unconditional cover against loss. ^{1/} The comprehensive guarantee applies to goods sold on payment for less than two years. It is issued to the exporter's bank and provides unconditionally for payment by ECGD to the bank three months after due date in the event of nonpayment by the importer.

United States.--The Export-Import Bank of the United States (Eximbank) is perhaps the most important source of medium- and long-term financing for U.S. exports. It has been estimated that Eximbank direct loans provided the credit for about 7.5 percent of U.S. exports in a recent year.

The Export Expansion Finance Act of 1971 amended the Export-Import Bank Act of 1945 to enable the Eximbank to continue its operations with substantially increased overall commitment authority. The purpose of the Act is to enable expansion of U.S. export trade chiefly by (1) increasing the overall limitation on the amount of loans, guarantees and insurance which the bank may have outstanding at any one time from \$13.5 billion to \$20 billion; (2) increasing from \$3.5 billion to \$10 billion the amount of outstanding guarantees and insurance which Eximbank may charge on a fractional reserve basis against its overall limitations; and (3) removing the prohibition against the extension of

^{1/} The fixed rate in 1972 was 5 percent, while the current bank rate was 6 percent.

any credit or guarantee insurance on exports to the nations of Eastern Europe.

The Act also directs Eximbank to provide export financing with rates, terms, and other conditions which are competitive with the government-supported export financing available in major foreign countries and to accord equal opportunity to small enterprises, such as export agents and managers, independent export firms, and small commercial banks, in the formulation and implementation of its policies.

Two Eximbank programs to increase U.S. exports are the Direct Credit Program and Participation Financing. The Direct Credit Program is used mainly in financing heavy capital equipment and technologically intensive projects in such fields as nuclear power, communications, transportation, steel production, and mining. It is designed to supplement private sources of financing where they are unwilling or unable to assume the commercial and noncommercial risks, and offers financial guarantees for loans made. During fiscal year 1972, 614 direct credits were authorized, totaling about \$2.3 billion to buyers around the world.

Participation financing is a means of drawing private funds into financing large capital equipment and technologically intensive projects. Under this scheme an importer using the deferred-payment plan continuing for five or more years makes a cash payment of 10-15 percent of the U.S. contract price. The remaining amount is financed equally by loans from Eximbank, which are eligible for financial guarantees, and by private lenders. In October 1973, the interest rate charged by Eximbank for these loans was 6 percent.

Another important financing program of Eximbank is the commercial bank exporter guarantees. This program is designed to help medium-sized exporters. Under this program, before the recent change the commercial bank carried the beginning installments of the credit up to 30 percent for its own account and Eximbank gave an unconditional guarantee on all later installments, which covered payment of interest up to 6 percent. At present, the lending banks are no longer required to carry some portion of the loan without an Eximbank guarantee. Also the rate of interest guaranteed is no longer limited to 6 percent, but is related to the prime rate of the lending bank. Authorization for commercial bank export guarantees in FY 1972 amounted to \$493.4 million.

The U.S. credit insurance program is operated by the Foreign Credit Insurance Association (FCIA) in collaboration with Eximbank. The FCIA is comprised of 50 principal United States marine, casualty, and property insurance companies. The FCIA insures commercial risks for its own account and noncommercial risks through Eximbank. A new agreement signed in 1972 provided FCIA with broadened powers and authority to commit insurance as an agent of Eximbank. The result of this agreement is that export transactions which previously would have required submission to Eximbank can now be committed by FCIA without prior approval by Eximbank. Overall authorizations of export credit insurance by FCIA in FY 1972 totaled \$2.2 billion.

At the close of 1973 there was pending in the U.S. Congress legislation to amend the Foreign Assistance Act of 1961 by providing for the establishment of a new U.S. Export Development Credit Fund, financed

by borrowings of the U.S. Treasury. The proposed fund would offer financing for U.S. exports to the lowest income countries (i.e., those with per capita income of \$375 a year or less). The loans would be provided on concessional terms with interest rates of not less than 3 percent per year, repayment within 30 years and a grace period on principal of not more than 5 years. The fund would be authorized to make loans of up to \$3 billion during 3-1/2 years beginning July 1, 1974. The interest subsidy on the loans, equal to the difference between the effective cost of borrowing and the concessional interest rate charged, would be financed by repayment made on past foreign assistance loans. At the time the Senate Finance Committee held hearings on this proposal, the prime domestic interest rate was 9-3/4 percent.

Special tax advantages for exporters

Several governments provide special tax advantages to exporters. This is done usually by exempting or deferring taxes on income from export activities, or rebating other direct taxes associated with the production of exported products, or by accelerated amortization of assets used in production for export.

Under current GATT rules, indirect (consumption) taxes may be rebated (or not collected) on exported products, but rebates of direct taxes (income and certain other taxes) 1/ are not permitted. This rule is based on the premise that indirect taxes are fully shifted forward to the consumer, whereas direct taxes are not. To the extent,

1/ See the section on border tax adjustments in chapter VII.

however, that the forward shifting of indirect taxes is incomplete, the full restitution of the domestic consumption tax at the border on exported products acts, in effect, as a subsidy of exports.

Italian Law 639 provides for the rebate of a number of Italian taxes (both direct and indirect) on exports from Italy of over 400 industrial products specified in that law. The U.S. Treasury Department has held that the restitution of direct tax payments constitutes a subsidy of exports and has applied countervailing duties against several Italian products, including radio transmission towers, welded steel wire mesh, ski lift towers, and compressors for refrigerators and other appliances.

Many countries have income tax deferral or exemption schemes designed to promote their exports. For example, some countries exempt from tax the sales income of foreign subsidiaries, some allow special reserves or deductions for expenses incurred in establishing export markets, and others provide tax incentives for capital investment which results in exports. France, Belgium, and the Netherlands do not tax the profits of foreign subsidiaries. France generally does not tax profits of a foreign branch, and a substantial portion of foreign branch profits are likewise not taxed in Belgium and the Netherlands. Italy provides partial exemption from tax of profits of foreign selling branches. In West Germany, the tax on profits of foreign subsidiaries is deferred until the profits are repatriated as dividends, at which time there is a partial tax exemption if the subsidiary is 25 percent German owned. Norway and Denmark exempt from tax one-half of the income from foreign branches.

Tax deferral has also been an inducement to U.S. private foreign investment. In the United States, the tax on profits earned through foreign corporations is delayed until the profits are remitted to the U.S. taxpayer as dividends. Until they are distributed, profits generated abroad may be used for tax-free corporate financing. There a foreign country's corporate tax rate is less than the U.S. corporate tax rate; deferral provides a company with the tax incentive to reinvest profits in the foreign company. Although the elimination of deferral was proposed in 1961 because of abuses to the system, in 1962 Congress retained tax deferral while tightening up the regulations surrounding it.

Congress has recently extended deferral to domestic exporting corporations. In order to counterbalance the comparatively higher tax burden of U.S. export sales, the United States has recently provided for special tax treatment on income from exports in Title V of the Revenue Act of 1971. This act provides for the establishment of special export sales corporations called Domestic International Sales Corporations (DISCs). The DISCs are permitted to defer taxation on one-half of their export income if that half is retained; no deferral can be made on income distributed to shareholders. DISCs can also increase earnings eligible for tax deferral by some export promotion expenses, including 50 percent of the cost of shipment by U.S. ships or aircraft. DISCs may invest their tax-deferred earnings in the expansion of their export-business and in certain Export-Import Bank obligations. Moreover, DISCs may make their tax-deferred earnings available to the parent company or other domestic manufacturers of export-goods in the form of so-called

"producers loans." In order to qualify as a DISC, a corporation must confine its activities almost entirely to export selling and related activities.

Although the DISC legislation was enacted to counteract export subsidization inherent in tax deferral schemes for exports maintained by several U.S. trading partners, some of these countries have condemned the DISC provision as U.S. subsidy which contravenes the provisions of the GATT. Opponents to the DISC contend that, although the provision is purportedly a tax deferral and not a tax exemption, for practical purposes deferment is indefinite, since it lasts as long as profits are reinvested in export activities. Some have argued that such deferment constitutes interest-free loans to U.S. exporters, and moreover, that deferments have a cumulative effect over the years.

Export promotion services

Governments of all developed countries and many of the developing nations provide various services to foster exports of their domestic industries. The extent of the services differ considerably from country to country, but generally include research of potential export markets, trade missions, trade fairs, and marketing assistance. Many countries will assist in advertising abroad, supply translation services, help in product design, arrange overseas visits and provide legal and protective services abroad.

Because export promotional activities by governments represent long established practices, their subsidy aspects tend to be overlooked.

Exporters normally bear only a fractional part of the cost of these services through their taxes, but benefit substantially and directly.

In the Commission's survey of trade barriers, several complaints of U.S. producers against foreign subsidies were concerned with the enhanced competition from foreign products, both in the U.S. market and in foreign markets, which the U.S. producers felt resulted from the aids provided by other governments for export promotion services to their domestic industries. Many U.S. producers complained that they did not get assistance from the U.S. government equal to that received by their foreign competitors.

The export promotion budgets of the national governments of seven of the major countries are compared in table 9-D.

Table 9-D.--Export promotion budgets relative to exports of manufactured goods, 1969

Countries	Exports of manufactured goods	Export promotion expenditures	Export promotion expenditures per \$1,000 of manufactured goods exports
	<u>Billion</u> <u>dollars</u>	<u>Million</u> <u>dollars</u>	
Canada-----	8.5	7.7	\$0.91
France-----	11.0	8.4	.76
West Germany-----	26.2	6.1	.23
Italy-----	9.9	16.4	1.66
Japan-----	15.0	26.7	1.78
United Kingdom-----	14.6	22.8	1.56
United States ^{1/} -----	32.0	16.3	.51
Average (excluding United States)---		14.7	1.51

^{1/} U.S. figures are for 1970. 1969 expenditures were 46 cents/\$1,000 of manufactured goods exports.

Source: Harold B. Scott, Export Expansion for the Seventies and Beyond, in United States Economic Policy in an Interdependent World (Papers I), report to the President by the Commission on International Trade and Investment Policy.

General export subsidies

Export promoting subsidies, especially funds earmarked for research and development or capital assets, are frequently allocated selectively to export-oriented product areas. Some export-stimulating government aids, however, such as the above-mentioned export promotion services, may be applied across the board to all products. Even across-the-board direct export subsidies have been used in the past to correct the balance-of-payments disequilibria in lieu of making appropriate adjustments in exchange rates. Such direct subsidies on all exports are mostly referred to as "general export subsidies." In the second half of the 1960's, for example, France temporarily sought to improve its balance of payments by refunding certain direct taxes on wages of labor used in production of exports.

Subsidies in specific economic sectors

A brief description follows of certain government aids granted by major trading countries in selected economic sectors that are materially and widely subsidized. Examples of aids mentioned are illustrative of subsidies that presently exist (or have existed in recent years).

Coal and petroleum.--The coal and petroleum industries are widely subsidized by governments that wish to sustain indigenous energy resources. In the European Community, in 1967, the total average subsidy of bituminous coal amounted to \$7.56 per metric ton, i.e., over 40 percent of the price. Under a new system of reduced subsidization established in December 1969, the member states were authorized to grant

production aids not exceeding \$1.63 per ton to undertakings that deliver coking coal for the iron and steel industry. "Disposal aids" on deliveries to destinations within the Community far away from the coal basin were additionally authorized to be applied under specified conditions.

In the Federal Republic of Germany, federal and state assistance to coal production and consumption is substantial. Since coal is the only significant domestic source of energy, various subsidies, including tax concessions, amounted in 1972 to approximately DM 1.2 billion. Subsidies included grants to encourage the use of EC coal instead of imported oil in the electrical industry. In addition to contributions to the cost of initial coal furnace construction, a variable subsidy is being provided to compensate power plants, at least partly, for the additional cost of the Community coal they use, as related to that of fuel oil. The use of EC coking coal instead of imported coal in the iron and steel industry is similarly subsidized. The international trade effect of subsidies to the coal industry is found mostly in the substitution of EC coal for imported fuels, including U.S. coal.

The decline of U.S. coal exports to the Community in general may have been partly the result of subsidies to the EC coal industry and other nontariff controls; but it was caused also by recent shortages in the U.S. supply and by partial replacement of U.S. coal by cheaper British and Polish coal and other substitute fuels in the Community.

U.S. coal exports may also have been adversely affected in the markets of Japan and the United Kingdom by subsidization of the coal

industry in these countries, and on the Japanese market, additionally by aids to the coal industry in Canada. Canada subsidizes the transport costs of coal exported to the Far East, competing thereby more effectively with U.S. coal exports to Japan. The Japanese Government has aided its coal industry by providing long-term interest-free loans. In the United Kingdom, a recent program announced in December 1972, allocated about \$3 billion for assistance to the coal industry over the next five years.

The U.S. Government aids the petroleum industry by an oil depletion allowance from the tax liability of producers, and other write-offs. The industry receives direct grants in some other countries and special tax privileges in most.

Electronics.--Electronics, as a growth industry and standard bearer of technological progress, receives government aids in a number of industrial countries. In recent years, France and the Federal Republic of Germany have provided low interest or interest-free loans to firms in the industry. In 1972, the federal budget of West Germany provided subsidies of DM 43 million for "promotion of electronic data processing." The Governments of the United Kingdom and France support their domestic private computer industry by significant grants, and also by participating directly in the industry. In 1972, all forms of British grants that went directly or indirectly to the computer industry exceeded \$30 million. Part of such subsidized British computer exports go to the United States.

Japanese Government aids to its electronics industry appear most damaging to U.S. trading interests. In the framework of its export promotion policy, and under laws enacted in 1957 and 1971 specifically concerning the industry, the Japanese Government has provided the electronics industry, especially in the area of research and development for computers and sophisticated industrial products, with massive financial assistance in the form of low-interest loans, grants and tax incentives.

The U.S. electronics industry claims that the Japanese subsidy program, coupled with other trade barriers erected against U.S. exports to Japan, enabled Japanese electronic products to compete effectively on the home market against U.S. products, while enormously strengthening the competitive position of Japanese products in the United States. Moreover, upon complaints made by U.S. manufacturers, the Treasury Department is presently investigating whether certain consumer electronic products from Japan benefit from subsidies within the meaning of the U.S. countervailing duty provisions.

The complaints of U.S. electronics manufacturers regarding Japanese subsidization of its electronics industry are challenged by the Japanese, as well as by interested U.S. importers. These claim that over the years U.S. assistance to the domestic electronics industry has been incomparably greater than the Japanese Government's assistance to its own industry, if massive research and development subsidies of the U.S. Government to U.S. producers are taken into consideration.

Although a large portion of the U.S. subsidies have been allocated for defense and space objectives, they have provided the technological foundation for many industrial and consumer electronic products. U.S. importers claim that this fact should be kept in mind in considering action on the demand by U.S. manufacturers of such products that countervailing action be taken against the subsidies benefitting Japanese exports.

Both the U.S. and the Japanese Governments assist the electronics industry substantially through government contracts, but to what extent these should be considered as subsidies is open to argument.

Films.--The film industry enjoys government aids to production, distribution, exhibition and exports in various combinations in different countries. The United States does not subsidize the industry, but all major U.S. trading partners and many other countries do. The competitive position of the unsubsidized U.S. films is thus adversely affected on the international free-world market, of which the U.S. share is about 60 percent. U.S. interests are hurt predominantly by subsidies granted by the United Kingdom, Italy, and France. However, American film companies frequently qualify to share foreign subsidies; therefore, they are attracted by them (in addition to other factors) to produce abroad, with concomitant adverse affects on the U.S. domiciled film industry.

Shipping, shipbuilding.--Shipping and shipbuilding is widely subsidized owing to the relationship of these industries to foreign

trade, the specific problematic nature of the shipbuilding industry, 1/ and the fact that these industries relate to national defense. Subsidies take various forms, including investment grants, preferential credit rates, tax exemptions, premiums for breaking up ships that are to be retired. Sometimes subsidies given directly to the shipping industry go at the same time to the shipbuilding industry, since they are tied to domestically built vessels. A number of countries, including the United States, support the shipping industry by practicing "flag discrimination," i.e., restricting the shipment of certain cargo to national flag ships or limiting the freedom of foreign flag ships to engage in seaborne commerce to and from their ports. 2/

Some countries support shipbuilding to the point where it can meet the demands of a national merchant marine and navy, and make no attempt to export to third markets. Principal examples are: The United States, Canada, and Italy. Merely to satisfy domestic demands and be self sufficient, the United States has to subsidize its shipping and shipbuilding more than other industrial countries do. Subsidies to the U.S. shipping industry are generally paid on U.S.-made vessels only, hence the U.S. fleet is virtually wholly domestically produced. To compensate for high U.S. production costs, U.S. subsidies to shipbuilding amount to over half of construction costs, while in the case of other countries, such as members of the European Community and Japan, they generally stay below 15 percent. In 1965, U.S. grants to ship construction amounted to

1/ The long time required in executing contracts, technological obsolescence, uncertainties in projecting demand, large scale credit operations, etc.

2/ See also chapter XII on discriminatory ocean freight rates.

\$93 million. In the same year over \$200 million was paid by the U.S. government as operating subsidies to the shipping industry.

In Italy, subsidies are paid for the construction and equipment of metal-hulled merchant vessels. The subsidy for each vessel is not less than 10 percent of the cost. Where foreign or used products are used in the construction, the amount of the subsidy is reduced. The Italian Government also grants loans at preferential rates to shipowners for construction, modification, or repair of merchant vessels.

Important exporters of ships, such as Japan and to a smaller extent West Germany, subsidize their exports while preventing at the same time imports of foreign ships. Direct subsidies of the Federal Republic of Germany to the local shipbuilding industry amounted to DM 39 million in 1972. The Government considers this a "maintenance aid" designed to make the industry competitive with foreign shipyards, which are also subsidized. Reportedly, additional financial assistance is given to the German Merchant Marine, which invariably places its orders with German shipyards. Japan's share in world ship production rose from 10 percent in 1953 to 50 percent in 1968. The principal markets for such subsidized ship exports are countries, such as the United Kingdom, that possess large fleets and, even though they frequently are exporters themselves, are willing to import as well. Moreover, flag-of-convenience fleets, such as the Liberian, Greek, and Panamanian, are also important outlets for subsidized ship exports.

U.S. export interests in ships is not materially hurt by foreign subsidization, since the United States does not compete on third markets. On the other hand, the export interests of certain foreign

countries, such as the United Kingdom, Poland, Portugal, and Yugoslavia, are adversely affected by the subsidization of shipbuilding by the U.S. government.

Various other industries.-- In addition to the aforementioned few, other manufacturing industries receive government aids which may affect international trade. A well subsidized growth industry, besides electronics, is the aircraft industry. A well known example in this field is the subsidization in France and the United Kingdom of the supersonic commercial aircraft. Moreover, the RB-211 engines, the production of which the United Kingdom supports heavily, are exported at this time exclusively to the United States.

In some countries the steel industry and the paper and pulp industries are subsidized, with concomitant effects on international trade. The textile industry obtains government aids in several advanced industrial countries, and such aids, insofar as they stimulate production, may be injurious to the export interests of less developed countries. Aids to the textile industry take various forms, such as compensation for cost of scrapping machinery, investment grants and loans, aids for research, etc. Chronically depressed industries are also subsidized by several governments. As mentioned before, the United States and other countries aid such industries in the framework of an "adjustment assistance."

Establishments in almost any industry can obtain government aid in some countries if they are located in so-called development areas (principally the EC countries and the United Kingdom). For example,

the aluminum industry of the United Kingdom obtains massive investment grants and low interest loans as part of regional economic assistance programs. However, exporters of aluminum to the United Kingdom (mostly Canada and Norway) claim that such subsidies are injurious to them since they promote the replacement of imported aluminum by domestic production. They further claim that, since subsidized aluminum production in the United Kingdom is uneconomic, regional development aids by the United Kingdom Government represent in this case an undesirable shift towards a less efficient allocation of world resources.

In most advanced countries several industries receive government aids for research and development. U.S. subsidies are devoted principally to atomic-, space-, and defense-related projects and medical research, whereas in other countries, these subsidies are frequently aimed far more directly at general products for industry or consumers and act as stimulators to exports or import substitution in the subsidized industry, and, as such, can be regarded as nontariff barriers.

Agricultural products

Subsidies are widely applied in agriculture. In the framework of their agricultural policies, the governments of most industrial countries aid some sectors of their domestic agriculture materially, protecting it, at the same time, from import competition principally by various nontariff barriers discussed elsewhere in this report. Subsidization may take the form of direct payments to the farmer per unit of acreage, output, or exports, or consist of purchases by the government of surpluses

at supported prices, or be a combination of both. These subsidies stimulate exports directly or indirectly, or promote the substitution of imports by domestic production, or both. In addition to direct aids, governments aid agricultural production and exports in a number of indirect ways such as subsidies for fertilizers, disease eradication, research, information services, rural electrification, soil and water conservation, transportation to ports, etc.

Heavy subsidization of production and exports in many countries has led on several occasions to worldwide surpluses in certain farm products such as grains and dairy products. Subsidization has increased competition for markets, and invited retaliatory subsidization by other countries. Such competition in subsidization between countries has led in turn to low and unstable world prices, and major distortions of world production and trade in many affected farm products.

Canada.--Canada provides both direct and indirect aids to assist its domestic agriculture, including direct income support for grains and other key farm products and reduced transport costs for wheat and flour to export ports. Price support for commodities has been mainly through deficiency payments; prices of some commodities are supported through government purchases.

Complete control over exports of wheat and certain other grains is vested in a Wheat Board. Exports, particularly of grains, are assisted by the Government through availability of credit to foreign buyers. Subsidy payments have been made on exports of some surplus agricultural products, primarily in the dairy sector; in recent years, all exports

of dairy products have been subsidized except those consigned to the United States.

European Community.--The Common Agricultural Policy (CAP) of the Community generally features support prices higher than world price levels, without direct production controls. The high guaranteed prices (intervention prices) encourage uneconomic production and tend to restrain consumption.

The combination of favorable producer prices and absence of direct production controls has resulted in surplus supplies of many commodities subject to CAP regulations. To move these surpluses into foreign markets, the European Community provides export subsidies 1/ to permit sales at competitive prices in world markets.

The effect of the CAP on international agricultural trade has been most evident in grains, dairy products, and sugar--commodity areas in which the largest surpluses have been generated by EC policies. By the early 1970's, the EC was supplying more of its wheat needs than at the beginning of the 1960's, and aided by export subsidies it has become an aggressive exporter of wheat. The EC has continued to import wheat, but imports consist mainly of certain types not grown locally in sufficient supply which are required either for specialized uses or for blending with the locally produced soft wheat to produce satisfactory flour. Surpluses of wheat have led to its increased use for animal feed, with

1/ Until 1971, EC agricultural support (including export subsidies) was financed separately from the rest of the Community's budget, through the European Agricultural Guidance and Guarantee Fund. The fund was financed in part through variable levy revenues. Under an integrated system, begun in 1971, the Fund is no longer financed separately. (See section on variable levies in chapter VII).

subsidies paid to encourage use of feed wheat within the Community and to facilitate its exportation. Imports of feed grains into the Community have been lower in recent years than in the mid-1960's, as EC production has expanded and more wheat has become available for feeding. This policy not only reduced potential U.S. feed grain exports to the Community, but also meant that heavily subsidized wheat (and barley) exports from the Community competed in third country markets with products of the United States and other major exporters.

Higher prices for milk under the CAP have provided an incentive to increase production and also to market a larger share of milk output rather than consume it on the farm as food or feed. Surplus dairy products acquired under the support program have been disposed of in several ways, including subsidized exportation; expenditures for dairy export subsidies in the 1969-70 marketing year totaled the equivalent of more than \$500 million, compared with only \$18 million in 1964-65.

The CAP for sugar significantly stimulated production and resulted in substantial surpluses during the first years of operation following its full implementation in mid-1968. Surpluses have been used as livestock feed or by the chemical industry or have been exported to nonmember countries under subsidy.

Since the institution of a regulation for poultry and eggs in 1962, the European Community has become more than self-sufficient in these commodities and has resorted to subsidies to export the surpluses. To combat this competition, the United States has subsidized poultry exports to some of its traditional markets, including Switzerland and Austria.

The United States was compelled to use export subsidies also on lard sold to the United Kingdom to meet the subsidized competition of the Community.

The CAP for tobacco, which became effective in July 1970, has not been in effect long enough to evaluate its effects, but several features appear to have potentially adverse implications for U.S. tobacco exports to the Community, which has been an important market. These features include guaranteed high prices to producers without accompanying automatic production controls and a substantial buyer's premium (subsidy) to induce purchase of Community tobacco.

Japan.--To encourage food production, Japan--the most important single export market for U.S. agricultural products--has granted extensive subsidies to agriculture and has exercised a high degree of control over agricultural imports. Still, imports of agricultural products have increased markedly and make up more than a fifth of the nation's total imports. Support prices for wheat, barley, and rice have been equivalent to several times world prices. High support for rice has served to increase production substantially, resulting in a large surplus in recent years and reducing imports from the United States to negligible quantities. Exports and disposal of rice in domestic feed markets have been made at subsidized prices and rice acreage has been reduced, in an effort to cut down surplus stocks. Production of wheat and feed grains has been declining, however, and imports provide by far, the larger share of increased consumption requirements.

United Kingdom.--In the United Kingdom, a deficiency payment scheme was in wide use until 1971, when a shift was started to a minimum import

price system using variable levies on imports. In part, this change was made to harmonize the United Kingdom's agricultural support system with that of the European Community, in light of the prospective entry of the United Kingdom into the Community. The deficiency payment system had permitted prices to be determined by market forces; farmers were compensated for any difference between guaranteed prices and prices realized on the market. The United Kingdom's policy of encouraging feed grain production, particularly of barley, has adversely affected U.S. corn exports.

United States.--As the United States is a principal exporter and importer of agricultural commodities, its programs and policies have far-reaching effects on world trade in agricultural commodities. Many of the U.S. policies bearing on its foreign agricultural trade have their origin in domestic agricultural policy, and principally the stabilization of prices of specified farm commodities to protect farm income. Price-support programs are mandatory by law for most of the agricultural commodities supported by the U.S. Government, and include such major export commodities as wheat, corn, cotton, rice, tobacco, and grain sorghum; a mandatory price-support program is also in effect for milk. Price-support programs can also be established at the discretion of the Secretary of Agriculture, and one such nonmandatory program is in effect for soybeans. Price support for the eligible commodities is achieved through Government loans, purchases, and payments to producers. For many commodities under price support, production adjustment programs are used to balance supplies with needs and thus to prevent the accumulation of burdensome surpluses.

In addition to programs and policies indirectly affecting its agricultural foreign trade, the United States maintains measures that directly encourage its agricultural exports. The Agricultural Trade Development and Assistance Act (Public Law 480, enacted in 1954 and extended periodically since) authorized (1) sales of U.S. farm products in exchange for local currencies and long-term dollar and convertible foreign-currency credits, (2) donations and disaster relief, and (3) barter or exchange of agricultural commodities for strategic or other materials to meet U.S. needs. A 1966 amendment to the act required the progressive transition from foreign inconvertible currency sales to dollar credit sales or convertible local currency credit sales, to be completed by the end of 1971. From inception of Public Law 480 programs in July 1954 through December 1971, U.S. exports of agricultural commodities under Public Law 480 totaled \$20.6 billion, 22 percent of total U.S. agricultural exports during that period.

Under Agency for International Development (AID) and predecessor programs to assist the economic development of needy countries (also a declared long-term objective of Public Law 480), the United States exported \$2.3 billion worth of agricultural products in the period from July 1954 to December 1971, which was 2 percent of aggregate U.S. agricultural exports during these years. 1/

To enable certain agricultural commodities whose support prices are above world market levels to compete in foreign markets, the United States has maintained export payment programs, under which exporters

1/ Although a significant amount of exports funded by AID are agricultural products, the substantial majority are industrial products.

are compensated for the difference between the domestic price and the lower world price. Sales have also been made to exporters from Government-owned inventories at prices competitive in world markets. In recent years, such programs have assisted approximately half of the exports made under Public Law 480 and AID programs, and about a fifth of the commercial exports (those outside Government programs). U.S. Government expenditures for export payment assistance have declined sharply in recent years with the reduction of support prices for several major export crops (wheat, feed grains, and cotton) to or nearly to world price levels.

Credits and credit guarantee programs, administered by the Commodity Credit Corporation (CCC) and the Export-Import Bank, have also assisted U.S. agricultural exports.

If the principal U.S. Government programs assisting agricultural exports are considered on a combined basis, about 40 percent of aggregate U.S. agricultural exports from mid-1954 through 1971 were made under such programs.

Complaints against subsidies

Subsidies and other aids, including those mentioned in the foregoing pages, were the subject of a large number of complaints submitted to the Tariff Commission. Eighty percent of the total number dealt with aids provided by governments of the developed countries. Complaints against the six original member states of the European Community accounted

for 27 percent of the total, Japan for 20 percent, EFTA countries for 17 percent, and the United States for about 4 percent. Products involved in the complaints were found in 14 of the 23 industrial sectors and all of the agricultural sectors. The industrial sectors most frequently involved were nonelectrical machinery, electrical machinery, transport equipment, photographic and cinematographic supplies, and sound recording and reproduction apparatus.

Discriminatory State Trading

State trading is defined here as the buying or selling by state enterprises, or by private enterprises upon which the state has conferred some exclusive privilege, of products or services destined for consumption by the public. State trading includes the trading activities of nationalized and government-owned industries, but it does not include the purchase of goods or services by governments for their own use and not for resale. A significant part of world trade is conducted under state trading conditions. State trading is commonly considered to be a phenomenon only in the centrally planned economies, since all or virtually all trade of the Communist-bloc countries is conducted by state agencies. However, most governments in market economy countries engage to some extent in state trading activities.

State trading is an integral part of the centrally planned economy characteristic of communist countries, where a state trading organization controls the monopoly of importing and exporting for each category of goods, with each trading monopoly being distinct from the state enterprises that produce goods for export and that seek to have goods imported. This separation has prevented most foreign traders from having direct contact with producers or final users.

Other problems exist for foreign businessmen in the total state trading of the communist countries. Some countries are given a preference by the state trading organization under bilateral trading agreements with communist countries; preferences are also frequently given to suppliers from other communist countries. Business prospects are hard to gauge where the arbitrary

decision of the government concerning cost and price criteria provide no basis for a judgment as to needs or supplies. The communist state trading monopolies have sometimes insisted on tied transactions and compensatory deals requiring the foreign company to engage in unrelated counter purchase commitments as a condition of placing their order. Also foreign firms generally are refused permission from communist trading monopolies to establish representative offices, hire local help and other facilities. Collection of royalties and the protection of trademarks and copyrights are often unreliable, thus discouraging some businessmen. Finally, the inapplicability of the GATT basic rules as regards trade with the totally state trading communist nations has been found to be very troublesome.

In market economy countries, state trading usually is conducted by special agencies operated for a specific purpose. The agencies may be organized as branches of government or as public or private corporations. They frequently may hold a monopoly for the buying or selling of a particular product or group of products.

In market economy countries, state monopolies in selected products traditionally were instituted to raise revenue, or in some instances to regulate the supply or price of staple commodities, such as grains, which are important to the general welfare of the nation. State monopolies have sometimes also been used for social control. Traditional product areas for state monopolies of the above type have been salt, matches, tobacco, alcohol, and (less frequently) certain staple foodstuffs.

During the past few decades, state trading in market economy countries has been given a tremendous impetus especially by two factors: The increase in national economic planning in both developed and developing countries, and the persistent foreign exchange shortage, particularly in developing nations dependent upon the export of one or a few primary products. In the first case, state trading in selected important commodities has been the device for integrating imports and exports into the plan for the domestic economy. ^{1/} State trading, of course, is also the unavoidable accompaniment of the nationalization of an industry. In the second case, state trading has been a device by which countries have sought to husband scarce foreign exchange, maximize the return upon sales of domestic output abroad, and minimize the cost of imports. In addition to these two major forces, national defense considerations have led some governments to monopolize trade of their countries in certain items.

The significant difference between trade conducted by the state and trade conducted by private business is that the former frequently is strongly influenced or determined by noncommercial considerations, whereas private business must normally operate on commercial principles or soon cease to operate at all.

It is here that the trade barrier aspect of state trading emerges. The volume and direction of state trade may be determined chiefly in terms of political or social goals and differ greatly from the situation which would prevail if ruled by purely commercial considerations. Some aspects of this problem have been described by one author in the following manner:

^{1/} The economic plan, for example, may necessitate selling imports on the domestic market at lower than world prices, or exports on the world market at lower than domestic prices. One way of accomplishing this is through a state monopoly of trade in a product.

... the government can create an enterprise that is granted a monopoly over a certain product in the domestic market. With all other enterprises forbidden to buy this product, this monopoly enterprise is in a position completely to control the imports of that product simply by its decision to buy. If the enterprise decides to prevent imports, it simply makes an enterprise decision to obtain its entire supply of the product from domestic sources. No tariff or quota is needed. The decision is a "discretionary" business decision and hard to challenge. Even without limiting its purchases entirely to domestic supplies, if the object of the enterprise is other than to maximize profits, its buying decisions may be "uneconomic," e.g., products may be bought domestically for a higher price than imported products would cost. If the government controls the enterprise, enterprise decisions may be based on domestic political pressures or even international political policies, such as a decision to buy products only from a specific country in return for international military or political support by that country. ^{1/}

Thus it is seen that state monopolies may also serve the objective of protecting domestic producers against foreign competition. When the state handles the imports of a product it may discriminate against foreign suppliers simply by a decision not to buy or by charging an unduly high markup on the imported product when it is resold in the domestic market. Such a markup would have the same effect as a tariff. State import monopolies may also discriminate against certain foreign suppliers only, while favoring others.

Diverse objectives have been found in state export monopolies. One has been to facilitate exports on the world market when domestic prices are above the world level. Another has been to control exports with a view to maintaining a specified world price level. Still a third has been to prevent the exportation of a product needed by the domestic industry.

^{1/} John H. Jackson, World Trade and the Law of GATT, p. 331.

GATT provisions on state trading

The drafters of the General Agreement on Tariffs and Trade recognized that governments could protect their domestic industries or artificially promote their exports to the detriment of foreign producers simply by state trading practices and without resorting to such devices as quotas or tariffs which the agreement was trying to regulate. With the hope of avoiding this, provisions on state trading were included in the agreement. Article XVII reads in part as follows:

1. (a) Each contracting party undertakes that if it establishes or maintains a State enterprise, wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases or sales involving either imports or exports, act in a manner consistent with the general principles of non-discriminatory treatment prescribed in this Agreement for governmental measures affecting imports or exports by private traders.

(b) The provisions of sub-paragraph (a) of this paragraph shall be understood to require that such enterprises shall, having due regard to the other provisions of this Agreement, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale, and shall afford the enterprises of the other contracting parties adequate opportunity in accordance with customary business practice, to compete for participation in such purchase or sales. 1/

1/ Paragraph 2 of article XVII provides, however, that the provisions of the article shall not apply to imports of products destined for consumption in governmental use, i.e. to government procurement. As mentioned in the section on government procurement, GATT permits discriminatory practices in government procurement.

One interpretation of Article XVII that has been put forward is that nondiscriminatory treatment and the use of commercial considerations in purchases and sales of state trading agencies is meant to apply only to discrimination among foreign suppliers and permits a state enterprise to discriminate in favor of domestic suppliers. By this interpretation, the state enterprise is obligated only to grant most-favored-nation treatment (and not national treatment) to competitive suppliers from other countries. See John H. Jackson, World Trade and the Law of GATT, Bobbs Merrill Co., Inc. (New York: 1969), pp. 346,347.

In article II-4, the GATT provides that import monopolies shall not operate so as to afford protection in excess of that afforded by tariffs. To prevent such excess protection, article XVII-4 provides that state trading enterprises have to disclose their import markups at request of a contracting party. This paragraph generally provides that the Contracting Parties may request information on the whole operation of state trading enterprises maintained by any of them.

Complaints against state trading practices

In the present investigation of trade barriers, 138 complaints were submitted to the Tariff Commission concerning state trading and discriminatory practices by government monopolies. Developed market economy countries were the object of 54 percent of the complaints; developing nations, 43 percent; and Communist countries, 3 percent. Virtually every developed market economy country and 39 developing nations were named in the complaints, which involved products in 17 of the 23 industrial product sectors and in all of the 9 agricultural product sectors.

The importance of state trading in many products, and its implications for trade in those products, is frequently overlooked. An outstanding example is found in iron and steel. In several countries throughout the world, a domestic steel industry is regarded as essential to the national economy; and in developing countries, particularly, a steel industry has become symbolic of industrial progress. In response to such concepts, governments in many countries have become closely involved in the affairs of their steel industries. In many instances, steel industries are 100-

percent owned by the national government; in other cases they are subject to such extensive governmental control and guidance that they in effect operate in the manner of a nationalized enterprise. Nineteen percent of the total steel producing capability in market economy countries is directly owned either wholly or to a substantial extent by the national government. This direct government ownership is found in the steel industries of 11 developed countries and over 18 developing nations. This extensive government involvement is regarded by representatives of the U.S. steel industry as the major nontariff barrier distorting the flow of steel trade throughout the world. These complainants feel that the involvement by foreign governments in their steel industries places U.S. steel producers at a competitive disadvantage in foreign markets and in the U.S. market "because U.S. steel producers are competing against government-dominated producers abroad whose commercial policies are dictated by national interest rather than by normal economic considerations."

Another very prevalent example is government ownership of radio and television broadcasting stations. U.S. producers of radio and TV programs feel their participation in foreign markets is severely limited by government decisions on the airing of foreign program materials.

In the following pages, state trading by major developed countries in a few other selected products is briefly described. These examples appear for illustrative purposes only and should be considered only a partial inventory of the instances of state trading activities. They are not indicative of the extent of state trading in the countries included in the list or the range of products covered. All of the examples, however, were among the complaints submitted in the Commission's investigation.

Canada

Wheat, oats and barley.--The Canadian Government maintains a trade monopoly of wheat, oats and barley which is administered by the Canadian Wheat Board. In carrying out this function, the Board undertakes to market these grains on behalf of the producers in domestic and export markets. The Board exports either through its agents or on the basis of a direct agreement with foreign governments, and it is authorized to develop special promotional activities overseas.

Alcoholic beverages.--The provincial Liquor Boards have a monopoly on the sale of alcoholic beverages. Especially three of these Boards, those of British Columbia, Ontario, and Quebec, have been criticized for discriminatory practices against foreign alcoholic beverages. In recent years the U.S. Government has frequently voiced complaints about the fact that the Liquor Boards carry only a restricted number of U.S. brands and sizes, and that in some cases the markups are higher on foreign than on Canadian brands. Most of the whisky imported by Canada from the United States is bulk whisky, transferred from the U.S. distilleries of Canadian companies to Canadian distilleries of the same companies.

Several provinces of Canada effectively exclude U.S. beer from their markets through a variety of devices. For example, foreign brands of beer can be distributed by State Liquor Stores only, whereas domestically brewed brands are permitted normal commercial distribution.

Federal Republic of Germany

Ethyl alcohol.--Ethyl alcohol and certain spirits are subject to the import monopoly of the Federal Monopoly Administration. This organization

has the exclusive right of importing unprocessed alcohol, and imports it only when needed for supplementing insufficient domestic production. The administration generally authorizes private traders to import spirits. Exports by private traders are not subject to any restrictions.

France

Tobacco and tobacco products.--Production and trade in tobacco and related products are a state monopoly operated by SEITA (Société d' Exploitation Industrielle des Tabacs et des Allumettes). SEITA establishes a national quota of land under tobacco cultivation, allocates it by region, and purchases the whole crop of home-grown tobacco at annually fixed prices.

SEITA also exercises monopoly over imports and exports. Prior to 1970 it limited materially the number of manufactured tobacco brands admitted to the French market, restricted the publicity actions relating to foreign products in the home market, and specified a minimum sales volume for exporters. Since Jan. 1, 1970, these restrictions have been liberalized; nonetheless, it appears that controls are still significant on the sales level.

Newsprint.--Imports and prices are controlled by a cooperative (SPPP-Société Professionnelle de Papiers de Presse) which is supervised by the state. In a convention signed in 1961 between the state and the SPPP, the latter assumed various obligations which included that a certain percentage of the press requirements for newsprint, based on prevailing domestic production-capacity, be purchased from French sources.

Petroleum products.--Importation, refining and distribution of petroleum and products are a state monopoly with importers and distributors

licensed by the state. The system was criticized as giving French firms a larger share of the domestic market than would accrue to them if competition were free.

Coal.--Imports are a state monopoly. The Government decides how much coal will be purchased outside the Community and where it will be purchased. These decisions of the Government are then executed by the ATIC (Association Technique de l'Importation Charbonnière), a group of the principal coal importers in France. Decisions regarding coal imports from other Community countries are made directly by the ATIC.

Until a few years ago the competitive position of the United States (and other non-Community countries) was significantly undermined in the French market by the pricing system the French Government applied to imported coal, whereby the Government established the price of imported coal independently of its actual purchase price and above the price level of subsidized domestic coal. Moreover, the Government discriminated against the United States in favor of other third country suppliers. In the past three or four years, increased French demand for both U.S. steam coal and bituminous coal induced the French Government to liberalize its pricing practices of imported coal, and conclude long-term bilateral contracts with the United States.

Potash fertilizer.--Imports of potash and nitrogenous fertilizer is controlled by the French state monopoly SCPA (Société Commercial des Potasses et de l'Azote). U.S. exports of potash fertilizer to France appear to be discriminated against by this monopoly in favor of domestic products, or those originating in countries of the European Community.

Italy

Tobacco and related products.--Production and distribution of unmanufactured and manufactured tobacco are a state monopoly. Manufacture is handled directly by the Administration of the State Monopolies, with growing and distribution handled partly also by private concessionaires under the supervision of the Administration.

Both unmanufactured and manufactured tobacco are imported by the Monopoly Administration. According to some adversely affected countries, the Italian tobacco monopoly restricts imports not only quantitatively, but also by maintaining the sales prices of imported brands significantly above those of Italian brands.

Exports are handled by the Monopoly Administration, or by private concessionaires. Manufactured tobacco is exported exclusively by the Administration.

The trade restricting effect of the Italian tobacco monopoly appears to be significant for U.S. exports to Italy.

Imports of cigarette paper, lighter flints and matches are also a state monopoly.

Steel.--Over half of Italian raw steel production is under direct government ownership and, thus, this proportion is state traded.

Japan

Tobacco.--Production, distribution, and imports are a state monopoly exercised by the Japanese Monopoly Corporation. The corporation determines the acreage and type of cultivation for private growers, and purchases all tobacco from them at prices fixed annually. Leaf tobacco is imported chiefly as aroma and taste material to be mixed with domestic leaf tobacco.

The Monopoly handles virtually all imports. (In rare instances permission may be granted for private imports at extremely high rates of duty).

Imports by the Monopoly Corporation are duty-free.

The restrictive impact of the Japanese tobacco monopoly on U.S. exports to Japan, both of tobacco and cigarettes, appears significant. U.S. producers reporting to the Commission on this barrier estimated that its removal would probably increase their exports by about a third of the present value.

Alcohol with 90 percent or more alcoholic content.--Production, sale, and imports are a state monopoly exercised by the Ministry of International Trade and Industry (MITI). Production takes place at State-operated and private companies. The government purchases all domestically produced alcohol at predetermined prices. Imports take place only when domestic production falls short of demand.

Rice, wheat and barley.--The government supports the prices of these farm commodities and holds a monopoly of exports and imports. Decisions on imports are formulated on the basis of administrative judgment rather than free market competition, with a consequent restrictive effect on U.S. exports to Japan.

Japanese imports of rice--both total imports and those from the United States--dwindled to negligible amounts in the second half of the 1960's owing to domestic overproduction engendered by the price support program. On the other hand, Japanese imports of wheat--both total and those from the United States--increased significantly, to make up for a decline in domestic production which took place despite the price support programs.

Imports from the United States of barley dwindled to zero by 1970, due in part to competition from other foreign suppliers.

Dairy products.--Butter and several types of processed milk are subject to state trading. The Livestock Industry Promotion Corporation or traders entrusted by it are the sole importers of these products. The Corporation imports only as necessary to keep the prices of these dairy products within a specific range of the guaranteed price.

United Kingdom

Coal.--In the past decade the United Kingdom National Coal Board has handled all imports of coal on any significant scale. The board was established in 1946 when the coal industry was nationalized. Importation of coal into the United Kingdom, however, was prevented by the fact that the United Kingdom Government did not authorize coal imports, except in a special emergency. This embargo, which was in effect from 1958 through 1970, had a significant trade restricting impact on U.S. coal exports to the United Kingdom.

Steel.--The British Steel Corporation is probably the prime Free World example of a nationalized steel industry. Thus, the United Kingdom operates a state trading activity with regard to steel products.

United States

At the federal level in the United States there are relatively few areas of state trading. The Federal Government has engaged in state trading

principally in connection with disposal abroad of surplus agricultural commodities and the purchase and sale of strategic raw materials for stockpiling. However, many of these sales have been non-commercial under Public Law 480 and AID programs. Fissionable materials and helium are also state traded by the Federal Government.

On the state level, governments control the distribution of distilled alcoholic beverages in 18 states. Wine is similarly controlled in 14 of these states and beer in 5. The state determines the brands of beverages to be carried, and the prices to be charged. According to complaints submitted to the Commission, the number of brands available to the public in state stores are generally fewer than retail outlets in non-monopoly states. This administrative practice was felt to limit the sale of both domestic and foreign goods. About a fourth of the distilled beverage consumption in the United States occurs in states having a monopoly on alcoholic beverages.

Discriminatory Government Procurement

Government purchasing from private industry has been described as the world's biggest business. The U.S. Government every year buys \$55 billion to \$60 billion worth of goods including expenditures for military goods. In the United Kingdom and the United States, government purchases account for as much as 21 percent of the gross national product; in West Germany the portion is 16 percent; in Canada, 15 percent. The city of New York purchases \$170 million in goods and services each year. Governments are the largest single purchasers of goods and services in most countries of the world, and the importance of governments and quasi-official bodies and government-affiliated organizations as purchasers increases daily. Obviously, their procurement policies are of major importance both to domestic economies and to international trade.

Governments usually exhibit some concern to assure that all or most of their domestic producers are given the opportunity to share in supplying public purchases. The same concern, however, generally has not been extended to suppliers of imports. Most governments favor domestic suppliers over foreign sources in their procurement of goods.

The principal forms of discrimination in procurement

There is a multiplicity of ways of exercising discrimination among suppliers in government procurement. Preferences accorded domestic suppliers may be incorporated in published laws and regulations, but in most countries they are effected informally through a

variety of practices and procedures. Under the so-called Buy-American Act of 1933, the Federal Government of the United States openly favors domestic suppliers in its procurement. On the other hand, in Europe and Japan, laws and published regulations explicitly providing for discriminatory practices are rare; nonetheless, discrimination against foreign suppliers exists.

It must be recognized that an inherent psychological bias in favor of dealing with fellow nationals plays a role in discriminatory procurement. Aside from this, however, one of the main practices that inhibits foreign participation in government procurement is insufficient publicity in the solicitation of bids and in the disclosure of the criteria on the basis of which contracts are to be awarded. The principal techniques used in the solicitation of bids for government purchases are "public," "selective," and "single" tender. Under public tender, invitations to bid are publicized widely; under selective tender, invitations are limited to selected suppliers; under single tender, the purchasing authority contacts one supplier only. Public tender is the most important tendering procedure for nondefense purchases in the United States and also in Belgium and Luxembourg. But most trading partners of the United States, such as Japan, the United Kingdom and most European Community countries use predominantly selective and single tender. It is generally recognized that these tendering procedures lend themselves to discriminatory practices more readily than public tendering.

In evaluating bids, governments generally use commercial criteria such as price, quality, and delivery terms. Most procurement authorities, however, have some freedom in awarding contracts to introduce considerations other than commercial, which may include a price preference given to domestic suppliers. Secrecy surrounding the circumstances of awarding contracts often protects such discriminatory practices from disclosure.

Foreign suppliers can also be suppressed through specific conditions of bidding which put them at a disadvantage, such as certain administrative requirements or allowing inadequate time for the submission of bids. Moreover, purchasing authorities may specify technical requirements in advance collaboration with domestic suppliers, thereby limiting from the outset the possible competitiveness of the foreign bidder. In some countries only resident firms may undertake government contracts of certain types; some countries require that a bidder have a mailing address or a bank account where the goods are to be delivered.

Discrimination in government procurement is not always directed against all foreign suppliers equally. The government of the United Kingdom, for example, apparently has preferred among foreign suppliers, Commonwealth countries and members of the European Free Trade Association (EFTA). Neither do preferential practices always extend to all domestic suppliers; in certain countries, for example, preferential consideration in procurement may be given only to producers in a certain geographic region (such as a depressed area), or to a specific group of domestic suppliers.

(e.g., medium-sized firms; institutions, such as prisons, etc.). Some countries may give preference to domestic suppliers in the procurement of specific commodities only, while treating foreign and domestic suppliers equally in the procurement of other goods. Typical commodities to which preferential procurement from domestic sources is most frequently applied are military goods (for national security reasons) and products of high technology (to promote domestic production capacity). In some countries, discrimination against foreign suppliers may take place especially for large procurements, with contracts awarded to a foreign supplier exceeding a predetermined value becoming subject to special controls.

International concern over discriminatory procurement practices

Until fairly recently, it seems, it would have been somewhat unconventional to expect a government to do otherwise than favor its own citizens when making purchases from the public purse.

Governments have only belatedly begun to show much concern over the discrimination which their industries encounter when seeking to participate in public procurement by other governments. Indeed, discrimination in the purchase of products by a government for its own use is expressly permitted in the General Agreement on Tariffs and Trade and is not a violation of the so-called national treatment provisions of that agreement. For practical purposes, the trade rules of the GATT can be considered inapplicable to government procurement.

It was not until several years after World War II that governments began to show some apprehension over the exclusion of their producers from the public sector of the market in foreign countries. This apprehension was sparked by a beginning realization that even in market economy countries the public sector was taking a surprisingly large and increasing percentage of world purchases. Also, some governments were spurred by the discontent of certain domestic producers who found themselves faced with intense foreign competition in their own market, but were excluded from important foreign markets because consumption of their product happened to fall predominantly in the public sector in those countries.

Many nations do not reveal the specific conditions of their preference policies. Thus, because the U.S. buy-American law specifically requires preferential treatment of domestic suppliers, and published U.S. regulations spell out exactly the degree of discrimination to be applied against foreign bidders (generally 6, 12, or 50 percent of their bid, depending upon the circumstances), the United States was an obvious target for criticism from other countries.

OECD work on government purchasing

Largely because of the complaints against the United States, and the unsatisfactory responses from other countries to U.S. countercomplaints, in the early 1960's a series of formal discussions of procurement practices began in the OECD and has continued intermittently to the present time. This exercise eventually led to an effort to develop an international code of conduct covering

government procurement, the chief purpose of which would be to reduce discrimination against foreign suppliers. Substantial progress has been made in the drafting of such a code, but major difficulties are still unresolved.

In the course of discussions in the OECD, the United States has called principally for more open procedures in the purchasing practices of foreign governments in order to prevent concealed discriminatory practices. The policy of U.S. trading partners, on the other hand, has been to resist changes in their existing procedures, while calling for the elimination of the buy-American preferences. The United States rejected the first draft of common guidelines for procurement prepared in the OECD on the basis that it did not provide for a reciprocity of obligations on behalf of U.S. trading partners. Whereas the United States was asked under the terms of the guidelines to undertake the elimination of the buy-American margins of preference accorded to U.S. products, there were no guarantees in the guidelines that other countries having only a few openly stated preferences would be compelled to abolish their practices of de facto discrimination.

Subsequently, the United States proposed that the drafting and discussion of guidelines should first focus on the government procurement experience of one industry, and particularly the heavy electrical equipment sector where de facto discrimination was prevalent in many countries and provided a good example of inequality in market access. The United States maintained that a "sectoral approach"

would afford the OECD a better chance to develop meaningful guidelines. Attention could thereafter be extended to other sectors, leading eventually to a comprehensive international code. In 1969, the United States submitted a new proposal for guidelines oriented to the heavy electrical equipment sector, and strongly emphasized the need for publicity on the availability of contracts, and disclosure of information on the winning bids. However, U.S. trading partners, particularly the European Community and Japan, continued to resist the new U.S. proposals, and the "sectoral approach" in general, and consequently, work was continued on general overall guidelines.

It would appear that if meaningful guidelines are to be agreed upon, important compromises or adjustments will be required on the part of all parties.

Regional harmonization of procurement practices

On a less extensive international scale than in the OECD, other developments have taken place which give some insight into the significance of procurement practices for international trade. Regional trading groups, such as the European Community and the European Free Trade Association, began to focus on the fact that national preferences in the government purchases of the member states of those organizations were actually subverting the achievement of the goal for which the organizations were created.

In the European Community, for example, in an examination of several sectors important to the national economies and in which government purchases were large (in some cases predominant), it was found that intra-EC trade was extraordinarily low. For example, in telecommunications equipment, which goes mainly to public purchasers, intra-Community shipments supplied only about 3.5 percent of Community consumption. In the railway equipment sector, where purchases are made almost exclusively by governments, intra-Community shipments supplied less than 8 percent of consumption of most items, while very similar products distributed to the private sector showed percentages of consumption for intra-Community shipments as high as 34 percent. In France, Germany, and Italy, imports from any source supplied only 5 percent of the technical equipment for airports, which consists exclusively of government purchases. In France, in 1968, companies in other EC countries received only 0.51 percent of the public contract awards.

In order to circumvent this problem, in 1966 the EC Commission drafted a directive embodying the following principles to govern the award of public works contracts within the Community: (1) All major public works projects should be advertised; (2) all EC firms having the technical and financial capability should be entitled to submit bids; (3) the most advantageous bid should be selected, and the choice should not be dependent upon nationality or other national criteria; and (4) technical standards should not be applied if they

would have the effect of national discrimination. The draft was passed by the EC Council in 1971, to become effective in July 1972. 1/

In March 1971, a similar directive on public procurement was submitted to the EC Council, where it is still under consideration. The directive would eliminate discrimination in public procurement among products of member states, and by implication, also eliminate discrimination against third country products entered into the Community and third country producers inscribed on the professional register of a member state (e.g., U.S. subsidiaries in Europe). The 1971 draft excluded transportation, water and public power from its provisions. It is expected that the draft may be adopted by the end of 1974, but this is uncertain. Delaying adoption of the draft is a lack of agreement on other proposals which have been made in the Community on the selective and discriminatory use of government purchasing to promote industrial development. 2/ There appears to be a likelihood that when the directive finally is adopted it will be more restrictive in regard to products of third countries than is the present draft. Meanwhile, the EC Commission is continuing efforts to liberalize public procurement among the members of the Community.

1/ The French Minister of Public Works and Housing has estimated that as a result of the introduction of intra-EC competition through changing contract awarding procedures, the cost of public works projects could be cut by up to 20 percent.

2/ Development of the aircraft, electrical, data processing, railway equipment, and telecommunications industries in this manner has been proposed.

Countries of the European Free Trade Association also have agreed to a set of rules to be observed in purchases by their governments, nationalized industries, and semipublic enterprises of products eligible for "area tariff treatment" under the EFTA agreement.

The trade impact of discriminatory procurement

Thus far, no really successful measure has been made of the actual extent of discriminatory government procurement practices and the degree to which they may distort trade patterns from those which would exist if the discrimination were absent. One reason this has not been done is the fact that only extremely rudimentary and fragmentary data are available to give some indication of the amount of imported products purchased by governments in comparison with their purchases of domestic products.

In the absence of the necessary data, the nature and magnitude of discrimination in government procurement by various nations can be assessed only in very general terms. Using such data as are available, one approach to the problem has been to attempt a comparison of the ratio of imports to domestic products in consumption in the private sector of an economy with the similar ratio in the public sector. Assuming that the ratio for governmental imports would not differ significantly, in an unrestricted situation, from the ratio for private sector imports, a hypothetical level of government imports is calculated. The absolute difference between this hypothetical

figure and actual governmental imports could be taken as some measure of the trade distortion resulting from discriminatory procurement practices. ^{1/}

Complaints against government procurement practices

In the current investigation of trade barriers, 75 complaints were submitted to the Tariff Commission against discrimination encountered in government procurement practices in 26 countries. All of the major developed market-economy countries were named in the complaints and 13 developing nations. Eighty percent of the complaints involved the developed countries.

Almost one-third of the complaints against the developed countries involved procurement practices in member states of the European Community. Twenty-five percent of the complaints were against the United States, 20 percent were against members of the European Free Trade Association (as it existed prior to January 1973), 10 percent were against Japan, and 5 percent were against Canada.

Examples of discriminatory situations in selected countries

Procurement laws and regulations, particularly at the national government level, tend to be highly technical and complex (a factor which in itself is said to constitute an obstacle to foreign suppliers), and it would be impossible in this report to specify the numerous provisions in those regulations and the procedures followed under them which foreign suppliers may consider discriminatory.

^{1/} See Robert E. Baldwin, Nontariff Distortions of International Trade, 1970, pp. 71-74.

Illustrative of the technical nature of these regulations is the fact that the OECD had to draw upon the services of specialized experts in procurement procedures of each country when it undertook the 1966 compilation of procedures in government purchasing in Europe, North America, and Japan.

In the following paragraphs, for a few of the major countries, a limited number of selected situations are described which are either explicitly or implicitly prejudicial to foreign suppliers of government purchases in those countries. The examples, which are intended to be illustrative only, are drawn chiefly from the 1966 OECD summary of purchasing regulations and from submissions to the GATT.

Benelux countries.--The Benelux Customs Union agreement provides for equal treatment of all government suppliers in the three member countries, implying discrimination against suppliers of third countries. In Belgium, in certain instances, domestic (i.e., Benelux) suppliers may be given preference if the price differential in favor of the foreign supplier does not exceed certain limits (believed to be normally 10 percent). In Luxembourg, foreign bidders are required to hold a trading license, and licenses may be refused if such act does not interfere with existing international agreements. In the Netherlands, firms submitting bids on public works must have a Netherlands domicile, and in practice this means an actual engineering office, although this is not specifically required by Dutch law.

Canada.--No law or regulation in Canada imposes restrictions on Federal Government procurement from other countries, but the Canadian Minister of Supply has stated that the Department of Supplies and Services (D.S.S.) "buys from Canadian firms if practicable and only turns to other sources of supply when procurement from the Canadian sources is deemed to be uneconomical or impractical." Invitations to tender, which are issued to suppliers on central D.S.S. registers, are used for most nondefense materials and equipment. Being on the central register of the D.S.S. is probably not very helpful to a foreign supplier unless a Canadian representative familiar with Federal Government needs, regulations, and officials is also maintained. The Federal Government does not give a premium to Canadian suppliers, as such, but it will pay a premium of up to 10 percent on the Canadian content of the bid, regardless of the country of the supplier. In the Canadian provinces, in general, a premium of from 5 to 15 percent is given to provincial suppliers, and some provinces also give a slight preference to Canadian goods manufactured outside the province.

Federal Republic of Germany.--The general rule is that foreign bids should be treated as domestic ones, but de facto exceptions are preferences given to certain domestic groups such as refugees, victims of war, and firms or individuals located in economically depressed areas. To such privileged subjects, contracts are awarded if their bids do not exceed the most economical bid by more than 0.5 percent. Moreover, the Ministry of Defense places a certain proportion

(usually about 20 percent) of its contracts with "suitably qualified" medium-sized German firms. When deciding the award, duties are added to the foreign price of the bid.

West Germany practices "bilateral reciprocity" in its military purchases. The United States and Germany have over the past several years concluded a series of "offset" agreements in order to neutralize for the U.S. balance of payments a substantial portion of the costs of deploying U.S. military personnel in Germany. Under these agreements, West Germany has deposited with the U.S. Treasury special funds earmarked for German purchases of military goods and services from the U.S. Government and from private U.S. firms.

France.--Private or negotiated contracts which do not involve competitive bidding are used for over half of government procurement in France. In principle, foreign suppliers are treated as domestic suppliers, but in practice there are numerous exceptions. They relate sometimes to the procurement of specific types of products. For example, a certain part of governmental purchases of electronics products must come from domestic sources. This and other similar provisions serve to attain specific objectives of the French economic development plan. Other exceptions involve preferences given to specific groups of domestic suppliers, such as industrial and agricultural producers cooperatives. For public works and building contracts, administrative regulations frequently specify the use of French materials, tools and appliances. Foreign procurement seems to

be practically ruled out in public sectors such as railways, nuclear energy, and aircraft construction. Procurement of foreign aircraft is heavily restricted by the refusal of authorities to issue the necessary technical approval. Efforts to ensure maintenance services, supply of spare parts, etc., and the enforcement of the related technical regulations result in de facto discrimination against foreign suppliers in a number of other areas of government procurement.

Italy.--Government departments do not deal directly with foreign firms, only with firms that, although trading in foreign products, are legally established in Italy. However, current legislation does not forbid government departments to invite foreign suppliers to bid. Legislation exists, however, that accords preference to domestic suppliers located in certain regions; 30 percent of government purchasing is reserved by law to suppliers from Southern Italy and the Islands in order to promote the industrialization of those areas. Based on a decree by the Council of Ministers, a similar preference of 15 percent exists in favor of supplies produced by the blind. The Ministry of Defense buys foreign products only if domestic ones are not available as desired, particularly if the procurement serves exclusively military purposes.

Japan.--There is no legislative requirement in Japan specifying preferential treatment for domestic suppliers by the central government in its purchases, but de facto discrimination is very prevalent. Almost no goods and services are procured by the central government agencies by open or public bids. The great bulk of purchases are made by

selective tenders or private contracts, and in most cases bidders are informally contacted by procurement officials of the Ministry making the purchase and requested to submit estimates. No advance notice of purchase or bid is published, and the selection or designation of suppliers and bidders is solely in the hands of the procurement officials of the individual ministries.

A 1963 Cabinet order "encouraging the use of domestic products in order to utilize foreign currencies efficiently" provided for preferential treatment by the government for domestic sources of certain products which were to be specified by the Ministry of Finance. The products that later came under this provision included automobiles; office machines; construction, printing and agricultural machinery; aircraft; machine tools; and measuring instruments. In September 1972, the Ministry of Finance announced that these preferences would no longer be officially required for any products except computers and peripheral equipment.

United Kingdom.--Apart from certain general Treasury regulations, buying departments have full discretion to award contracts under any set of conditions they see fit. As a result many contracts are placed under bulk supply agreements, or through selective tender from a closed list of suppliers. Single tender is also widely used while open public tender is used only rarely. Departments normally give preference to bids from firms in areas of high unemployment, specified as development districts, provided that their prices, specifications, delivery, etc. are comparable.

Despite the absence of formal discriminatory provisions against foreign suppliers, specific areas of de facto discrimination exist. As far as government purchasing of computers is concerned, explicit guidelines direct officials to accord preference to domestic suppliers under prescribed circumstances. In the area of general procurement, the United Kingdom appears to favor certain groups of foreign suppliers. On the basis of a 1958 Commonwealth trade and economic conference, the United Kingdom was committed to seek out possible Commonwealth suppliers.

There is also potential discrimination against all foreign suppliers in the provision that requires all contracts involving £50,000 or more to be referred to the Treasury for review if it is contemplated that the contract will be awarded to a foreign firm. If there are no overriding balance-of-payments considerations and if there is a significant saving to be realized by letting the contract to a foreign supplier, the Treasury usually will not oppose awarding the contract outside the United Kingdom. If, however, the differential in favor of the foreign firm is very small (one or two percentage points), the Treasury will recommend that the contract be placed with a British firm.

Technical standards in certain purchases, such as electrical power and telephone equipment, applied ostensibly to assure adequate maintenance and spare parts services, also result in discrimination against foreign suppliers.

The procurement policies of nationalized industries are left almost entirely to their own judgment.

United States.--The Federal Government is required by the Buy-American Act of 1933 to favor domestic suppliers in government procurement. This law requires that U.S. government agencies purchase domestic products for use within the United States, except if (a) such products are not available domestically, (b) the cost of domestic supply would be unreasonable and (c) the purchase from domestic sources would be inconsistent with the public interest. Executive Order 10582 of 1954 establishes specific guidelines for implementing the Buy-American Act. It limits the preference margin to be accorded domestic products to 6 percent above the delivered cost of the lowest foreign bid (including duty). By a subsequent provision, this preference was further extended to 12 percent for small businesses and concerns in labor-surplus areas.

However, the Buy-American Act and its implementing order left a broad discretionary margin to officials responsible for procurement, authorizing them to disregard the specified price preference limitations on grounds of national interest and security. Accordingly, in 1962, the Department of Defense introduced in its purchases a 50 percent maximum preference for domestic products over the lowest foreign bid, exclusive of duties. The other federal agencies generally apply the 6 and 12 percent preference margins, in their procurement for use in the United States, but many have mandatory reviews by senior officers or committees for all contracts above a certain value before a final award is made.

Procurement for use abroad is not subject to the buy-American Act and agencies are free to set their own policies. Nonetheless, federal agencies apply a 50 percent preference for overseas procurement. In addition, the Defense Appropriation Act of 1954 includes a prohibition on the procurement by the Defense Department from foreign sources of any food, clothing and certain textile yarns (all with certain exceptions) for use in military establishments outside the United States. Under the Defense Appropriation Act of 1972, the Department of Defense is prohibited from purchasing material containing certain specialty metals manufactured abroad.

More than twenty states and several local governments also discriminate in their purchasing policies against foreign suppliers.

The United States has a considerable array of other laws and administrative provisions with buy-American elements in them. These involve preferences given to certain social groups as producers, such as the blind and prisoners. Moreover, special preferences are accorded to domestic suppliers of specific products, such as twine and jewel bearings.

Miscellaneous Government Practices Which Impinge Upon Trade

In the Tariff Commission's present survey of trade barriers, several complaints were submitted concerning government policies or practices which directly affect trade but were not easily classifiable under any of the five principal headings for trade barriers used in this report. ^{1/} Although outside the realm of direct government participation in trade, they are perhaps more appropriate for inclusion in this chapter than in those dealing with the other categories of barriers. Accordingly, the more significant of these complaints are briefly listed below without extensive discussion.

General complaints involving several countries

1. Monetary policies of the major nations and international monetary problems have hindered normal development of trade, particularly in the past 5 years.
2. Government (and nongovernmental) "buy national" campaigns to promote greater use of domestically produced goods produce an uneconomic discrimination against imports.
3. The frequency of change in regulations applicable to trading activities is costly and retards trade.
4. Limitations or other controls on advertising prevent development of potential markets.

^{1/} The five categories are: (1) Nontariff charges on imports, (2) quantitative restrictions and similar limitations on trade, (3) government participation in trade, (4) standards as technical barriers to trade, and (5) customs procedures and related administrative practices.

5. Government regulations and limitations on airline routes, flight frequencies, aircraft capacity, fares, and charter arrangements, in effect, indirectly limit sales of aircraft.
6. Difficulties in repossessing large purchase items, such as aircraft, on which the purchaser has defaulted payments is a hindrance to some international sales.

General complaints against the United States

1. U.S. firms are disadvantaged in competing overseas by the "extra-territorial" extension of U.S. antitrust laws.
2. The threat of legislative restrictions on U.S. imports hinders development of the U.S. market for foreign products.
3. Insufficient cooperation between business and government in foreign trade matters handicaps the U.S. businessman in his efforts to sell abroad.
4. Uncertainty as to the manner in which escape-clause provisions of the Trade Expansion Act of 1962 will be interpreted dampens efforts to fully develop import markets in the United States. Prolonged continuation of escape-clause relief has suppressed imports.
5. Uncertainties for trade arise from application of the provision of section 337 of the Tariff Act of 1930 dealing with unfair practices in import trade.

6. U.S. export sales have been delayed by difficulties in obtaining immigration clearance to bring foreign nationals to the United States for training in the use of U.S. produced equipment.

General complaints against other countries

In complaints against Japan, irrespective of the particular practice which was the main object of the complaint, there frequently was also mentioned as an important element affecting international competitiveness the very close relationship between the Japanese Government and Japanese business. Many U.S. businessmen felt this gave rise to frequent "administrative guidance" detrimental to imports into Japan and was also important in governmental assistance to Japanese exports.

Spain and some other developing countries regulate channels of distribution for some products to require that importers purchase directly from the original manufacturer rather than secondary distributors.

U.S. exporters to some Communist countries felt their sales were inhibited by having to deal with a central purchasing agency rather than the ultimate recipient or user of the equipment.

Chapter X

STANDARDS AS TECHNICAL BARRIERS TO TRADE

Introduction

A standard, for the purposes of this report, is any law, regulation, specification, or other requirement with respect to the properties of a product or the manner, conditions, or circumstances under which a product is produced or marketed. These requirements usually deal with--

A product's quality, purity, component materials, dimensions, level of performance, or other important characteristics;

The health, sanitary, safety, technical, or other conditions or circumstances under which a product is produced or marketed; and

The manner in which a product is packaged or labelled.

Standards have an enormous, but frequently overlooked, impact on commerce and trade. The simplest illustration is found in weights and measures. A generally accepted standard for weights and measures is virtually a prerequisite for the existence of commerce on any significant scale. The widespread use of a basic standard of this type greatly facilitates the exchange of goods; the use of different standards in different markets or countries tends to have a limiting effect.

For the most part, standards perform an extremely constructive and necessary role in commerce and trade. Adherence to standards helps substantially in the exchange of goods by removing potential misunderstandings between buyers and sellers as to the properties of the product being exchanged. However, standards may also unnecessarily impede

international trade and are sometimes actually used as a protective device to shield domestic industry from import competition.

This chapter examines the trade barrier aspects of standards.

The purpose of standards

Standards are created for a variety of purposes. Many, such as a distance, or gage, between railroad tracks, or an industry's agreement upon common dimensions or measurements for a product such as steel sheets, are clearly to facilitate business or trade. Most international commerce is now based on product standards which usually include terminology, definitions, descriptions, ratings, tolerances, performance criteria, test methods, and acceptance procedures. Through these standards, traders in different areas of the world can know exactly what a product is without seeing it. The prevalence and importance of product standards is illustrated by the fact that a single international body dealing with standards for electronic components and equipment has more than 16,000 pages of international standards, published in more than 600 booklets.

Standards are also essential for the protection of the public health and safety, the preservation of the environment, the eradication of plant and animal diseases, and the control of pests. Consequently, a very large--and perhaps the major--part of standards are established for purposes unrelated to commerce or trade. Such standards are primarily intended to protect the public health, safety, and welfare by providing rules for safeguarding plant, animal, or human life and for protecting or informing consumers.

Many of the standards affecting international trade began as efforts by local governments to protect the public health, safety, and welfare. As science and industry have advanced, so have the responsibilities of government and the need for regulations. Advances in sciences such as medicine and plant pathology have led to the development of health and agricultural standards at the national government level. The development of industrial standards was encouraged, or even made necessary, by the growth of industries such as the pharmaceutical, automotive, and electrical industries. As industries developed, trade associations, engineering societies, and similar nongovernmental organizations began to issue standards that became nationally accepted as industrywide criteria.

As industries have broadened in geographic scope, so have standards. In the beginning, national interests dominated the formulation of standards, and in some instances standards have actually been designed to protect domestic industry. However, the vast expansion of international trade and the growth of multinational concerns have given impetus to the development of international standards.

In many countries import regulations reflect a deep-seated distrust of foreign products, and some countries have been motivated to impose regulatory standards on imported products by a fear that if imported merchandise is substandard their citizens will have no recourse against the foreign manufacturer to enforce a penalty. These regulations can be (and have been) used for protectionist purposes.

Trade barrier effects of standards

Some standards are imposed specifically to restrict or control the use of certain materials or substances and therefore can be expected to have a direct restrictive effect upon trade in those products. An illustration is found in the growing limitations being imposed throughout the world on the use of certain insecticides in agricultural production because of their persistence in the environment and damage to ecology.

The objective of most standards, however, is not to restrict the use of products but to assure that they meet certain levels of performance, quality, purity, safety, or sanitary conditions. The standards are intended to apply equally to all products without regard to their origin. However, it has become widely recognized that they frequently impinge more severely upon imports than upon domestic output. Because such an effect is usually inadvertent, standards of this type are characterized as technical barriers to trade. The sources of difficulties for international trade arising from standards requirements can be classified for the most part in four categories: (1) Differences in national standards; (2) the inspection procedures or other measures used for enforcing standards; (3) quality assurance systems which have limited country participation; and (4) ignorance on the part of exporters of the technical regulations existing in the importing countries.

The restrictive effect of standards often results from the differences among national standards (such as differences in language, measurement systems, and climatic and environmental conditions) rather than from

the extreme nature of the measures. Disparities in standards among nations create problems for supplying countries, whose products are placed at a disadvantage by the necessity of complying with diverse requirements for testing, production inspection, and certification.

A requirement that a product must be inspected during various stages of the manufacturing process by an inspector licensed by the importing country, or that a product must be tested in the importing country, can amount to a virtual embargo on the imported product while having little effect on the domestic product. This can be especially troublesome for foreign suppliers if the regulations (1) require expensive testing procedures or make the cost of compliance expensive enough to discourage foreign competitors; (2) are based on characteristics peculiar to national production; (3) foster uncertainty among traders as to the acceptability of their merchandise and the possibility of financial loss; (4) are changed so often that foreign manufacturers are caused needless expense; (5) are administered in such a way as to be discriminatory or cause extra delay and expense; or (6) allow too brief a time for adapting.

The manner in which regulations are written often favors domestic products: standards for imports tend to be explicit and strict while those for exports are generally loose or nonexistent, and marketing and labelling requirements can be extremely protectionist.

The effect of a standard can also be influenced by the membership constituting the standardization bodies, i.e., producers, consumers, local authorities, national government, or a combination of

these. Quality standards written by trade associations and professional societies often contain requirements based on the practices of domestic producers. Such requirements can restrict imported products of satisfactory quality, even though they do not conform to the domestic industry's practices. Some standards of this type are gradually being incorporated into fire regulations and local building codes and specifications. The sales potential of an imported product can be severely restricted as a result of lack of consumer acceptance if it fails to carry the recognized seal or stamp of approval customarily required by certain specifications and standards.

Although some individual product standards, through discriminatory application or for other reasons, have been significant trade barriers even to the point of embargo, standards generally are not presently classed among the serious barriers to trade. However, they do have the potential for becoming one of the greatest of trade barriers if concerted action is not taken.

At all levels of government virtually throughout the world during the past few years, there has developed a heightened concern for the protection of the health, safety, and welfare of consumers and the prevention of further deterioration or damage to the environment and ecology. Mandatory standards for products are being issued in numbers and coverage scarcely imagined only a few years ago. In the United States, for example, the recently enacted Consumer Product Safety Act established an independent regulatory commission which is authorized to issue mandatory safety standards for any consumer product. The objectives of the act are, *inter alia*, (1) to protect the public

against unreasonable risks of injury associated with consumer products, (2) to develop uniform consumer standards, and (3) to minimize conflicting State and local regulations. Product safety standards issued by the commission apply equally to domestic and imported products. The act stipulates that any consumer product shall be refused importation if such product (1) fails to comply with the applicable standard, (2) is not accompanied by a prescribed certificate by the manufacturer, or (3) is not labelled according to the relevant provisions of the act.

The development of standards and their enforcement

Standards may be mandatory or voluntary. Mandatory standards are those with which there is a legal obligation to comply. They are made compulsory through regulations and administrative rules issued by an authority having the legal power necessary for such action. Most mandatory standards are concerned with health and safety; some have other concerns such as marking, packaging, and labelling. Health and safety standards and other mandatory standards are generally issued by the local, regional, or national government.

Voluntary standards are those with which there is no legal or de facto obligation to comply. These standards, which usually concern industrial products, are issued by various groups, principally professional societies, associations of manufacturers or consumers, national or international nongovernmental standards organizations, and sometimes government organizations.

The extent to which standards developed by nongovernmental organizations are adopted varies widely from country to country, often depending on the attitude of the government, whose actions can strongly influence both the development and enforcement of voluntary standards. Some voluntary standards actually become quasi-mandatory in effect. Even though the issuing organization has no legal authority to give a standard mandatory force, such force may be acquired through the action of a regulatory or quasi-regulatory body. For example, voluntary standards have frequently become, in effect, mandatory when they have been incorporated by reference into mandatory regulations, such as building codes promulgated by the government. Government procurement specifications often support voluntary standards by requiring compliance in purchased goods. These standards may also become mandatory in practice because of such factors as consumer acceptance, domination of the market by sellers (manufacturers or distributors) or buyers (e.g., public purchasing authorities), requiring compliance as a condition for obtaining insurance, or refusal by power supply organizations to connect noncomplying equipment to their networks.

Many standards are prepared by international groups which have no enforcement authority themselves but depend for effect on action taken by each individual country participating in the program. The participating countries frequently make no prior commitment to adopt the standards developed by the organization, and, consequently,

implementation will vary from country to country. An international standard may become mandatory in one country, voluntary in another, and voluntary with quasi-mandatory effect in another. The groups which prepare international standards may be composed of representatives of central governments or other public authorities, quasi-regulatory groups, or nongovernmental national standards bodies.

The formulation of international standards is centered principally in two international nontreaty organizations, the International Standards Organization (ISO) and the International Electrotechnical Commission (IEC). Both organizations are headquartered in Geneva, Switzerland, and coordinate their activities closely. Their membership consists of the national standardization bodies of the participating countries. These are generally nongovernmental organizations, but the extent of government participation varies widely from country to country. The United States participates in the ISO through the American National Standards Institute and in the IEC through the U.S. National Committee for the IEC. International standards have also been developed in such organizations as the International Bureau of Weights and Measures, the International Organization of Legal Metrology, the U.N. Food and Agriculture Organization, the U.N. Economic Commission for Europe, and the Organization for Economic Cooperation and Development. A variation of the international standard is the regional standard prepared by international organizations like the European Committee for Coordination of Standards and the Pan American Standards Committee, whose memberships are limited to specific geographical or political areas.

Regulatory bodies endowed with the necessary legal authority are generally the medium used for determining compliance with mandatory standards and for enforcing them. The regulatory body very frequently is not the organization that prepared the standard. Enforcement is often carried out through the judicial process.

As mentioned earlier, many organizations which develop voluntary standards actually hold an unofficial quasi-regulatory power for compelling their use. Although such organizations have no legal authority for enforcement, they can in practice give a mandatory effect to their standards through the domination of markets, the use of monopoly power, refusal of insurance, control of an established quality mark, or some similar method. Public purchasing agencies, associations of insurance companies, professional societies, institutions that control an established quality mark, and companies which dominate the production or use of a product in the local market are examples of this type of quasi-regulatory body. In the absence of this type of enforcement of voluntary standards, compliance is normally a matter of agreement between the manufacturer of a product and the customer. Independent testing facilities are often used to determine compliance.

The role of the central government in the enforcement or regulation of standards differs from country to country. In some countries, like the United States, the authority of the central government is limited by constitutional and other restraints. Similarly, the role of the central authority in regional trade and economic organizations, such as the European Community, is limited.

International concordance of standards

Valid evidence of recognition of the restrictive trade effect of divergent national standards is presented by the fact that regional trading blocs, such as the European Free Trade Association and the European Community, turned almost immediately after formation toward the development of a uniform set of standards among their members. The Treaty of Rome establishing the Community calls for the removal of disparities existing between legislative or administrative provisions of the member States which "distort the conditions of competition in the Common Market and thereby cause a state of affairs which must be eliminated." EFTA members particularly looked upon their early development of a similar set of standards as constituting an important factor in achieving free and unencumbered trade among members of the Association.

Of all the categories of nontariff trade barriers, those resulting from standards, because of their nature, probably present the greatest opportunity for amelioration or removal. All countries have an interest in this problem, and there is general recognition that the restrictive effect of standards can be greatly reduced through international efforts toward uniformity.

However, the development of uniform standards on a worldwide basis will not be easy. Administrative procedures setting forth methods for determining compliance with a standard have to be brought into accord. Reciprocal acceptance of fumigation and other

certifications that products are uncontaminated and disease free must be arranged. Various national packaging, labelling, marking, and measurement requirements have to be simplified and reconciled into nonconflicting sets of standards. Standards requiring inspection of a commodity during the manufacturing process must be coordinated among nations and simplified. Tests specified by different countries and organizations have to be made technically equivalent, a task that is particularly difficult because the technical procedures set forth to determine compliance are usually an integral part of a standard and are of extreme importance, especially in performance standards.

Progress is being made in the harmonization of standards through the work of several organizations. As already mentioned, regional organizations of nations are working to develop standards universally acceptable to their members, and in some instances have permitted nonmembers to participate in their programs. Bilateral and multilateral agreements have been made between some nations, and it is anticipated that some important agreements initially restricted to a few countries will eventually be expanded to include all interested nations.

Federated countries such as the United States and regional organizations like the European Community pose special difficulties for a harmonization program. A major problem is the fact that a central government agency has not been given the authority to make commitments which would be binding on private organizations and

local, State, and national authorities. The central authorities cannot require the other jurisdictions to accede to harmonized standards. Another problem is the diversity of jurisdictions administering standards and the lack of a central source to which traders can apply for information about local, State, and regional regulations, such as those governing building, fire, safety, quality, health, and environmental codes.

The United States is moving toward a more active role in international activities toward uniform standards. The administration has introduced legislation in the Congress in the form of two identical bills, S. 1761 and H.R. 7506, entitled the "International Voluntary Standards Cooperation Act of 1973." It provides for a formal arrangement between government and industry in the standards field in order to permit and facilitate U.S. participation in international standards agreements. Representatives of the State Department, working with the Special Committee for Consultation and Negotiation of the Organization of American States, have participated in some preliminary work on the harmonization of health and sanitary regulations. The National Bureau of Standards, in cooperation with a number of nongovernment standards organizations, is developing a national system for the accreditation of testing laboratories. Established organizations such as the American National Standards Institute and the U.S. National Committee to the International Electrotechnical Committee provide a medium for participation at both the national and international levels.

Proposed GATT code for standards

For approximately 2 years the contracting parties to the General Agreement on Tariffs and Trade (GATT) have been working on the development of a proposed code of conduct to prevent the application of standards from becoming a technical barrier to trade. At the present stage of drafting, the proposed code is set up--

1. To encourage participation in standards writing in international organizations so as to harmonize standards on as wide a basis as possible;
2. To encourage participation in international (as opposed to regional) certification arrangements for assuring conformity to standards;
3. To formulate rules for regional standards arrangements so that, in standards writing and certification, these arrangements will not operate to restrict the trade of third countries; and
4. To formulate rules that should be followed by national standards bodies so that standards writing and certification will not create unjustifiable obstacles to trade.

It is expected that completion and ultimate international approval of the code will be accomplished as part of the new round of multilateral trade negotiations opened at the GATT Ministerial Conference at Tokyo in September 1973.

Types or categories of standards

There are several different methods by which standards and related regulations discussed in this chapter have been classified, such as by purpose, by products affected, by chief characteristic, by method of application and enforcement, and so forth. In most of these classifications, the demarcation between categories is not always clear cut,

and many standards have attributes of more than one category. For example, some labelling requirements are the result of health or pharmaceutical product standards; and some product standards contain elements of both safety and performance. The Tariff Commission has generally classified complaints against standards which were received in its survey of trade barriers into the categories initially used in the GATT inventory of nontariff barriers. These classifications were established in the GATT work more on a pragmatic than a theoretical basis simply to facilitate international discussion of similar problems. The types or categories are as follows:

- Health and safety standards
- Labelling and container requirements
- Industrial standards
- Pharmaceutical standards
- Product content requirements
- Marking requirements
- Processing standards
- Requirements on weights and measures
- Trademark problems
- Packaging requirements.

Complaints against standards

In the Tariff Commission's survey of trade barriers, there were a total of 520 complaints that standards and related regulations hindered trade. The summary count of complaints made against standards and related regulations, by types, is shown in table 10-A. Health and safety standards appear to give rise to the largest number of trade problems, as they drew 35 percent of the complaints. The next largest number of complaints, 19 percent of the total, was against labelling and container requirements, followed by industrial standards, pharmaceutical standards, and product content requirements.

Table 10-A.--Summary count of complaints made against standards

Type of standard or requirement	Number of complaints			Total
	against--			
	Developed:	LDC's	Communist:	
	countries:	countries:	countries:	
1. Health and safety standards-----	153	28	2	183
2. Labelling and container requirements----	60	38	-	98
3. Industrial standards-----	67	3	1	71
4. Pharmaceutical standards-----	46	22	1	69
5. Product content requirements-----	31	8	-	39
6. Marking requirements-----	15	2	-	17
7. Processing standards-----	9	5	-	14
8. Requirements on weights and measures----	12	2	-	14
9. Trademark problems-----	6	4	-	10
10. Packaging requirements-----	3	2	-	5
Total-----	402	114	4	520
Percent-----	77.3	21.9	.8	100.0

Source: Compiled from submissions to the Tariff Commission.

Standards and related requirements in almost all developed countries and a very large number of developing nations were included in the complaints, although the great bulk--77 percent--were against developed nations. U.S. standards drew more complaints in the Commission's survey than those of any other single nation, but less than the total of complaints against members of the European Community or the European Free Trade Association. Table 10-B shows the distribution of complaints against standards, by countries.

Table 10-C shows the distribution of the complaints among product sectors, by types of standard or requirement. Industrial sectors drew 58 percent of the complaints; agricultural sectors, 42 percent. Over three-fourths of the complaints in the industrial area fell in 7 of the 23 industrial sectors: Nonelectrical machinery; chemicals; electrical machines and apparatus; transport equipment; ores, metals, and manufactures; wood and cork and manufactures; and professional, scientific, and controlling instruments. In the agricultural area, five of the nine sectors received virtually all of the complaints; the sectors for grains, tobacco, and oilseeds received a negligible number.

Table 10-B.--Number of complaints made against standards, by country and type of standard or requirement

Country	Total		Type of standard or requirement ^{1/}									
	Number	Percent	1	2	3	4	5	6	7	8	9	10
Developed countries, total-----	402	77.3	153	60	67	46	31	15	9	12	6	3
European Community (of six), total-----	119	22.9	37	18	29	19	12	1	-	2	1	-
West Germany-----	31	6.0	10	7	9	1	4	-	-	-	-	-
France-----	24	4.6	7	3	6	6	1	1	-	-	-	-
Italy-----	23	4.4	8	3	2	5	4	-	-	-	1	-
Belgium and Luxembourg-----	11	2.1	3	2	3	3	-	-	-	-	-	-
Other ^{2/} -----	30	5.8	9	3	9	4	3	-	-	2	-	-
European Free Trade Association (of eight) and Finland, total-----	95	18.3	41	10	16	13	11	1	2	-	1	-
United Kingdom-----	32	6.2	15	3	4	2	5	1	2	-	-	-
Sweden-----	14	2.7	8	1	2	2	1	-	-	-	-	-
Denmark-----	10	1.9	5	2	1	1	1	-	-	-	-	-
Other ^{3/} -----	39	7.5	13	4	9	8	4	-	-	-	1	-
United States-----	87	16.7	34	10	12	6	3	11	1	6	3	1
Japan-----	25	4.8	11	7	-	4	2	-	1	-	-	-
Australia-----	17	3.3	10	3	-	1	-	1	1	1	-	-
Canada-----	14	2.7	2	5	3	2	-	1	-	1	-	-
New Zealand-----	12	2.3	8	1	-	1	-	-	2	-	-	-
Other developed countries ^{4/} -----	33	6.3	10	6	7	-	3	-	2	2	1	2
Less developed countries, total-----	114	21.9	28	38	3	22	8	2	5	2	4	2
Latin America, total-----	63	12.1	18	24	3	10	3	2	-	2	1	-
Mexico-----	14	2.7	2	5	-	3	2	1	-	1	-	-
Brazil-----	10	1.9	3	5	1	-	-	-	-	-	1	-
Other-----	39	7.5	13	14	2	7	1	1	-	1	-	-
Europe and the Middle East-----	26	5.0	9	3	-	8	1	-	1	-	2	2
Asia, total-----	20	3.8	1	8	-	3	4	-	3	-	1	-
Africa, total-----	5	1.0	-	3	-	1	-	-	1	-	-	-
Eastern trading area ^{5/} -----	4	.8	2	-	1	1	-	-	-	-	-	-
Total, all countries-----	520	100.0	183	98	71	69	39	17	14	14	10	5

^{1/} Type of standard or requirement:

- | | |
|---|---|
| 1. Health and safety standards | 6. Marking requirements |
| 2. Labelling and container requirements | 7. Processing standards |
| 3. Industrial standards | 8. Requirements on weights and measures |
| 4. Pharmaceutical standards | 9. Trademark problems |
| 5. Product content requirements | 10. Packaging requirements |

^{2/} Includes Netherlands and complaints against the European Community without specifying a country.

^{3/} Includes Austria, Finland, Iceland, Switzerland, Norway, Portugal and complaints against the EFTA without specifying a country. (With respect to development status, Portugal is a "borderline" country, but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.)

^{4/} Includes Ireland, New Zealand, South Africa and complaints against developed countries without specifying a country.

^{5/} Excludes Poland.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding percents may not add to totals shown.

Table 10-C.--Number of complaints made against standards, by type of standard or requirement and product sector

Sector	Total		Type of standard or requirement 1/									
	Number	Percent	1	2	3	4	5	6	7	8	9	10
<u>Industrial</u>												
Total all industrial sectors-----	253	58.0	96	22	59	20	7	26	-	13	6	4
I-1 : Nonelectrical machinery-----	43	9.9	20	1	16	-	-	3	-	3	-	-
I-2 : Transport equipment-----	21	4.8	19	-	2	-	-	-	-	-	-	-
I-3 : Ores, metals and metal manufactures-----	17	3.9	8	2	4	-	-	3	-	-	-	-
I-4 : Chemicals-----	43	9.9	6	6	5	19	1	-	-	2	3	1
I-5 : Textiles-----	8	1.8	3	3	-	-	-	1	-	1	-	-
I-6 : Electrical machines and apparatus-----	38	8.7	18	-	15	-	-	3	-	2	-	-
I-7 : Pulp, paper and paperboard, and manufactures-----	2	.5	-	-	1	-	-	-	-	-	1	-
I-8 : Coal, petroleum, natural gas-----	3	.7	-	-	-	-	-	-	-	-	-	3
I-9 : Mineral products and fertilizers, ceramic products and glass-----	6	1.4	3	-	1	-	1	1	-	-	-	-
I-10 : Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	16	3.7	5	1	5	-	-	3	-	1	1	-
I-11 : Wood and cork and manufactures-----	17	3.9	7	-	7	-	-	1	-	2	-	-
I-12 : Precious stones, precious metals and manufactures-----	3	.7	-	-	1	-	2	-	-	-	-	-
I-13 : Rubber and rubber manufactures-----	-	-	-	-	-	-	-	-	-	-	-	-
I-14 : Raw hides and skins, leather and furskins and manufactures-----	2	.5	1	-	-	-	-	1	-	-	-	-
I-15 : Footwear and travel goods-----	2	.5	-	-	-	-	1	1	-	-	-	-
I-16 : Musical instruments, sound recording or reproduction apparatus-----	1	.2	1	-	-	-	-	-	-	-	-	-
I-17 : Firearms, ammunition, tanks and other armored fighting vehicles-----	1	.2	1	-	-	-	-	-	-	-	-	-
I-18 : Furniture-----	-	-	-	-	-	-	-	-	-	-	-	-
I-19 : Toys and sporting goods-----	1	.2	-	-	-	-	-	1	-	-	-	-
I-20 : Photographic and cinematographic supplies-----	4	.9	1	2	1	-	-	-	-	-	-	-
I-21 : Works of art and collectors' pieces-----	-	-	-	-	-	-	-	-	-	-	-	-
I-22 : Office and stationery supplies-----	-	-	-	-	-	-	-	-	-	-	-	-
I-23 : Manufactured articles not elsewhere specified-----	6	1.4	1	2	1	-	1	1	-	-	-	-
I- : Products not specified-----	19	4.4	2	5	-	1	1	7	-	2	1	-
<u>Agricultural</u>												
Total all agricultural sectors-----	183	42.0	77	49	11	-	27	5	7	5	1	1
A-1 : Foodstuffs-----	56	12.8	17	15	4	-	12	3	-	4	-	1
A-2 : Grains-----	2	.5	1	-	-	-	1	-	-	-	-	-
A-3 : Animals and products thereof-----	37	8.5	24	3	-	-	5	-	5	-	-	-
A-4 : Oil seeds, fats and oils, and their products-----	3	.7	2	-	-	-	1	-	-	-	-	-
A-5 : Beverages and spirits-----	27	6.2	2	16	2	-	3	1	2	-	1	-
A-6 : Dairy products-----	6	1.4	3	2	-	-	1	-	-	-	-	-
A-7 : Fish, shellfish and products-----	22	5.0	7	13	-	-	1	1	-	-	-	-
A-8 : Tobacco-----	3	.7	-	-	2	-	1	-	-	-	-	-
A-9 : Miscellaneous agricultural and forestry products-----	27	6.2	21	-	3	-	2	-	-	1	-	-
Total 2/-----	436	100.0	173	71	70	20	34	31	7	18	7	3

1/ Type of standard or requirement:

- | | |
|--|--|
| 1. Health and safety standards | 6. Marking requirements |
| 2. Labeling and container requirements | 7. Processing standards |
| 3. Industrial standards | 8. Requirements on weight and measures |
| 4. Pharmaceutical standards | 9. Trademark problems |
| 5. Product content requirements | 10. Packaging requirements |

2/ Total counts are not the same as those in Tables 10-A and 10-B because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to the totals shown.

As should be expected, the pattern of complaints differed between agricultural and industrial products, as shown in the following tabulation:

	<u>Percent of complaints</u>	
	<u>Industrial</u>	<u>Agricultural</u>
	<u>products</u>	<u>products</u>
Health and safety standards-----	38	42
Labelling and container requirements--	9	26
Industrial or product standards-----	23	6
Pharmaceutical standards-----	8	-
Product content requirements-----	3	15
Marking requirements-----	10	3
Other-----	<u>9</u>	<u>8</u>
Total-----	100	100

The principal standards and related regulations which have been reported as restricting trade are described in the remainder of this chapter. They are discussed under four headings: (1) Industrial and product standards, which include many miscellaneous standards such as those pertaining to weights, measures, safety, containers, nomenclature, language ingredients, environment, and ecology; (2) labelling and marking requirements; (3) health and sanitary standards; and (4) pharmaceutical and veterinary standards.

The Tariff Commission's survey of trade barriers was designed to obtain estimates of the value of trade lost as a result of the restrictions imposed by the reported trade barriers. Respondents were asked to indicate whether the removal of the barrier would result in a significant, moderate, or small increase in their exports or imports of a particular commodity and also to indicate, if possible, the estimated increase in dollars. Of the responses received concerning standards,

39 percent gave no estimate of the anticipated increase, 39 percent gave only an adjectival estimate, and 22 percent gave both an adjectival and a numerical estimate. Assuming that the organizations actually engaged in international trade should be the most qualified to evaluate the financial impact of trade restrictions, the failure of so many respondents to give any quantitative estimates exemplifies the difficulty of assessing the impact of those restrictions. The respondents whose questionnaires gave both a numerical (dollar) and an adjectival estimate varied widely in their judgment as to the amount of increase represented by each adjective when it was expressed as a percentage of their 1970 trade. However, the consensus of these replies indicated that, in general, "significant" represented an anticipated trade increase of about 150 percent, and "small" about 15 percent. These values are used in the following discussion of individual standards when applicable.

Industrial and Product Standards

The regulations classified as industrial and product standards relate principally to weights, measures, container sizes, nomenclature, quality, product content, production processes, safety, ecology, and environment. These regulations constitute the largest of the four major subdivisions of standards discussed in this chapter. They also probably hold the greatest potential for trade restrictions insofar as the value of affected trade is concerned.

With the rapid increase in standards stipulated by governmental or quasi-governmental organizations, the trade significance of industrial and product standards increases daily. Virtually all governments in the world have been greatly expanding their regulations, particularly in the fields of environment and product safety, in ways which can have profound effects on trade.

Some products which represent an exceptionally large dollar volume of trade are regulated in virtually all countries. Two of these which are of particular importance for U.S. exports are electrical and electronic equipment and automotive products. An examination of some national and international standards applicable to these products provides a good illustration of the impact which industrial standards of other countries can have on U.S. trade.

Electrical and electronic equipment standards

An international arrangement known as the Multipartite Accord for Assessment and Certification of Electronic Components provides for (1) the establishment of technical standards for electronic components, (2) a system of quality-control inspection carried out by authority of the participating governments to certify manufacturing plants within their jurisdictions as meeting the prescribed specifications, and (3) harmonizing the specifications and inspection procedures of participating countries so that components accepted in the country of origin are equally accepted in the other countries without further testing. Originally begun as a tripartite agreement between the Governments of France, West Germany, and the United Kingdom, membership of the accord has now been expanded to include all members of the European Community and the European Free Trade Association, and administration of the accord has been turned over to the European Committee for Coordination of Electrical Standardization (CENEL), which is administered by private bodies. Standards for the accord are established by the CENEL Electronic Components Committee and the Electronic Components Quality Assurance Committee.

The Tripartite/CENEL accord was developed almost completely before U.S. organizations became aware of its potentially serious adverse impact on U.S. exports. However, as a result of meetings held in June 1971, the members of the accord approved the request of the United States to participate in the scheme. Before the United States can assume the obligations of membership, however, there must be a

functional national system for the certification of electronic components for conformance to specified harmonized standards. To implement this system, the American National Standards Institute has agreed to act as the authorized body responsible for the general management of the system and enabling legislation has been introduced in the Congress in the form of two identical bills, S. 1761 and H.R. 7506, entitled "International Voluntary Standards Cooperation Act of 1973."

Although the quality assurance provision of the accord is not supposed to be in operation, it is already working to the disadvantage of the United States because some countries are not meeting the requirements of the CENEL scheme and are labelling their products accordingly. The United States cannot do this, and until the United States is capable of assuming the full obligations of membership, it must face the possibility that standards with which domestic producers will have difficulty complying will be instituted under the accord.

Respondents to the Tariff Commission's survey of trade barriers asserted that the multipartite accord represents a potentially serious nontariff barrier to trade which, if fully implemented without U.S. participation, could adversely affect U.S. employment, the balance of trade, and balance of payments.

Standards for automobiles and farm and industrial vehicles

The enactment of U.S. vehicle safety and emission laws has been accompanied by an increase in vehicle construction regulations in other areas of the world, particularly in Europe. Regulations governing lighting, electrical, and braking systems, operator and bystander environment, safety equipment, power and capacity ratings, and product testing exist throughout the world. Many of the standards differ from country to country and from those of the United States, whose regulations are often unique. In Europe, for example, the various national standards result in 11 different lighting systems, which require differences in electrical components; three different braking systems; and seven different methods of rating the power of a vehicle. There are variances on seats, fenders, horns, bumpers, and other equipment. U.S. producers or exporters are often required to make modifications in their vehicles which are costly, delay delivery, and sometimes change the appearance of the vehicle. A number of specific regulations reported in the Commission's survey are described below.

France requires the air tank for 100 p.s.i. air brakes to meet the same general specifications which are stipulated for pressure vessels, such as high-pressure boilers. The detailed standard requires specific construction methods instead of performance capability. Consequently, U.S. tractors to be sold in France have to be equipped with different air tanks than those to be sold in other European countries such as Belgium and West Germany.

France, West Germany, and Switzerland have different standards for braking. One country requires a device on tractors to cause the emergency brake to hold in case of engine failure. A neighboring country requires the emergency brake to be easily released to permit moving the vehicle out of the way if it stalls in traffic.

One respondent, in discussing truck trailers and their axles, reported that West Germany maintains a vehicle inspection and certification agency which establishes performance requirements and conducts tests. The German agency, called TUV, will not delegate approval authority to any U.S. test organization; tests must be conducted only in TUV locations. To get a prototype tested and approved, a U.S. company must ship the vehicle to West Germany and, if changes are needed, bring it back to the United States for modification, then return it to West Germany for reinspection. The process is very expensive and time consuming.

A number of West Germany requirements pertaining to tractors were reported. A flashing light must be mounted in a specific location; headlights must be located in a specified pattern and pointed precisely in a designated manner; red and white striped covers must be placed over bucket or bulldozer cutting edges in a precise manner; turn signals must be provided; and fenders must be of a specified design if the tractors are to enter a public road.

The West German regulations listed in the preceding paragraph would not constitute a serious trade barrier except that each item is specified in a different manner in an adjoining country.

Additional problems are created because several European countries do not permit the sealed-beam headlight construction used in the United States. Each country has its own emission requirements and exhaust-measuring device. West Germany and Switzerland require the German Bosch device, France requires a French device, and Belgium requires a Belgian device. Noise regulation varies from one country to another. Switzerland, Sweden, and West Germany each have different noise regulations, and some German provinces also have regulations which vary from the national standards. Codes for roll-over protection and steering differ. Safety regulations of the United Kingdom and the European Community require agricultural equipment to be tested to local standards. If the equipment is approved, the manufacturer must assume liability in case of injury or accident. Engine horsepower is calculated differently in various countries. Greece restricts passenger cars used as taxis in the Athens-Piraeus area to a maximum of 20 Greek horsepower and 5 meters in length.

The automobile tire standards proposed by the Economic Commission for Europe (ECE) represent a potential trade barrier for U.S. manufacturers. Because of the approval procedures and compliance methods regarding its tire labelling requirements, the draft standard could, in effect, prevent the export of any tire produced in the United States to any country in Europe that adopts the draft, despite the fact that the test performance requirements are substantially less demanding than the test requirements of the United States. Under the U.S. standard,

foreign producers are permitted to use self-certification procedures, which apparently are not permitted under the ECE draft.

Some U.S. producers reported that the failure of the United States to use the metric system of measurement has handicapped their distributors, dealers, servicemen, and customers because foreign standards are in terms of the metric system and tools are difficult to obtain.

It is difficult to quantify the effect of the existing and proposed regulations governing the various types of automotive equipment. Any harmonization of standards resulting in a reduction of cost to U.S. manufacturers could contribute to an increase in exports. U.S. exports in 1972 of the automotive products most affected by the regulations discussed above were valued as follows (in millions of dollars):

	<u>To Europe</u>	<u>To all countries</u>
Passenger cars-----	39.2	1,322.1
Tractors-----	57.6	582.4
Trucks-----	12.8	561.3
Buses-----	0.1	18.4
Tires, pneumatic (passenger car, bus, truck, motorcycle)-----	4.3	40.9

European Community (of six) 1/

Members of the European Community, recognizing the hindrance which diverse and conflicting product standards can be to the free flow of

1/ On Jan. 1, 1973, the United Kingdom, Denmark, and Ireland joined the European Community, raising to nine the number of member countries. Most statistical and other data for this report have had to be assembled in terms of EC membership prior to enlargement. To provide comparability with other parts of the report, industrial and product standards in the Community are discussed in terms of the original six members only. Standards in force in the United Kingdom, Denmark, and Ireland are discussed in a subsequent part of the report.

trade within the customs union, have undertaken a program of harmonization of their industrial and product standards. By early 1973, the EC Council had approved some 25 directives in the industrial standards harmonization program, of which 12 concerned automobile standards. Usually the directives require that member States incorporate the harmonized standard into their national legislation within 18 months. Member States are required to permit marketing within their territory of all products which conform to the relevant harmonization directives. Member States may apply a standard at the national level which is less strict than the Community standard, but they cannot apply a stricter standard.

Most complaints concerning the European Community received by the Tariff Commission related to standards requirements of the individual member states. One complaint from an association representing U.S. canned-food producers was against an EC harmonization directive. The Community has published several successive drafts of a harmonization directive for containers for liquid foods using measurement standards exclusively in the metric system. No U.S. can or glass containers presently used for juices would meet this standard, and the standard could therefore amount to an embargo on liquid foods in containers made to the British system of measurement.

The European Community maintains an "adapted varieties list" of grass, forage, and other seeds used for planting purposes. Imports of seeds are restricted to varieties on the list. To be placed on the list, U.S. varieties must be tested for "agronomic value" by

the government and approved. According to the respondents in the Commission's survey, it is very difficult for U.S. seedsmen to get their varieties accepted and placed on the list. Many U.S. seed varieties which are suitable for growing in the Community are prohibited. The maintenance of the adapted varieties list was classified by U.S. seedsmen as an important and significant barrier to their trade with the Community.

The Community's common agricultural policy for wine adopted in 1970 provided that imported wine could be sold in the Community only if it meets minimum standards (i.e., for alcohol and acid content, sweetening, the amount of sulphur dioxide, and so forth) as well as certain supplementary conditions. The supplementary conditions, which did not enter into force until October 1973, require that each lot of imported wine be accompanied by (1) a sworn statement, issued by an official agency of the country of origin, furnishing proof that the wine meets the standards for production and delivery of wine for direct human consumption in that country, and (2) a certificate of analysis stating that the wine has been prepared in accordance with the methods prescribed by the EC Commission or officially used in any member State of the Community. No mechanism presently exists in the United States for providing such certificates of assurance. EC regulations also stipulate that wines only be blended with other wines of the same region and at that place; this effectively prohibits blending of U.S. wine with that produced in the Common Market.

France.--France was cited as maintaining industrial and product standards which restrict trade in a variety of products.

Only 18 karat gold is permitted for karat gold jewelry. The Napoleonic code specifies six entry ports where all such jewelry must be tested and hallmarked. Assay fees for testing foreign products containing precious metal are 7.5 francs per hectogram for silver, 160 francs for gold, and 320 francs for platinum. For gold, the cost for testing alone amounts to over 50 cents per troy ounce.

French railroads require a so-called Mullen-Test of kraft container-board liners to determine the quality of the finished container. Other EC countries (except West Germany), the United Kingdom, and the United States have discontinued this practice. The test favors northern European producers and a single French producer. U.S. producers, who do not supply a substantial quantity to the French market, are required to make special adjustments in their production, which makes the cost greater than the cost of production for the U.S. and other markets.

Gas appliances marketed in France must meet special standards set by a French organization, Gaz de France.

Certain U.S. spirits, such as whisky and gin, are subject to validated approval from monopoly authorities for each shipment. Similar spirits from the United Kingdom, Ireland, and Canada have been granted blanket approval.

General aviation aircraft exporters to France reported difficulties in obtaining certification of new aircraft owing to what were characterized as special requirements.

All pressure vessels, such as heat exchangers and package chillers, must be disassembled, pressure tested by a local inspector, reassembled, and delivered to job sites. This adds a 3-percent cost to the value of a unit.

Exporters of fossil-fired steam-generating equipment complained that interpretation of the French manufacturing and safety codes is left to local inspectors rather than a central body. Because there is no standard interpretation of these codes, foreign manufacturers have experienced sufficient costly delays and expense to prevent them from actively pursuing the steam-generating-equipment market in France.

The standards governing steam-generating equipment, pressure vessels, general aviation aircraft, and jewelry are considered by the respondents to be significant trade barriers. Some companies indicated that their trade in France would more than double if the standards were modified. The remaining French regulations were reported as moderate restrictions.

France requires the submission of samples of the inbred lines of hybrid vegetable seeds before certifying them. U.S. seedsmen found this objectionable because it presents a danger of losing control of the inbred lines.

West Germany.--The complaints registered against the French standards governing steam-generating equipment, pressure vessels, and container-board liners were also reported for West Germany and were described as having the same impact on trade. In addition, a number of other requirements were reported as trade barriers.

Noise requirements are to be imposed by the West German Government that will prohibit the operation of many aircraft in the high-power-to-weight class. This will create a barrier to the sale of some aircraft because a customer will not purchase a plane when he knows its operational area will be limited by law.

Standards issued by the West German Standards Committee (DIN standards) cover many product areas. Film-speed ratings, for example, are covered by these standards. Unless a product conforms to DIN standards it cannot be sold in West Germany. These standards, in addition to the problems they presently create for U.S. producers, represent a potentially serious problem for the future. The Standards Committee could, for instance, adopt ISO metric standards, and the use of U.S. nonmetric screws would bar the product.

Industry and DIN standards for oxyfuel gas welding and cutting equipment differ substantially from the U.S. standards covering these products, and exporters reported difficulty in obtaining approval for U.S. products.

Distilled spirits must be at least 43 percent alcohol by volume (86 proof). In addition, only bottles of certain sizes can be imported.

The West German Bundesrat, on November 12, 1971, approved an ordinance on consumer packaging which established mandatory container sizes. Foods in nonconforming containers are prohibited. The effect of this barrier could be severe, depending on the method used to measure container contents.

West German standards governing scientific apparatus, keys, key machines, and hardware were reported to be discriminatory and restrictive.

The organizations reporting the requirements listed above considered the restrictions on general aviation aircraft, photographic products, scientific apparatus, keys, key blanks, and hardware as significant. The restriction on oxywelding equipment was characterized as a moderate barrier.

Italy.--Italian standards permit only 18 karat gold to be used in gold jewelry. Regulations are imposed on distilled spirits which prohibit the importation of whisky and brandy with an alcohol content of less than 79.8 proof or more than 120 proof. These regulations also specify a maximum impurity content for imports of whisky and rum and require that imports of bourbon must be given a special examination by Italian customs officials. It was also reported that Italian industrial safety regulations applicable to pressure vessels (similarly reported for France and West Germany) require that units such as heat exchangers and package chillers must be disassembled, pressure tested by a local inspector, reassembled, and delivered to the job site.

Belgium and the Netherlands.--The complaint made against France concerning manufacturing and safety codes governing fossil-fired steam-generating equipment was also lodged against Belgium. A U.S. exporter of keys, key machines, and hardware reported difficulty in meeting the Netherlands' safety standards.

European Free Trade Association (of eight) and Finland 1/

United Kingdom.--British certification requirements for both general and commercial aviation were severely criticized by U.S. producers. The procedure to gain certification for general aviation aircraft was described as exceedingly expensive. In addition to travel and per diem expenses, the British Government is empowered to impose requirements which add even more expense. Special conditions are negotiable but can be so expensive that certification becomes impractical. Manufacturers of general aviation jet and turboprop planes have particular difficulty. The standards, according to the respondents, protect the British jet DH-125 and the Jetstream turboprop. U.S. exports of general aviation aircraft to the United Kingdom in 1972 amounted to \$10.2 million.

The British Air Registration Board (ARB), the counterpart of the U.S. Federal Aviation Administration (FAA), charges for certification of U.S. aircraft. No other country charges for this certification. The fact that ARB standards are similar but not identical to those set by FAA creates a significant barrier. For example, one U.S. model would have to be reengineered at a cost of about \$700,000 to meet current British standards. The non-recurring cost to certify a very large model of commercial aircraft was reported to be \$1.2 million, and for a smaller model, \$440,000.

1/ The discussion covers EFTA members at the time the Tariff Commission survey was made. On Jan. 1, 1973, the United Kingdom and Denmark terminated their association with the EFTA and became members of the European Community.

The certification costs for another model was reported to amount to about \$375,000 per expected aircraft sale.

The age of distilled spirits must be certified. A minimum age of 3 years is required.

Under British hallmark laws, the stamping of gold and silver articles is mandatory, not optional. Each piece of jewelry purporting to contain precious metal must be sent to the British Assay Office and be individually assayed. In assaying an article such as a coffee pot, each part is assayed separately, i.e., handle, spout, finial, foot, and cover. Assaying requires the removal of some of the metal. If an article is up to the quality indicated, it is stamped as to its quality; if it is not, it is seized and destroyed. As metal is removed for assay, the article usually becomes unsaleable unless some refinishing is done. This is a simple process if the manufacturer is British. If he is a foreign producer, the product must be shipped back to the foreign manufacturer for refinishing and then be shipped back to Britain. British manufacturers will not refinish a foreign product.

The hallmark laws were referred to by the respondents as "the most effective nontariff trade barrier against the import of jewelry made of gold or silver existing in the world" except outright bans on jewelry; however, they did not give an estimate of the value of trade lost.

Denmark.--The electric current in Denmark is of higher voltage than in many countries. Electrical equipment for use in or supplied from areas with low-voltage utilization systems must undergo official testing. Many consumer-type electrical appliances are affected by this regulation, which is considered by the respondents to be a significant deterrent to trade.

Finland.--Safety standards for electrical equipment and appliances were considered by U.S. exporters to be significant trade restrictions. Imports of compound fertilizers require a Ministry of Agriculture permit regarding quality.

Norway.--Regulations require that the binding sole of all shoes must be made of a single piece of natural leather. Technical standards require electrical appliances to be tested by a state agency.

Sweden.--Technical standards for electrical appliances and equipment are rigidly enforced, and imports must be approved by a Swedish Government institute for testing and approving electrical equipment (Semko). Safety regulations for motor-driven, rotary-blade lawnmowers were reported to be stringent. Articles of precious metal must be hallmarked by the Swedish Assay Office prior to customs clearance. The inhibiting effect of these standards on trade was considered to be significant by the respondents.

Switzerland.--Government regulations require that silverplate must be fused to base metal, not electroplated. This is the only country having such a requirement, according to the respondents. Switzerland also prohibits the operation of many general aviation

aircraft in the high-power-to-weight class because of noise regulations. This regulation was imposed in September 1971, and inhibits the sale of aircraft because purchasers will not buy an aircraft whose area of operation is limited. A significant increase in sales was predicted if these restrictions were removed.

Japan

The following Japanese regulations pertaining to product standards were reported as restricting trade. A certificate of age, origin, and authenticity must be supplied for bourbon whisky. Standards on food packaging are reported to be restrictive, and the introduction of new products has been inhibited by difficulty in obtaining Government approval for the packaging.

The requirements for clinical trials and evaluations of medical and clinical apparatus are reported to be much greater than those enforced by the United States and are considered by some U.S. manufacturers to be too strict.

U.S. exporters have been able to sell personal aircraft to Japanese distributors only when they had an actual order because of a requirement of Japan's Civil Aeronautics Board that the end user must document himself as a qualified pilot, or show that a qualified pilot would be available, as well as show that an aircraft mechanic was under contract to maintain the aircraft and that there was a parking space reserved at a suitable landing field. (Enforcement of this regulation has apparently been relaxed to some extent since it was reported in the survey.)

Karat gold goods over 9 karats are banned. Japan has an elaborate certification program with respect to local safety standards for sensitized photographic supplies, often requiring product testing. A major problem is the time required for conducting tests.

The Japanese standards reported in the Tariff Commission's survey have varying effects on trade. The effect on whisky imports is apparently small; on imports of personal aircraft and gold jewelry, it is reported as moderate; and on imports of new food products, photographic supplies, and medical and clinical apparatus, it is significant. U.S. exports of personal aircraft to Japan amounted to \$3.2 million in 1972. One respondent, in discussing photographic products, made the following statement:

"In the case of developed countries, such as Japan, where there are, or have been, both tariff and nontariff barriers affecting the balance between domestic and foreign sensitized goods, it is estimated that U.S. exports might be double their present amount if such barriers had not existed in recent years."

In 1972 the United States exported 29.4 million dollars' worth of sensitized photographic goods to Japan.

United States

In the Commission's survey of trade barriers, complaints against the United States in this area were directed principally against the U.S. industrial or product standards (or procedures connected with their development or administration) which are summarized in the following paragraphs.

Department of Transportation standard for high-pressure gas cylinders.--All cargo tanks and compressed-gas cylinders must be tested and analyzed during the process of manufacture. Chemical analysis checks on the steel of high-pressure gas cylinders and mechanical and hydrostatic tests on the cylinder itself must be carried out within the United States. No provision is made for inspection outside the United States and, consequently, high-pressure gas cylinders of foreign manufacture are virtually excluded from the United States. Changes in the regulations have been under consideration for some time but no decision has been made.

Coast Guard inspection of safety equipment.--Safety equipment used on U.S. flag vessels must be inspected during manufacture and approved by the U.S. Coast Guard. The Coast Guard will not delegate inspection to foreign authorities and Coast Guard inspectors are not available for this purpose outside the United States; thus access to the U.S. market by foreign manufacturers is precluded.

Safety and emission standards for motor vehicles.--Motor vehicles cannot be sold in the United States unless they comply with federal safety and emission control standards and they cannot be sold in California unless they meet even more stringent California emission control standards. The regulations were considered particularly burdensome by foreign manufacturers who often were required to make major adjustments in their products involving great technical difficulties and heavy expenditures. The regulations were considered by some to be inappropriate for the smaller foreign-made cars.

Foreign producers also complained that the burden of complying is increased by the absence of a centralized responsibility for the standards, which makes it difficult for foreign producers to keep informed of changes and interpretations. The National Highway Traffic Safety Administration sets Federal safety standards, the Environmental Protection Agency sets Federal emission standards, and the California Air Resources Board sets that State's emission standards.

Underwriters Laboratory inspection guarantee.--Certain States and communities require the Underwriters Laboratory (UL) guarantee of inspection on products such as electrical appliances and apparatus, medical equipment, and gas- and oil-burning equipment. This guarantee is also often required to obtain insurance. Although the UL label can be obtained by foreign producers, it is more difficult for them than for domestic concerns. The required tests are often duplications of tests already conducted in the country of origin. This, when added to the charges and traveling expenses of U.S. inspectors, increases the cost of imported articles substantially. Some reporters consider the Underwriters Laboratory standards to be clearly discriminatory against foreign products.

Standards of professional and industrial associations.--In addition to the Underwriters Laboratory standards discussed above, the standards of many professional and industrial associations have the force of law in the United States. The seals of approval issued by these organizations are widely accepted or required by local authorities. Requirements such as testing within the United States and

inspection of manufacturers' production facilities by the organizations that issue the seals are more restrictive for foreign concerns than for U.S. companies and often amount to an embargo on some products. Standards of the National Sanitation Foundation, the National Board of Fire Underwriters, the American Bicycle Manufacturers Association, the American Society for Testing Materials (ASTM), the American Society of Mechanical Engineers (ASME), and the National Board of Boiler and Pressure Vessel Inspectors were cited for their restrictive effect by respondents to the Commission's survey. Products such as plumbing, heating, and firefighting equipment, lumber, pressure vessels, boilers, industrial fans, bicycles, and steel are affected.

One complaint received was that the American Bicycle Manufacturers Association has adopted and extensively advertised a set of proposed safety standards which assert that when the front wheel of a bicycle has been assembled at the factory, it is safe (as certified by an independent testing laboratory), whereas bicycles shipped with the front wheel unassembled (i.e., foreign-produced bicycles) pose a threat to the rider's safety. The complainants fear that these standards, although presently unofficial, could be incorporated into State and local safety regulations. Generally, the mere suggestion that products are unsafe if they do not bear the industry's seal of approval can impair a foreign company's competitive position in the U.S. market.

The ASTM was criticized for issuing standards which permit the use solely of steel manufactured according to the Martin Bessemer acid

or L.D. processes and exclude the Thomas process generally used in Europe.

Probably the most restrictive standards of this type have been those of the American Society of Mechanical Engineers and the National Board of Boiler and Pressure Vessel Inspectors relating to boilers and pressure vessels. Laws of many State and local jurisdictions require that these articles be inspected in the United States and bear the symbol of the ASME, which has not, in the past, granted manufacturers outside the United States and Canada the right to use the symbol.

Boilers and pressure vessels used within the jurisdictions referred to are required to conform to the ASME code. The codes generally require inspection and certification by an inspector licensed by the National Board of Boiler and Pressure Vessel Inspectors. In addition, some States require that the inspector be a State employee and not an insurance company inspector; other States accept an insurance company inspector if his company is licensed to do business in the State. If, after inspection, the equipment is found to conform to the code, the inspector must apply to the chief boiler inspector of the State, who, if satisfied, then asks the ASME to release its seal to the manufacturer for the purpose of marking the product. The goods do not qualify unless both the inspection and marking requirements are met. Legislation in some States to permit waiver of the ASME marking requirement has apparently been ineffective.

The ASME has maintained a policy of not issuing its seal to manufacturers outside the United States and Canada, thus requiring that inspection be made in the United States. Even when an inspector licensed by the National Board of Boiler and Pressure Vessels Inspectors was available in the United Kingdom, the ASME refused to issue its seal to that country. The industry has made public statements that a change in regulations would be undesirable because of foreign competition.

On July 22, 1971, the U.S. Department of Justice filed an anti-trust suit against both the American Society of Mechanical Engineers and the National Board of Boiler and Pressure Vessel Inspectors alleging that the rules, regulations, and activities of these organizations unreasonably restrained importation of foreign-made boilers and pressure vessels into the United States. On September 11, 1972, a final judgment was entered under which the defendant organizations will establish a procedure enabling foreign manufacturers who meet the requirements to use the symbol stamps on an equal basis with domestic manufacturers.

Federal Housing Administration standard for window glass thickness.--In most developed countries, the standard for single-strength window glass (the type used in most residential windows) is 18 ounces per square foot. After 18-ounce glass became a competitive factor in the U.S. market, the Federal Housing Administration (FHA), in 1963, issued revised standards for glass which required 19-ounce glass in FHA-financed housing. Inasmuch as FHA housing constitutes a large

segment of the U.S. market and FHA standards are often incorporated into State and local building codes, 18-ounce imported glass is effectively excluded from a major part of the U.S. market.

Agricultural marketing orders.--Marketing orders are issued by the U.S. Department of Agriculture and regulate the grade, size, quality, and maturity of various vegetables, nuts, and fruit which can be sold in the United States. When such regulations are imposed under section 8E of the Agricultural Adjustment Act on the marketing of domestic products, they apply equally to imports. U.S. importers contend, however, that the effect of the orders on foreign produce is often much greater than on domestic produce. An example, as cited by a respondent to the Commission's survey, was a requirement that the minimum diameters of green and ripe tomatoes sold in the United States must be at least $2-9/32$ inches and $2-17/32$ inches, respectively. This order, according to the respondent, had the effect of excluding from 30 to 50 percent of the Mexican tomato crop while only a small proportion of the season's Florida crop was affected.

Firearms regulations.--Imports of hand guns are prohibited unless they meet rigorous tests imposed by the U.S. Government. Domestically produced hand guns are not subject to any test. No surplus military firearms are allowed entry. Also prohibited are new weapons which incorporate the frame and receiver of a surplus military firearm. Respondents to the Commission's survey and some foreign governments consider the Gun Control Act of 1968 to be discriminatory.

U.S. Government specifications.--Some Federal specifications for Government purchases require inspection by Government inspectors and special packing for overseas shipments that exceeds commercial export standards. U.S. exporters complained that these requirements cause added expense and delay.

U.S. measuring system.--The United States was criticized by domestic manufacturers for its failure to adopt the metric system. The complainants stated that use of the English system of measurements restricts the acceptance of U.S. products overseas. One U.S. producer of welding products estimated an increase of \$200,000 in its exports if regular production was on the metric system.

Canada

A number of complaints were received concerning various standards in Canada, usually reflecting the activities of the Canadian Standards Association (CSA). The unique character of certain Canadian standards often requires manufacture of a product designed specifically for the Canadian market. For example, the CSA requires separate fuses for the top and bottom burners of electric ranges, requiring reengineering by U.S. companies. CSA standards have been written into law in some provinces. Approval of products can be obtained in only a few places, and the standards have delayed introduction of new U.S. products into the Canadian market.

Another significant Canadian barrier to trade is a limitation on the number of container sizes in which certain foods can be retailed.

Five can sizes that are standard and in common use in the United States and several other countries are forbidden in Canada. Among these is the size 303 can, which is the common size for vegetables in the United States. The prohibition against these can sizes arises from the Canadian Agricultural Standards Act, which limits the number of container sizes for the declared purpose of aiding consumers by making it easier to compare prices without having to evaluate the differences in content of a variety of can shapes and sizes.

The Canadian standards listed above are considered significant trade barriers by the respondents in the Commission's survey, but they could not quantify their effect.

Under the fresh fruit and vegetable regulations of Canada's Agricultural Products Standards Act, Canada forbids the importation of U.S. fruit and vegetables that do not meet the grade and quality standards of any U.S. marketing order in effect for these products if marketed in the United States. However, under the act, Canada's Department of Agriculture may authorize import shipments under such conditions as it may prescribe. Respondents to the survey believe this authority has been used to permit imports from countries other than the United States of vegetables, particularly tomatoes, that did not meet the standards of U.S. marketing orders. This practice would give foreign producers a competitive advantage in that they could market a larger part of their crop than U.S. producers and thus lower their unit costs. At present, the marketing of fruits

and vegetables in the United States is controlled by almost 50 marketing orders. All U.S. products subject to these orders are also subject to the Canadian restrictions.

Australia

Regulations governing the weights and measures of packaged goods were declared by complainants in the Commission's survey to be arbitrary. It was also reported that Australia is planning to convert to the metric system and its Metric Conversion Board has proposed to establish standard sizes for cans used for food. Non-conforming sizes would be prohibited. The conversion could result in new sizes that would be a significant barrier to trade in U.S. canned foodstuffs.

Developing countries

Argentina and Venezuela.--Aircraft imported into Argentina for general aviation purposes must be assembled in Argentina. All manuals must be translated into Spanish, which can require a considerable investment by the U.S. exporter, particularly when numerous model changes are involved. A similar language requirement was reported for Venezuela. Both types of regulations were reported to be insignificant trade restrictions. U.S. exports of personal aircraft to Argentina were valued at about \$4 million in 1972; exports to Venezuela, at \$7.1 million.

Mexico.--An exporter of chemical products to Mexico reported that import permits would not be issued unless the chemical formulas were

revealed. Although willing to submit samples of the product for examination, the company will not reveal its formulas, which are considered part of the company assets. Other respondents reported that Mexican regulations governing weights, measures, and product content impede trade.

Other developing countries.--In addition to the complaints against Argentina, Mexico, and Venezuela, the Commission received numerous complaints against industrial or product standards maintained by a large number of other developing countries. For the most part, the complaints against regulations or requirements which were found troublesome by U.S. exporters in developing countries were along the same lines as those reported for developed nations and described in the preceding pages. Exporters of poultry products reported that the requirement in several Moslem countries that imported poultry must be certified as having been slaughtered in accordance with Moslem law was a hindrance to U.S. poultry exports to those countries.

Labelling and Marking Requirements

Most countries have laws and regulations specifying requirements for labelling or marking certain products. Such requirements are intended to insure that the purchaser or consumer is supplied with important facts concerning the product or its use. In the industrialized countries, the growing concern for consumer protection is bringing an increasing number of products under labelling requirements and expanding both the kind and specificity of information which must be disclosed on the labels.

As trade barriers, labelling and marking requirements should be classified mostly as "nuisances" rather than "major obstacles," although certain requirements of several countries represent significant barriers for some products. If the label which a producer uses for his home market does not satisfy requirements in foreign countries, the producer must incur additional labelling expense if he wishes to export. The cost may become significant, especially if the labelling requirements for a product, such as alcoholic beverages, are complicated and differ considerably in detail among countries.

In addition to this type of inconvenience and supplemental cost, many producers contend that sales of their products are inhibited by the information which must be disclosed on the labels or the manner in which the disclosure must be stated. Most concerns reporting on labelling and marking requirements in the Tariff Commission's survey indicated that international harmonization of these

requirements would reduce their cost of doing business but would not result in an appreciable increase in trade; however, it would enable some companies to increase their trade in low-volume articles, and, for some firms, would result in a substantial increase in trade.

"Marks of origin" requirements

Many countries require imported products to be marked to show the country of origin. The requirements vary from country to country, as well as from product to product for a particular country.

The United States, under the Tariff Act of 1930, has a general requirement that imported articles be legibly marked in a conspicuous place to show the English name of the country of origin; the marking must be as nearly indelible and permanent as the nature of the article will permit. There are also special marking requirements for some specific commodities. Many articles that cannot be readily marked are exempt from the requirements, but their outermost container must be marked to show the country of origin. In addition, the Federal Trade Commission under the Federal Trade Commission Act requires that certain foods manufactured in the United States of imported ingredients must be marked to show the country of origin of the ingredients when the consumer might be deceived by the absence of such marking; the Fur Products Labelling Act requires invoices, advertisements, and labels to show the country of origin for such products; and some technical societies have established marking requirements.

Most of the other industrialized countries and many developing countries have extensive lists of specific commodities which must be marked to show origin, or specify particular conditions under which origin must be indicated. The United Kingdom, for example, has issued marking orders for so many individual commodities as to constitute virtually a general requirement.

"Marks of origin" requirements are probably the most universally criticized of all labelling regulations; it is charged that they are imposed to protect domestic industry rather than to inform and protect the consumer. The United Kingdom, Japan, Canada, and the European Community have formally complained that U.S. requirements for "marks of origin" are excessive and more difficult to meet than those of most countries. Also, a number of U.S. firms returned questionnaires to the Tariff Commission criticizing certain aspects of U.S. regulations. Because of the complexity of the regulations and the heavy fines assessed for violations, and citing such time-consuming, costly, and technically difficult requirements as imprinting origin marks on plastic-coated fencing and marking structural steel and electric power cable, the foreign complainants classified these regulations as significant barriers to trade.

The U.S. importers whose questionnaire responses concerned country-of-origin marking believe these requirements frequently cause marketing discrimination in favor of domestic goods. Many domestic producers, on the other hand, feel that for a number of articles such as Irish linen, English woolens, Belgian lace, and various

optical goods, foreign origin is considered prestigious. Importers also objected to the marks of origin requirements of the American Society for Testing Materials and similar requirements of other organizations, and also complained of difficulties encountered in connection with the section of the U.S. marking regulations dealing with importations in bulk.

Generally, when a commodity is imported in bulk and sold to a manufacturer for use as a component in his product, that manufacturer is considered the final consumer of the article and the importer may provide a statement naming the country of origin in lieu of marking each individual piece, providing the outermost containers are marked to show the origin. One complaint stated that customs officials often delay the admittance of bulk merchandise when they have difficulty finding the country-of-origin marking, even though the final consumer has been notified of the origin by mail prior to the importation and the importing company can show proof of origin. Another complaint was that the cost of marking each individual item was so great, the importers could not afford to sell to nonproducers but were forced to sell only to manufacturers as the "final" consumer. 1/

1/ A manufacturers association criticized as too lax the regulations which permit marking the outside container only, stating that the lack of identification on small, inside boxes, or on the product itself, permits sellers to pass off imports as U.S. merchandise since frequently domestic producers using the imported articles are under no obligation to disclose the country of origin to the ultimate purchasers or users.

The concerns submitting the complaints and information discussed above are importers of rubber products, brass and copper tubing, steel shapes and bars, pipe, wire rod, hardwood products, radio parts, and valve and pressure gauge parts.

Reports to the Commission indicated that adoption of less stringent U.S. marking regulations would reduce the cost of importing into the United States and would probably be followed by a slight increase in imports of certain products. It would enable some companies not presently trading in the United States to compete in this market. Relaxing the requirement for marking individual items could result in substantial increases in business for some U.S. importers. One company alone estimated an increase of over \$300,000.

Marks-of-origin requirements for canned food products sold in France also provide a good illustration of the increased cost that can be incurred in complying with such regulations. France requires the name of the country or origin to be embossed in the end of cans to be filled with food items. As it is impossible to emboss the cans after the pack is completed, the embossing has to be done before the product is canned, which creates special production-run problems in filling orders to be shipped to France. Sometimes the requirement can be filled by stamping the can ends with indelible ink. Either system of marking is burdensome and expensive. Other countries, including the United States, permit country-of-origin marking

to appear on labels. The complainant, a trade association, predicted a significant increase in sales if this French requirement were removed.

Labelling of alcoholic beverages

Throughout the world, alcoholic beverages vie with pharmaceutical products for the distinction of being the product subject to the most numerous and complex labelling requirements. U.S. exporters of distilled spirits must comply with a multitude of special labelling requirements. The European Community, the United Kingdom, Japan, and 16 additional countries are named in replies to the Commission's survey as having regulations requiring certain specific information to be furnished on labels and, in some instances, specifying how this information must be shown. Data required on labels include alcoholic content in percent, name and address of importer or distributor, net weight and measurements of contents, country of origin, description of spirit, license number, and name of the bottler. The regulations also specify requirements such as minimum letter and figure sizes; specific locations on the label for required information; number, size, and type of labels; outer cartons to be marked with the number of bottles and measure of contents; color of print; and language to be used, as well as information that must not be on the label. These requirements are not common to each country; some apply to one country, some to another. The problem confronting a company that exports to many countries is severe. Special labelling requires special handling, which increases the cost of the product.

U.S. exports of distilled spirits amounted to approximately \$22 million in 1972; a large part of the exports were shipped to countries having special labelling regulations. Because of the large volume of exports, harmonization of labelling requirements would result in a considerable savings in cost, thereby increasing net profits even without an increase in sales. The respondents gave no estimate of a sales increase resulting from elimination of this barrier.

British exporters of Scotch whisky to the United States and U.S. importers of alcoholic beverages object to the regulations requiring the submission of copies of label approvals to Customs authorities. The Federal Alcohol Administration Act requires that labels for alcoholic beverages must be approved by the Alcohol, Tobacco, and Firearms Division of the Treasury Department, and copies of these approvals must be submitted to Customs authorities by an importer with each order of spirits or wine brought into the United States. An importer must maintain hundreds of label approvals and reproduce the approval for each label in a shipment to clear it through customs. Imports are frequently held up over label changes which the importer considers minor or insignificant and resultant delays are costly to the importer. Wines are especially susceptible to spoilage while awaiting delivery from the docks because of changes in atmospheric conditions.

One respondent complained that label approval and the granting of licenses for the importation of Scotch whisky into the United States takes 2 years to complete.

The respondents estimated that a change in the procedure, or regulation, to eliminate this barrier would result in a moderate increase in import sales. Based on 1972 imports, a one-percent increase in imports of Scotch and Irish whisky alone would amount to more than \$2.5 million.

Multilateral agreements have been made among a group of important wine-producing countries of Western Europe, including France, West Germany, Portugal, and Spain, providing for international registration of wine appellations by place of origin in producing countries. Wine entering commerce in the signatory countries is labelled in accordance with the registered designation. In granting registration, the wine is identified with respect to geographic origin and certain qualities or characteristics. One result of the agreement is to provide exclusive labels to signatory countries in the marketing of designated wines. Under these agreements, for example, the name "Port" is reserved to wines produced in Portugal; "Chianti," to wines produced in the province of Toscana, Italy; "Sauterne" and "Champagne," to wines produced in the Bordeaux and Champagne districts of France, respectively; and "Sherry," to wines produced in Spain.

The development of an international market for U.S. wines is impeded by these multilateral agreements. U.S. producers contend that labels should be accepted by foreign countries if they eliminate any possibility of deceiving the consumer and clearly indicate that the wine, no matter what the appellation, was produced in the United States.

These agreements were classified as serious trade barriers by the complainants; however, they gave no estimate of the increase in exports anticipated if the barriers were removed. U.S. exports of wine in 1972 were valued at \$1.6 million.

Labelling of pharmaceutical products

Most nations maintain specific labelling regulations for pharmaceutical products, trade in which would be greatly facilitated if there were international harmonization of the requirements.

Most countries require, in addition to the name and description of the product, the percent of ingredients, directions for use, precautions, and the name and address of the manufacturer. Many countries also require, in a variety of forms, the name of the technical director in charge of producing the item, the registered number of a local permit to sell the product, the date of manufacture and "lot" number, the date of the "expiration" of the product, the scientific name of the product, the capacity of the container, and the consumer price. The United States has rigid labelling requirements for pharmaceuticals which apply equally to imported and domestic products. 1/

Miscellaneous labelling requirements

Austria.--Citrus fruit treated with diphenyl and waxes for sealing the flavor must be labelled as an "adulterated" food product. If the surface of the fruit is chemically treated, the label must warn against the use of the peel for food purposes.

1/ For details of these requirements see Food and Drug Administration, U.S. Department of Health, Education and Welfare, Requirements of the United States Food, Drug and Cosmetic Act, 1972.

Canada.--The recently enacted Canadian Textile and Labelling Act requires that labels and the outer wrapper of packaged goods must be marked with the fiber content and country of origin of the goods in both English and French. Also, the selvedge on textile yard goods must be imprinted with the generic names of the textile fiber content in both English and French. Respondents to the Commission's survey feel that this act may "drastically curtail" U.S. export sales to Canada, and they consider it to be a significant trade barrier. One company estimated it could expect an increase of \$4.5 million in the value of exports above the curtailed level of such commodities as woven and knitted fabrics, towels, bedsheets, bedspreads, and pillowcases if the provisions of the act were moderated.

One respondent complained that Canadian labelling and container regulations made it impossible for its plant in Canada to import adhesives and estimated that its exports (the value cited was small) would triple if the barrier was removed. A producer of marine paints, engine additives, and polyester resins stated that Canada's labelling laws, because of their administration, were extremely effective in keeping certain low-volume goods from entering the country. In addition, this producer expressed the opinion that the laws seemed designed to encourage U.S. firms to establish production facilities in Canada to protect their more profitable areas of distribution. An increase of about \$300,000 was projected by this company for its exports if the labelling requirements were reduced.

West Germany.--Diphenyl, a spoilage inhibitor, is used by U.S. citrus growers as a fungistat when shipping their product long distances. West German law requires that oranges or lemons treated or waxed with diphenyl must be labelled to state that the peel is unfit for human consumption. U.S. producers state that the need for this restriction is not based on scientific fact, and they contend that a review of the available toxicological data secured through the Food and Agricultural Organization of the United Nations established the safety of diphenyl and a recommended tolerance of 110 parts per million. Approval for use of diphenyl within the European Community has been granted, but on the basis of a tolerance of only 70 parts per million and with a restrictive clause requiring labelling in retail stores.

U.S. citrus growers complain that labelling the peel "unfit for human consumption" inhibits the consumer and favors nearby growers that can ship fruit without treatment. U.S. citrus growers estimate that the depressing effect of this label on their prices causes them to lose about 15 percent of the value of their produce sold in West Germany. Based on the value of oranges and lemons exported in 1972, this would amount to almost \$200,000. In addition, it was reported that some increase in sales would be realized if this requirement was removed.

Complaints were registered by U.S. producers of canned shrimp, poultry, and game products against regulations which require that labels be in the German language and that the date of production be

placed on the label. One producer predicted an increase of 4 percent in his total export sales if this latter requirement were abolished.

Japan.--Japanese labelling laws require that weights and measures must be indicated in metric units on all goods sold in Japan. Dual labelling is prohibited; therefore, the avoirdupois or fluid ounce declarations which customarily appear on U.S. labels must be obliterated or overlabeled. Japan also requires a label declaration on canned food containers of the name of the importer and the date of importation. Importers of canned food are meeting the foregoing requirements by obliterating all non-metric declarations and applying a special preprinted sticker to each retail container. This increases the distribution and retail costs of U.S. products when sold in Japan.

The respondents projected a significant increase in sales if these requirements were moderated. U.S. exports to Japan of canned food items such as fish, candied fruit, jams, fruit juices, vegetables, sauces, salad dressings, soups, yeasts, and various other food preparations amounted to about \$23.9 million in 1972. Using the criteria derived from the questionnaires, a small increase in exports would amount to almost \$3 million, and a moderate increase, to about \$6 million. Since products other than food items are affected by the metric labelling requirement, the increase in exports of all products could be substantial.

Mexico.--Textiles and apparel must be marked to show the trademark registration number, the name and location of the factory, and the kind of fiber or fibers (with percentages of each) used in the products. Canned food labels must give the registration number of the food product and the name of the importer.

Saudi Arabia.--All 60-cycle electrical equipment shipped to Saudi Arabia is required to carry special labels indicating that the equipment can be converted to operate suitably on 50 cycles. The labels must be affixed prior to shipment. This has created additional expense for the respondent, who has also had to delay shipping equipment until the required alterations could be made.

Enforcement of a regulation requiring Arabic labels on canned soups and juices, originally scheduled to begin in February 1972, was postponed until February 1973. The respondent indicated that he could expect his sales in Saudi Arabia to increase by almost 80 percent if this requirement was not enforced.

South Africa.--Goods prepared for sale by weight or measure in prepacked form must have the size, quantity, or dimensions described in terms of the appropriate metric unit. South Africa has indicated that at some date in the next few years all labelling specifying weights and measures must show metric units as the predominant unit. At the present time individual companies are being asked whether they have a plan for compliance. The United States will be at a serious competitive disadvantage to those nations currently following the metric system when this regulation becomes effective.

United States.---The U.S. Fair Packaging and Labelling Act requires that labels must contain a description of the nature of the product, identify it, give the name and place of business of the manufacturer, packer, or distributor, and give the quantity or net weight of the contents. Some provisions of the act specify the placement of the marking, size of type, and terminology to be used.

The United Kingdom, Japan, and the Nordic countries believe the requirements of the Fair Packaging and Labelling Act are too stringent and place an unnecessary burden on foreign exporters.

U.S. importers complained that small European firms in particular are adversely affected by this law because the requirements of the European Common Market differ from those of the United States, and companies trading in both the European and U.S. markets must print different labels for each area. The sales potential in the United States for small European concerns is said not to be great enough to repay the costs of printing special labels, and these concerns, therefore, are virtually excluded from the U.S. market. Importers responding to the survey expressed the belief that modification of the Fair Packaging and Labelling Act would lead to a moderate increase in sales to the United States of European food items packed in consumer-size containers. Based on the numerical estimates received in the survey, this could mean as much as a 30-percent increase.

All textile fiber products imported into the United States must be marked showing the generic names and percentages by weight of the constituent fibers, the name of the manufacturer, and the name of the country where manufactured. In addition, most articles of wool must be labelled to show content of wool, reprocessed wool or reused wool. Textile products must also comply with the requirements of the Flammable Fabrics Act.

British manufacturers of women's and girls' outerwear asserted that with respect to the fiber content of goods and, especially, the requirements of the care labelling of textile products regulations, the provisions of the U.S. Fiber Products Identification Act present a serious handicap to their efforts to export to the United States. One example of the problem cited by the respondents is the ruling that labelling an article of wearing apparel "Dry Clean Only" is prohibited if the garment can be easily and safely cleaned by either washing or dry cleaning, and the instruction "Dry Clean" may not be sufficient by itself. Another example cited is the label "Never Needs Ironing," which cannot be used if an article can be ironed. The respondents complained that this regulation applied even to products which the public generally would not expect to be suitable for any treatment other than dry cleaning. According to the British manufacturers, these regulations increase the cost of production and, therefore, the cost of the finished product. No estimate was made of a possible increase in sales if these regulations were moderated.

U.S. importers of fish and seafood products and British producers of cocoa, chocolate, and confectionery products complain that the State of New York has established labelling requirements which differ from those established nationally under the Fair Packaging and Labelling Act. For example, New York law requires that the name and address of the importer be printed on the label. Imports of packaged products are inhibited by the need to design labels to meet different requirements. Modification of these regulations should lead to a slight increase in sales, but an estimate of the increase was not projected by the respondents.

It was noted by certain respondents that the stringent marking requirements for watch movements contained in the U.S. tariff schedules had an inhibitive effect on imports, although the requirements were considered necessary to protect consumers. Also cited were the U.S. requirements for marking Agency for International Development shipments. When shipments are being made from various points in the United States a great amount of correspondence and coordination is required to insure that the proper size and type of emblem are used.

Other countries.--The Tariff Commission received numerous miscellaneous complaints against labelling requirements of several less developed countries. The largest number of these pertained to labelling regulations for canned food products, such as requirements that the label show the name of the importer, a local registration number, the packaging dates, and be in the language of the importing

country. These labelling regulations in combination with requirements for registration of the product and sanitary certificates to accompany the shipment were characterized by the complainants as significant trade barriers.

Health and Sanitary Standards

Virtually every country has laws to protect the health of its human, animal, and plant population. Such laws usually seek to prevent the introduction and spread of disease, to insure sanitary conditions and minimum health standards in processing food for human or animal consumption, and to prohibit the sale of unwholesome or contaminated food.

Because protection of its human, animal, and plant life is regarded as a matter of primary importance to every country, among the general exceptions to the rules set out in the General Agreement on Tariffs and Trade is the stipulation that "nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures to protect human, animal, or plant life or health." Like the other exceptions to the General Agreement, however, this exception is subject to the requirement that "such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade."

Of all regulations, health and sanitary standards, by the very nature of their basic intent and purpose, are perhaps the least susceptible to valid criticism as trade barriers. However, differences in the requirements of nations, or the method by which a requirement is applied or administered, may cause problems for traders. Frequently a product meets domestic health and sanitation

requirements in the producing country but, upon exportation, fails to meet requirements of other countries. When this happens, exporters are prone to contend that the excluding requirement is either unnecessary or a disguised restriction on trade. On the other hand, many exporters complained when they encountered foreign regulations, inspections, testing or other requirements very similar, if not identical, to those to which imports into the United States are subject.

Some recent health measures have had a substantial commercial impact for the United States and other industrialized countries. Bans on the use of DDT and other chlorinated insecticides and on polychlorinated biphenyls provide examples. Years after an enormous commerce had been developed in these products the undesirable aspects of their persistent and widespread use came to be known, and controls began to be imposed upon their use and trade. After 1972, for example, general use of DDT on crops in the United States was banned. Certain public health and quarantine uses are still permitted, however, and there is no control upon exports for use in other countries. The spreading ban on imports of DDT among several countries gave rise to complaints by U.S. exporters in the Tariff Commission's survey of trade barriers. Some of these complaints charged that the ban had been imposed chiefly to promote the use of locally produced insecticides.

Member countries of the Organization for Economic Cooperation and Development, which includes most of the large industrialized nations,

recently agreed on stringent measures for concerted action to limit production and use of polychlorinated biphenyls. These substances, which have valuable dielectric and nonflammable properties, are also highly toxic and persistent, giving rise to serious environmental and health hazards. This type of agreement was considered a major step in international cooperation to reduce health hazards while avoiding adverse trade effects.

The health and sanitary regulations which were the subject of complaint in the Tariff Commission's survey of trade barriers principally concern the use of food additives, regulations governing meat, poultry, and seafood, and phytosanitary requirements for agricultural products. A number of complaints were registered against certain State and Federal regulations in the United States. The regulations of the major countries which drew complaints are summarized, by trade area or countries, on the following pages. The summaries appear in the approximate order of the number of complaints received.

European Community (of six) 1/

The establishment and enforcement of health and safety standards in the European Community remains largely the province and responsibility of individual member States. However, the Community's central

1/ On Jan. 1, 1973, the United Kingdom, Denmark, and Ireland joined the European Community, raising to nine the number of member countries. Most statistical and other data for this report have had to be assembled in terms of EC membership prior to enlargement. To provide comparability with other parts of the report, health and sanitary regulations in the Community are discussed in terms of the original six members only. Such regulations which have been in force in the United Kingdom, Denmark, and Ireland are discussed in a subsequent part of the report.

organization is working with member States to achieve a harmonization of standards in several areas, particularly when the operation of a standard may bear upon the free flow of commerce within the customs union. For example, all countries of the Community uniformly limit use of diphenyl as a chemical preservative for treating fresh fruit to 70 parts per million, which is a lower tolerance than is permitted in the United States and creates problems for marketing U.S. citrus fruits in the Community (see discussion in this chapter on labelling).

France.--As part of its public health program, France divides beverages into various groups for the regulation of advertising. Nonalcoholic beverages, fermented but nondistilled alcohols such as beer and wine, and rum, cognac, and similar alcohols may be advertised. The advertising of some sweet wines, wine liqueurs, and liqueurs of strawberries and raspberries is permitted with regulation. (For example, it is not permitted to advertise that such a drink is healthful.) It is forbidden to advertise whisky, vodka, bitters, anisette, and like beverages.

Purportedly, the reason for the prohibition is to discourage alcoholism by not advertising the beverages considered most likely to encourage its development. The United States and a number of other countries believe this ban discriminates against grain spirits and favors those spirits that are most generally produced domestically in France.

Response to the Tariff Commission questionnaires indicates that this regulation is considered a significant trade barrier. In 1972, exports of whisky from the United States to France amounted to approximately \$1 million. Respondents reported that an advertising campaign should increase this amount substantially.

France does not admit live and processed poultry from any country that does not forbid by law the feeding of estrogens, arsenicals, and antimonials to poultry. This regulation was reported to be an important barrier. It was estimated that annual U.S. exports to France could increase by \$500,000 if the restriction were removed.

Imports of horse and mule meat are prohibited, and imports of honey must be accompanied by a certificate indicating that the honey was produced in an area free of noseema, a disease of bees. No estimate of the impact of these regulations on trade was given by the respondents, but the effect on U.S. trade is probably not significant.

West Germany.--Only meat from processing plants which have been inspected by West German authorities is acceptable, and inspection requirements effectively prohibit exports from U.S. meat-packing plants. Inspection procedures often hamper or prevent importation of processed poultry and certain products containing pork; for example, the inspection procedure for controlling trichinae sometimes requires that a sample be taken from each slice of meat or from each prepacked commercial unit. Imports of pickles and

gherkins containing alum are prohibited. The use of sulfur dioxide as a preservative in treating fruit, such as raisins, is restricted. Postharvest treatment of apples and pears is not specifically permitted by West German regulations and, as a consequence, U.S. exports have been stopped. Pasteurized honey is not acceptable. Regulations specify a minimum content of diastase (an enzyme present in un-pasteurized honey) and a maximum content of hydroxyme thylfurfurol (which is harmless according to the U.S. Food and Drug Administration). No phosphates are allowed in poultry products (most U.S. processors add phosphates in controlled amounts. The use of butylated hydroxyanisole (BHA) and butylated hydroxytoluene (BHT) as antioxidants is forbidden. West Germany quarantine provisions covering cut flowers are considered by U.S. shippers to be overly strict for minor diseases. Any mold or botrytis, which is very common, may lead to the destruction of the flowers, even if the ultimate destination is a country other than West Germany.

The West German regulations listed above were reported to have varying effects on trade. Those pertaining to poultry, beef, and pork were considered as important barriers; a small-to-moderate increase in U.S. exports to Germany was predicted if they were removed. In 1972, U.S. exports of poultry products (excluding livers) to West Germany amounted to about \$7.0 million; exports of beef (excluding livers and other offal) were valued at \$474,000. There were no exports of pork except for livers, other offal, and a small amount

of smoked and salted products. The value of livers and other offal exported was as follows:

Poultry liver-----	\$1,321,000
Beef liver-----	215,000
Pork liver-----	6,817,000
Other beef offal-----	43,000
Other pork offal-----	895,000

The prohibition against BHA and BHT was reported to be a significant barrier insofar as walnuts are concerned.

U.S. exports to West Germany of cut flowers and buds for ornamental purposes were valued at \$29,000 in 1972. One company in its reply to the survey estimated that its sales in West Germany could total about \$100,000 if the quarantine restrictions were removed. This company does not export to West Germany at present.

Italy.--The importation of meat and poultry is forbidden unless it can be certified that the animal was not fed estrogen. Citrus fruit cannot be imported if the presence of diphenyl, used as a preservative, exceeds a stipulated maximum level, although, according to one respondent to the survey, diphenyl in amounts above the maximum is used to preserve Italian fruit when it is exported. Dried fruit cannot be imported if the quantity of sulfur dioxide used for its preservation is greater than 600 parts per million.

The respondents could not estimate the amount that U.S. exports would increase if these regulations were alleviated. The only citrus fruit exported to Italy by the United States in 1972 was grapefruit. These exports amounted to \$357,000. Exports of poultry products in 1972 were valued at \$1,157,000.

It was also reported that Italy imposes a sanitation inspection fee of 3.6 cents per 100 pounds on imports of tallow. In 1972, the United States exported 95,326,000 pounds of tallow to Italy.

The Netherlands.--Imports of fruit juice drinks from the United States are frequently excluded because of a general prohibition against the addition of artificial colors to such drinks. Lemonade, flavored mineral waters, and other nonalcoholic beverages (except certain juices containing added sugar) are affected. Inspection certificates are required for upholstery fabrics, shoe dyes, and cosmetics. Advertising restrictions are also imposed against these commodities.

The effect of these restrictions was not quantified by the respondents.

European Free Trade Association (of eight) and Finland 1/

United Kingdom.--Imports of pork (excluding offal) from the United States are prohibited because hog cholera has not been eradicated in the United States. U.S. exports of pork to the United Kingdom would increase significantly if this restriction was alleviated.

Tobacco products may not contain any additives such as the flavoring used in U.S. cigarettes. This regulation limits U.S. exports to the United Kingdom, but respondents could not estimate the seriousness of the restriction.

1/ The discussion covers EFTA members at the time the Tariff Commission survey was made. On Jan. 1, 1973, the United Kingdom and Denmark terminated their association with the EFTA and became members of the European Community.

Benzoate of soda cannot be used as a preservative in canned vegetables and pickles. Ascorbic acid (vitamin C) normally used as a preservative of dried fruit, is banned. The use of BHA and BHT as antioxidants to maintain the stability and quality in shelled walnuts is prohibited, even though (according to one complainant) the studies in Australia on which the prohibition is based have been refuted and Australia is in the process of allowing the use of these antioxidants. A significant increase in exports was predicted if these regulations were changed.

The United Kingdom requires field inspection for phytosanitary certificates for pea, tomato, lettuce, and alfalfa seeds. The cost of the inspection substantially increases the export price of the seed. Imports of alfalfa seed, except seed grown in California, are prohibited for phytosanitary reasons. Imports of U.S. perennial ryegrass seed are forbidden for agronomic reasons; officials of the United Kingdom state that U.S. varieties are not adapted to conditions in that country.

The respondents estimated a significant increase in exports if these restrictions were removed. Exports of alfalfa seed to the United Kingdom in 1972 amounted to \$27,000. There were no exports of perennial ryegrass to the United Kingdom in 1972.

Sweden.--Imports of meat and edible offal of bovine and ovine animals are prohibited from countries where foot-and-mouth disease exists. Beef and beef products cannot be imported unless certification is made that the animals from which the meat is derived were not fed growth hormones. The United States cannot make this certification but argues that scientific

methods are accurate in determining whether intolerable hormone residues exist in meat. Processed poultry products are prohibited if they contain phosphates. Poultry may not be imported from countries that have Newcastle disease, which limits U.S. exports to Sweden to cooked poultry products.

Respondents to the survey indicated that these regulations are important trade barriers. It was estimated that poultry exports to Sweden would double if the standards were changed. No estimate was made of the effect on commodities other than poultry.

Denmark.--No raw poultry products are accepted. No phosphates are permitted in processed products. Health regulations apply to a large number of meat products, tallow, flour, meal, live cattle, sheep, and goats. A small increase in the value of U.S. exports to Denmark was predicted if the restrictions were removed.

Portugal.--Only olive, peanut, and corn germ oil are legally permitted as edible in Portugal. Soybean and cottonseed oil are authorized only for use as mixtures in manufacturing.

Other EFTA countries.--Switzerland does not permit sodium phosphate in processed turkey products nor caramel coloring in smoked turkeys. Austria, Finland, and Norway all maintain health and sanitary standards on imports of livestock, meat and meat products, and fruits and vegetables which are similar to those of the other EFTA countries described above, and which were also the subject of complaint.

United States

In the United States all imported foods are subject to inspection by the U.S. Food and Drug Administration (FDA) for wholesomeness and freedom from contamination at the time of entry, pursuant to the provisions of the Federal Food, Drug, and Cosmetic Act. Imports of meat, poultry, milk, and cream are covered by additional separate laws.

Under the Wholesome Meat Act of 1967, meat and poultry imported into the United States must originate in countries whose inspection programs have been found to be comparable to U.S. programs and are approved by the U.S. Department of Agriculture. Meat plants in foreign countries are, in effect, required to comply with U.S. standards in order to export to the United States. Many European companies feel that the standards expected of them are too high and will not update their plants, thus losing the right to export to the United States. Foreign producers of processed meat such as sausage, salami, and ham were specifically mentioned by importers submitting these complaints. This act was classified as an important barrier by the respondents, who also forecast a moderate increase in their imports if the barrier was removed. U.S. imports of all meats affected by the Wholesome Meat Act were valued at about \$1.2 billion in 1972. A moderate increase could be as much as 20 percent or \$200 million.

Importation of live cattle and swine, and fresh, chilled, or frozen meat of such animals is prohibited from countries in which the Secretary of Agriculture has determined that rinderpest or foot-and-mouth disease exists. Some U.S. importers contend that these

regulations are misused for protectionist purposes and cite the prohibition against imports of certain meat products from Sweden as an example. According to the respondents, imports from Sweden were prohibited in the 1960's because of an outbreak of foot-and-mouth disease in that country, and, although there has been no incidence of this disease reported since 1966, fresh and frozen meats from Sweden are still excluded. These regulations are considered to be important barriers by traders. A moderate increase in imports was predicted if the barriers were removed.

Milk and cream may only be imported under permits issued to individual foreign plants which have fulfilled certain sanitary prerequisites. Each permit identifies what product may be imported from the specified foreign producer. Importers of products affected feel the requirements are unnecessarily restrictive and estimated that annual imports would increase by about \$1.5 million if the system was moderated.

Live poultry which has been imported from any country except Canada must remain in quarantine for 21 days. Also, the imports must be accompanied by a certificate from a veterinarian in the country of origin indicating that the poultry is free from communicable poultry disease and that it has been in the country since hatching or for 60 days prior to exportation. All poultry products must be inspected for fitness for human consumption.

Respondents characterized the regulations governing poultry as nuisances rather than important trade barriers, stating that moderation of the regulations would probably not lead to an increase in imports but would facilitate trade. The U.S. prohibition against the importation of psittacine birds because of disease was similarly reported.

The State of Maryland prohibits the sale of foodstuffs containing shellfish unless such fish have been certified to be free of pollution under procedures approved by the U.S. Public Health Service, even though the imported items have been inspected and approved on entry by the FDA. The complainants consider the Maryland certification standards to be discriminatory in intent and assert that they virtually preclude the sale of imported products containing shellfish in the State of Maryland. The respondents gave no estimate of the value of trade lost because of these regulations.

Nations have developed different analytical techniques for determining the content of mercury and pesticide residue in fish and seafood. The present U.S. mercury guideline differs from that of most other fish-consuming nations, and, as a result, products acceptable throughout most of the world are not eligible for importation into the United States. Trade has been restricted in three major species of fish (swordfish, whitefish, and tuna) by this standard. The loss in imports of swordfish is reported to amount to about \$12 million annually, and in imports of whitefish from Canada, to about \$1 million. Restrictions on tuna have been made less burdensome by use of testing procedures on board fishing vessels.

Similarly, U.S. standards on pesticide residue, not agreed to by other health authorities, have impeded the movement into this country of

such products as frogs' legs. The FDA was criticized by respondents for stopping the importation of frogs' legs because of the content of Lindane (BHC), a pesticide, before the laboratory analysis technique was perfected. This restriction has now been removed.

U.S. standards for chocolate differ from those in most other countries. Foreign producers report that U.S. standards require a higher proportion of butterfat to nonfat milk solids than is normally found in whole milk.

The State of California requires that flour must be enriched with niacin. This regulation exceeds the requirements of the FDA and forces exporters to the United States to either withdraw from the California market or use only enriched flour for the whole U.S. market.

The U.S. phytosanitary regulations applicable to fresh fruits and vegetables, plants, and certain plant materials are a frequent cause of complaint by foreign governments and exporters to the United States.

The United States prohibits the use of certain fungicides and pesticides that were used by domestic flower growers as recently as 2 years ago. Local growers complained that they are at a competitive disadvantage because they must now use controls that are more expensive and less effective while foreign producers continue to use the banned chemicals.

Japan

Japanese agencies comparable to the U.S. Food and Drug Administration will not accept approval by that organization as a criterion for admission

of many products. The use of food additives such as ascorbic acid, sodium benzoate, calcium acetate, calcium stearate, and ethylenediaminetetraacetic acid is prohibited. Limitations are in effect on the amount of butylhydroxyanisole and dibutylhydroxytoluene (used to prevent oxidization of vegetable margarine) and sulfurous acid (used to decolorize fruit before artificial coloring) permitted in a product. Products such as fruitcakes, cheesecakes, pickles, gherkins, diet spread, and instant pudding are affected by these restrictions. According to one official of the U.S. Embassy in Tokyo, the Japanese restrictions on food additives differ entirely from those of the United States and many European countries.

An example of the difficulties encountered in shipping to Japan was cited by a U.S. producer of fruitcakes. A shipment of 400 fruitcakes was denied entry into Japan because a solution of one-tenth of 1 percent of benzoate of soda had been used in the glaze on top of each cake. The shipment was finally donated to a U.S. military hospital in Japan because no agreement could be made for its admittance. Attempts to have bulk shipments of cakes cleared through the inspection of samples submitted prior to exportation from the United States were unsuccessful. The Japanese insisted that each shipment would have to be examined and judged separately.

Japan maintains a number of special provisions regulating the importation of seeds for planting purposes. U.S. Government export certificates are required. If inspection on arrival reveals infection with any of a certain group of diseases, importation is refused. Seeds slightly

infected with another group of pathogens may be certified but with a declaration as to their presence. Seeds in this group are subject to inspection and treatment on arrival.

Japan enforces an embargo on walnuts in the shell grown in the United States for the declared purpose of preventing infestation by the husk fly. However, according to the complainant, the husk fly can be carried in shelled walnuts as easily as in unshelled walnuts.

The companies citing the Japanese regulations on seeds and walnuts considered them to be significant barriers to trade and estimated a moderate increase in exports to Japan if the restrictions on seeds were removed and a significant increase if the embargo on walnuts was removed. Exports of grass, flower, and vegetable seeds to Japan in 1972 were valued at almost \$4.1 million. A moderate increase could mean as much as an additional \$1 million. No walnuts in the shell were shipped to Japan from the United States in 1972.

Australia

Numerous health and sanitary regulations of Australia were cited. Hop cones must be certified as coming from a country where downy mildew does not exist. Margarine must be colored pink. Alum cannot be used in pickles. Imports of live animals, birds, and poultry; fresh, chilled, or frozen meat of bovines, sheep, goats, pigs, horses, asses, poultry, and edible offal; and dried, smoked or salted bacon, ham, meat, and offal are generally prohibited except from New Zealand and, regarding horses and rabbits, from Ireland and the United Kingdom. Canned poultry products

must be certified as having been cooked at not less than 100° centigrade, and the cooking time and temperature must be recorded on the certificate. Some grains, fresh fruits, and vegetables are prohibited. Australia does not accept U.S. Food and Drug Administration approval as a criterion for the admission of many products.

One of the most complicated Australian regulations is the quarantine restriction on horses. Horses destined for Australia must first be shipped to Great Britain or Ireland, remain there continuously for 6 months immediately prior to transshipment, then be shipped on a vessel that does not stop at any port in the continents of Africa, South America, Central America, or in any of 11 countries outside these areas (including the United States), nor may it pass through the Suez or Panama Canals. After arrival the horse is quarantined for 14 days before being admitted to the country. The procedure consumes about 9 months and results in the loss of a year in breeding time.

Australian quarantine regulations prevent the importation of alfalfa seed from the United States because this seed can carry "bacterial wilt," a disease which the complainant states is already prevalent in certain areas of Australia. For bean seeds a field inspection phytosanitary certificate is required from the State of Idaho and also, if grown in California, from Monterey County. Importation of bean seeds from any other county in California and any other U.S. State is prohibited. The quarantine regulations also prohibit the importation of corn and sorghum seed, and tomato and other crop seeds, and limit the amount of dirt in any one sample.

The organizations reporting Australian regulations considered them important trade barriers but in most instances were not able to supply estimates of the amount by which trade would increase if the regulations were moderated or removed.

Canada

To protect the public health, safety, and welfare, Canada maintains regulations applicable to forest products, drugs, insecticides, cosmetics, fertilizers, and upholstery that are similar to U.S. regulations for these products. Imported meat and offal of horses, bovine cattle, pigs, sheep, goats, and poultry must comply with the provisions of the Canadian Animal Disease and Meat Inspection Act. Bulbs, tubers, and other live plants must conform to the requirements of the Insect and Pest Act.

The effect of these regulations on trade was declared to be significant by the respondents, although they gave no estimate of the value of trade lost.

New Zealand

New Zealand has the same regulations governing the importation of horses as Australia (described above). Health and sanitary regulations are also imposed on other live animals and poultry; the meat and offal of bovines, sheep, goats, swine, horses, mules, asses, hinnies, poultry, and byproducts of such meat and offal; brush bristles; eggs; horse-hair; fish waste; bulbs, tubers, shrubs, trees, and cut flowers; oilseeds, copra, soybeans, and flour and meal of oilseeds and oleaginous fruits; and many other agricultural products.

New Zealand quarantine regulations require certification that imported seed and wheat were produced in an area not infected by foot-and-mouth disease, black tongue, and swine fever. An embargo is maintained on all seed corn from the United States because of southern leaf blight. Several crops, including beans, beets and cucurbits, require field inspection phytosanitary certificates. Although these regulations are considered significant trade restrictions, the respondents gave no estimates of the value of increased trade anticipated if the regulations were modified.

Other countries

The Commission received numerous complaints against health and sanitary requirements maintained by a large number of developing countries plus South Africa and Ireland. The complaints were generally similar to those already discussed for the major developed countries; for example, many Latin American countries require that sanitary certificates accompany imports of canned foodstuffs. Numerous countries also require the sanitary registration of canned foodstuffs, which often results in exorbitant laboratory fees. These regulations were considered to have no value insofar as protecting the consumer and were considered a nuisance by the respondents.

It was reported that the appropriate administrative mechanism does not exist in the United States which would enable U.S. exports to meet the foreign requirements. For example, Malaysia requires a special health certification for poultry which the U.S. Department of Agriculture inspection service is not empowered to give. An increase

of \$400,000 per year in poultry exports to Malaysia was forecast if the regulations were modified. Similarly, Malta requires certification that poultry was free from Newcastle disease for 3 months prior to slaughter, but the U.S. Department of Agriculture is unable to make this certification. A \$10,000 increase in exports of poultry to Malta was estimated if the requirement was changed.

Pharmaceutical and Veterinary Standards

Regulations requiring testing, plant inspection, special documentation, and the use of a specific pharmacopoeia constitute the bulk of the pharmaceutical and veterinary standards reported as trade barriers. Many of the regulations, especially those requiring testing, were cited as causing unreasonable delay and expense in completing transactions, thus increasing the cost of the merchandise. A few pharmaceutical standards were cited as significantly reducing trade rather than merely slowing it. Prepared and packaged pharmaceutical products are generally more affected by the restrictions than bulk preparations. Although U.S. export and import statistics for these products are not strictly comparable, they do indicate that U.S. exports are somewhat greater than imports. In 1972, for example, U.S. exports of prepared products were valued at about \$235 million and imports, at about \$36 million. In the same year, exports of bulk products amounted to about \$360 million, imports, to about \$205 million.

Complaints received in the Commission's investigation involved the regulations of almost all developed countries and more than 14 developing nations. Roughly two-thirds of the complaints were against developed countries. The more significant complaints are summarized below, arranged by country against which the complaint was directed.

Belgium, the Netherlands, and Luxembourg

Pharmaceutical standards of Belgium and the Netherlands do not always recognize the validity of U.S. Food and Drug Administration

tests, and drug manufacturers shipping to the Benelux countries are frequently forced to duplicate tests already performed in the exporting country. Both Belgium and the Netherlands often reject products that have been approved for sale by the FDA, thus limiting the products that can be sold in those countries. One respondent asserts that Belgian and Netherlands producers are granted their Governments' Board of Health approval more quickly than foreign firms, a fact which acts as a further deterrent to trade. In addition, it was reported that Belgium and Luxembourg maintain general regulations which specify testing, purity controls, marking, and the prohibition of certain additives, and the Netherlands imposes advertising restrictions and requires certificates of inspection.

A significant increase in exports was predicted if these barriers were removed. One firm predicted an increase of \$1 million in sales for its products.

Finland and Sweden

Pharmaceuticals may be imported into Finland and Sweden only by approved druggists, drug wholesalers, or manufacturers.

France

Before being permitted to sell finished pharmaceutical goods of foreign manufacture in France, a company must obtain a visa document giving formal approval of the content, therapeutic properties, method of manufacture, quality control, packaging, and labelling of

the product. In addition, an authorization of sale must be obtained from a French Government inspector attesting that the specifications of the visa were adhered to. However, this authorization cannot be obtained unless French sanitary regulations are complied with. These regulations require pharmaceuticals to be manufactured under the supervision and control of French pharmacists and French public health inspectors. Foreign firms cannot meet these requirements; therefore, they cannot obtain an authorization of sale and imports are precluded.

The organizations reporting this barrier predicted a significant increase in exports to France if this restriction was removed. One company estimated that the value of its exports would increase by \$2 million.

Italy

Foreign tests are not recognized by the Italian control board.

Japan

The chief complaint with respect to Japanese regulations concerned differences in U.S. and Japanese testing requirements for new pharmaceutical products and the fact that Japan does not automatically accept products which already have U.S. Food and Drug Administration approval without further testing.

United States

Complaints against several U.S. requirements were received from both U.S. and foreign firms. The most significant of these requirements

are listed below.

- (1) Compulsory inspection of plants in the country of exportation by U.S. inspectors.
- (2) Repetition in the United States of research and additional tests (clinical trials).
- (3) Requirement by the U.S. Comprehensive Drug Abuse Prevention and Control Act (Public Law 91-513) that authenticated documents from a foreign importer's home office be accepted by the U.S. Bureau of Narcotics and Dangerous Drugs before certain substances and preparations can be exported from the United States, even for items not controlled in the country of importation. (One company reported delays of up to 3 weeks before Customs would release the consignments for export.)
- (4) Approval of pharmaceuticals by the FDA before they can be shipped to the United States. Batches of material must be held until the FDA has approved a sample. Although the material may meet pharmaceutical standards in the producing country, the FDA may reject it, making it necessary to produce new batches of material which are then subject to the same approval procedure. This procedure can be costly when material with no other outlet than the United States is involved.

According to the respondents, modification of the pharmaceutical regulations listed above would not lead to an increase in trade but would reduce the costs and time involved in each transaction.

Developing countries

Just as in the developed countries, regulations on pharmaceutical trade and commerce are widespread among the developing nations. Many regulations are common to a number of nations, but not to all. Among these are use of a designated language 1/ for all documen-

1/ Frequently, but not always, the native language of the importing country. Many African countries (especially former French colonies) designate French.

tation; conformance to one or more of the following as the legal standard in a particular country--the French, British, or Portuguese Pharmacopoeia, the British Pharmaceutical Codex, and the British Veterinary Codes; certification; restrictions on the distributors that may be used.

Some form of governmental approval is frequently required for imports, and complaints were received that such approval cannot be obtained in some countries when a similar product is already available in the country. Many countries require a local analysis of the product. India, for example, requires that all patent and proprietary medicines be analyzed, registered, and certified. Controls on advertising, sales, and pricing found in several countries are said to discriminate against imports, or at least imports from certain sources. In Nigeria, products conforming to the British Pharmacopoeia or British Pharmaceutical Code, and so labelled, enter free; products conforming to the U.S. Pharmacopoeia but not meeting the foregoing requirement pay 20-percent duty.

Chapter XI

CUSTOMS PROCEDURES AND ADMINISTRATIVE PRACTICES

Introduction

This chapter is concerned with administrative procedures and customs matters, other than rates of duty, which may impinge upon the free flow of trade. These include tariff nomenclatures or classification systems, customs valuation, documentation requirements, consular formalities, antidumping practices, and other governmental regulations and administrative practices which attend the shipment of goods across international frontiers. Some of these, such as customs valuation and tariff nomenclature, are so intimately involved in the determination of the amount of customs duty to be collected that perhaps they should be regarded more properly as tariff barriers, rather than "nontariff" trade barriers. Nevertheless, in discussions in the GATT, the OECD, UNCTAD, and other organizations dealing with international trade, chiefly as a matter of convenience the practice has developed over the past several years of classifying as "nontariff" all measures affecting trade other than tariff rates themselves, regardless of any connection that may exist with the application of rates of duty.

Overly complex or strict customs procedures, regulations, and administrative practices are universally regarded by traders as a serious restraint upon their operations. Some tariff nomenclatures and valuation

systems have been criticized as unreasonably complex and difficult to interpret, and hence creating uncertainty for the trader as to the ultimate cost of importing a product. Similar uncertainty is said to arise also from the fact that in some countries customs officials have broad administrative discretion with respect to customs classification and valuation for duty and tax purposes. Such uncertainty is widely considered to constitute a significant barrier to trade. Administrative procedures, such as documentation requirements and consular formalities, often involve substantial costs for the trader.

A summarization of complaints involving customs procedures and administrative practices which were submitted in the Tariff Commission's survey of trade barriers is shown in table 11-A. About one-third of the complaints were concerned with customs valuation practices, one-fourth with documentation requirements. None of the other categories of problems shown in the table drew more than 10 percent of the total complaints.

Table 11-A.--Summary count of complaints made against customs procedures and administrative practices

Type of practice	Number of complaints			Total
	against--			
	Developed countries:	LDC's	Communist countries:	
1. Customs valuation-----	101	66	2	169
2. Documentation requirements-----	55	77	-	132
3. Regulations on samples, returned goods and reexports-----	29	27	-	56
4. Consular formalities-----	1	49	-	50
5. Administrative difficulties-----	22	21	-	43
6. Classification of merchandise-----	28	8	-	36
7. Antidumping practices-----	30	3	-	33
8. Countervailing duties-----	4	1	-	5
9. Emergency action-----	3	-	-	3
Total-----	273	252	2	527
Percent-----	51.8	47.8	.4	100.0

Source: Compiled from submissions to the Tariff Commission.

Table 11-B shows the distribution of the complaints by country. About 52 percent of the complaints dealt with practices in developed countries. The United States was the object of 19 percent of the total number of complaints, and 37 percent of those against developed nations. The European Community (of six) received about 8 percent of the total complaints. The remainder were widely scattered among a large number of countries. Valuation practices were the principal concern in developed nations; for less developed countries, documentation requirements cover a slightly larger volume of complaints than valuation problems.

Table 11-C shows the distribution of the complaints by product sector. As would be expected when dealing with practices which tend to be applicable to products generally across the board, the distribution of the complaints among product sectors conforms fairly closely to the trade importance of the sectors. However, one sector--chemicals--conspicuously deviated from this pattern. The unusually large number of complaints dealing with chemical products reflected concern with documentation requirements and regulations on samples for pharmaceuticals and drugs maintained by many countries and certain customs valuation practices of the United States.

Perhaps because the matters dealt with in this chapter are so directly and intimately connected with the conduct of trade, they long ago came under the close scrutiny of individuals, organizations, and governments concerned with the removal of obstructions to the international exchange of goods. In the 1920's, for example, proposals were made in the

Table 11-B.--Number of complaints made against customs procedures and administrative practices, by country and type of practice

Country	Total		Type of practice 1/								
	Num-ber	Per-cent	1	2	3	4	5	6	7	8	9
Developed countries, total-----	273	51.8	101	55	29	1	22	28	30	4	3
United States-----	102	19.4	39	18	8	-	11	14	8	2	2
European Community (of six), total----	40	7.6	15	10	7	-	4	3	1	-	-
Italy-----	15	2.8	4	5	2	-	3	1	-	-	-
Other 2/-----	25	4.7	11	5	5	-	1	2	1	-	-
European Free Trade Area (of eight) and Finland, total-----	34	6.5	16	6	7	-	2	1	2	-	-
United Kingdom-----	12	2.3	6	2	1	-	2	-	1	-	-
Other 3/-----	22	4.2	10	4	6	-	-	1	1	-	-
Australia-----	23	4.4	6	4	1	-	-	3	8	-	1
Canada-----	19	3.6	8	3	-	-	1	2	4	1	-
Japan-----	16	3.0	5	7	2	1	-	1	-	-	-
South Africa-----	16	3.0	4	4	2	-	-	-	6	-	-
New Zealand-----	10	1.9	4	3	-	-	-	1	1	1	-
Other 4/-----	13	2.5	4	-	2	-	4	3	-	-	-
Less developed countries, total-----	252	47.8	66	77	27	49	21	8	3	1	-
Latin America, total-----	144	27.3	31	40	12	36	18	5	1	1	-
Brazil-----	23	4.4	3	9	3	2	6	-	-	-	-
Argentina-----	19	3.6	4	5	1	6	3	-	-	-	-
Mexico-----	13	2.5	4	2	2	1	-	4	-	-	-
Colombia-----	11	2.1	2	3	1	4	-	1	-	-	-
Venezuela-----	11	2.1	2	3	1	4	1	-	-	-	-
Chile-----	10	1.9	1	4	2	1	2	-	-	-	-
Peru-----	10	1.9	2	2	-	4	2	-	-	-	-
Other-----	47	8.9	13	12	2	14	4	-	1	1	-
Europe and the Middle East, total----	49	9.3	10	21	5	6	3	2	2	-	-
Spain-----	13	2.5	2	4	1	-	3	1	2	-	-
Other-----	36	6.8	8	17	4	6	-	1	-	-	-
Africa, total-----	32	6.1	17	11	-	4	-	-	-	-	-
Asia, total-----	27	5.1	8	5	10	3	-	1	-	-	-
Eastern trading area 5/-----	2	.4	2	-	-	-	-	-	-	-	-
Total, all countries-----	527	100.0	169	132	56	50	43	36	33	5	3

1/ Type of practice:

- | | |
|--|----------------------------------|
| 1. Customs valuation | 6. Classification of merchandise |
| 2. Documentation requirements | 7. Antidumping practices |
| 3. Regulations on samples, returned goods, and reexports | 8. Countervailing duties |
| 4. Consular formalities | 9. Emergency action |
| 5. Administrative difficulties | |

2/ Includes Belgium, Luxembourg, France, West Germany, Netherlands and complaints against the EC without specifying a country.

3/ Includes Finland, Sweden, Switzerland, Norway, Portugal, Austria, Denmark, Iceland, and complaints against EFTA without specifying a country. (With respect to development status, Portugal is a "borderline" country but usually is considered to be a "developing" country. Portugal is listed here among developed countries only because of membership in the EFTA.)

4/ Includes complaints against developed countries without specifying a country.

5/ Excludes Poland.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to the totals shown.

Table 11-C.--Number of complaints made against customs procedures and administrative practices, by sector and type of practice

Sector	Total		Type of practice 1/								
	Number	Percent	1	2	3	4	5	6	7	8	9
Industrial											
Total, all industrial sectors-----	496	91.4	124	135	32	45	52	43	37	5	3
I-1 Nonelectrical machinery-----	42	8.4	10	13	4	4	5	4	2	-	-
I-2 Transport equipment-----	28	5.6	10	10	2	2	1	2	1	-	-
I-3 Ores, metals and metal manufactures-----	23	4.6	5	3	-	1	5	2	6	1	-
I-4 Chemicals-----	84	16.8	18	22	13	6	6	14	5	-	-
I-5 Textiles-----	26	5.2	12	5	1	2	4	2	-	-	-
I-6 Electrical machines and apparatus-----	30	6.0	10	5	2	2	2	2	7	-	-
I-7 Pulp, paper and paperboard, and manufactures-----	14	2.8	1	7	1	3	1	-	1	-	-
I-8 Coal, petroleum, natural gas-----	3	.6	-	2	-	-	-	-	1	-	-
I-9 Mineral products and fertilizers, ceramic products and glass-----	10	2.0	1	3	1	1	2	1	1	-	-
I-10 Professional, scientific and controlling instruments, photographic apparatus, clocks and watches-----	21	4.2	4	5	3	3	2	3	1	-	-
I-11 Wood and cork and manufactures-----	6	1.2	3	2	-	-	-	1	-	-	-
I-12 Precious stones, precious metals and manufactures-----	4	.8	2	2	-	-	-	-	-	-	-
I-13 Rubber and rubber manufactures-----	7	1.4	2	1	-	-	1	2	1	-	-
I-14 Raw hides and skins, leather and furskins and manufactures-----	1	.2	1	-	-	-	-	-	-	-	-
I-15 Footwear and travel goods-----	6	1.2	4	1	-	-	1	-	-	-	-
I-16 Musical instruments, sound recording or reproduction apparatus-----	10	2.0	3	4	1	-	1	-	1	-	-
I-17 Firearms, ammunition, tanks and other armored fighting vehicles-----	-	-	-	-	-	-	-	-	-	-	-
I-18 Furniture-----	1	.2	-	-	-	-	-	-	-	-	-
I-19 Toys and sporting goods-----	9	1.8	4	1	-	3	1	-	-	-	-
I-20 Photographic and cinematographic supplies-----	9	1.8	6	1	1	1	-	-	-	-	-
I-21 Works of art and collectors' pieces-----	-	-	-	-	-	-	-	-	-	-	-
I-22 Office and stationery supplies-----	1	.2	-	1	-	-	-	-	-	-	-
I-23 Manufactured articles not elsewhere specified-----	10	2.0	2	4	1	1	2	-	-	-	-
I- Products not specified-----	111	22.2	26	23	2	15	18	10	10	4	3
Agricultural											
Total, all agricultural sectors-----	43	8.6	14	12	7	1	4	5	-	-	-
A-1 Foodstuffs-----	9	1.8	6	1	1	-	-	1	-	-	-
A-2 Grains-----	1	.2	-	-	1	-	-	-	-	-	-
A-3 Animals and products thereof-----	5	1.0	1	2	2	-	1	-	-	-	-
A-4 Oil seeds, fats and oils, and their products-----	1	.2	-	1	-	-	-	-	-	-	-
A-5 Beverages and spirits-----	13	2.6	4	3	-	-	3	3	-	-	-
A-6 Dairy products-----	2	.4	-	1	1	-	-	-	-	-	-
A-7 Fish, shellfish and products-----	6	1.2	3	1	2	-	-	-	-	-	-
A-8 Tobacco-----	3	.6	-	1	-	1	-	1	-	-	-
A-9 Miscellaneous agricultural and forestry products-----	3	.6	-	2	-	-	1	-	-	-	-
Total 2/-----	499	100.0	138	127	39	46	65	39	37	5	3

1/ Type of practice:

- | | |
|--|----------------------------------|
| 1. Customs valuation | 6. Classification of merchandise |
| 2. Documentation requirements | 7. Antidumping practices |
| 3. Regulations on samples, returned goods, and reexports | 8. Countervailing duties |
| 4. Consular formalities | 9. Emergency actions |
| 5. Administrative difficulties | |

2/ Total counts are not the same as those in tables 11-A and 11-B because a single complaint in those tables may involve more than one product sector and not all complaints specified a product.

Source: Compiled from submissions to the Tariff Commission.

Note.--Due to rounding, percents may not add to the totals shown.

League of Nations for common international systems for customs nomenclature and valuation with a view to lessening disputes and delays over these matters. Since World War II, many countries have worked both collectively and individually to improve government administrative procedures affecting trade in order to minimize the inconvenience and cost of these procedures for traders. In the Commission's survey of trade barriers, customs procedures and administrative practices were named in about 12 percent of the complaints.

Customs Valuation 1/

A customs valuation system is an integral part of the tariff mechanism of every country employing ad valorem rates of duty or otherwise determining duty collections according to the value of imported merchandise. The value assigned to imported merchandise is critical in determining the amount of customs duty to be paid on goods subject to ad valorem tariff rates or on goods for which a specific duty varies with the value of the goods. In these cases, the system by which goods are valued maybe equally as important as the tariff rate itself in the calculation of the amount of duty to be collected, and in some instances the valuation method is of greater concern to the importer than the nominal tariff rate which is ultimately applied.

In spite of this critical role in determining the amount of customs duty which will be collected, some aspects of customs valuation systems have come to be characterized and discussed internationally as "nontariff" trade barriers. This has been the case particularly where traders consider the customs value of their merchandise to be determined arbitrarily or without regard to the price actually paid for the goods, or where they

1/ The Tariff Commission, in January 1973, submitted a report, entitled "Customs Valuation", to the Committee on Finance, U.S. Senate. That report, published in March 1973, contains a detailed description of the valuation systems of the United States and its principal trading partners; and the report deals with the "trade barrier" aspect of customs valuation principally in terms of the "fairness" of valuation systems to all classes of shippers in international trade.

The present discussion is confined to a consideration of the aspects of customs valuation which have been criticized as constituting trade barriers. The reader should refer to the March 1973 report for a more complete technical description of the valuation practices which are discussed in the following pages.

find a country's valuation system unusually difficult to understand and comply with because of its complexity or its administration. The majority of complaints which have been leveled against customs valuation practices, however, are found, in ultimate analysis, to be chiefly concerned with the effect which the practice has on the amount of duty collected.

International rules for customs valuation

Ambiguous or arbitrary customs valuation systems which restrain trade became a matter of concern to governments as long ago as the early part of the present century. The need for international standards of customs valuation was voiced by several countries in the early 1920's. The subject was considered at the League of Nations Economic Conferences held in 1927 and 1930, where participants agreed on the need for action, but none resulted at that time. The General Agreement on Tariffs and Trade, drafted in 1947, included broad principles of customs valuation to be followed by contracting parties, but left each country rather wide discretion in formulating national standards which would comply with the general principles. In mid-1949, the European Customs Union Study Group completed a comprehensive customs valuation standard which was set out in an international convention, entitled the Convention on the Valuation of Goods for Customs Purposes and commonly referred to as the Brussels Definition of Value. As a point of departure for their work, the Study Group built upon the valuation provisions of the Havana Charter for an International Trade Organization and agreed that the standard to be

developed should comply with the provisions on customs valuation contained in the GATT, which had just been formulated.

Countries adhering to the Brussels Valuation Convention agree to incorporate the Brussels Definition into their customs laws. At the close of 1973, 26 countries (including most of Western Europe and Japan) were contracting parties to the Convention, and an additional 58 countries nominally applied the Brussels Definition of Value without being members of the Valuation Convention. The member countries alone accounted for 57 percent of free world imports in 1970. The United States, Canada, Australia, New Zealand, and South Africa are the principal market-economy developed countries which do not use the Brussels Definition.

The international recognition of general principles of customs valuation in the GATT, and the adoption by a very large number of countries of a common valuation system (through use of the Brussels Definition) provide the background against which valuation practices which have been criticized as constituting trade barriers should be examined. There appears to be a consensus among the various groups concerned with tariffs that, to the maximum extent possible, customs valuation should, inter alia, be uniform and impartial with respect to products and suppliers, be based on commercial values in competitive transactions, and be based on simple principles which, in application, have easily predictable results. An additional premise which frequently underlies international consideration of customs valuation (although not always explicitly stated) is that insofar as possible the valuation system should be a "neutral" factor in determining the amount of duty to be collected and should not be devised

to provide tariff protection to domestic industries, that function being relegated exclusively to the rate of duty.

Some of the valuation practices which have been criticized as constituting barriers to trade contravene one or more of these general principles. However, many complaints have arisen simply because the criticized practice differs from a procedure (usually that of the complainant's country) which is more familiar to the complainant.

A summary comparison of valuation practices

In the following paragraphs some of the most salient features of the customs valuation systems in selected countries are described very briefly to the limited extent necessary to provide the conceptual framework for considering the complaints raised in this area.

The Brussels Definition of Value ^{1/}.--Under the Brussels Valuation System, the customs value of imported goods is their "normal price", which is defined as the price the goods would fetch, delivered to the buyer at the place of importation, at the time the import duty becomes payable, on a sale in the open market between a buyer and seller independent of each other.

The Brussels Definition thus is a notional concept of valuation, i.e., the value to be determined is the price the goods would command if sold in accordance with specified terms. It is also a single standard applicable to all goods, irrespective of whether the goods were actually

^{1/} The Brussels Definition of Value is applied under international convention by 17 countries in Europe, Japan and 8 other non-European countries. In addition, it is nominally applied by several countries which are not parties to the Valuation Convention. These include 26 countries in Africa, 19 countries in the Americas, 6 in Europe, 6 in Asia, and one small country in Australasia.

traded in accordance with the specified terms. And finally, the customs value of the goods is to be the value at the place of importation, including all expenses incidental to delivery of the goods to that place (in other words, loosely speaking, the c.i.f. value 1/).

The Brussels Definition is exceedingly simple in its statement of principle, but admittedly less simple in application. The main difficulty is determining values for goods sold on terms other than those specified for the "normal price" concept, and especially for non-arms-length transactions. Nevertheless, for the majority of imports, the c.i.f. transaction price (sometimes adjusted on the basis of information readily available to customs officials) constitutes the usual basis for the assesment of duty.

Other systems.--Most nations not employing the Brussels Definition of Value have "positive"--in contrast to the Brussels "notional"--customs valuation systems. A positive customs valuation system defines value in terms of the price at which, and the conditions under which, goods are actually sold. Consequently, positive valuation systems require, in ranking order, two or more standards to provide alternatives for valuation when the actual conditions of the next higher ranking standard are not met.

1/ In general, a c.i.f. price includes the cost of the goods, marine or other freight insurance, and all transportation charges to the point of destination; hence, the term c.i.f.--cost, insurance, and freight.

All of the major market-economy developed countries which do not use the Brussels Definition of Value 1/ have a second major difference with the Brussels system in that the generally preferred value for customs purposes is the value in the country of exportation, exclusive of transportation and other charges (loosely speaking, the f.o.b. value), rather than the value at the point of importation.

In several countries, and particularly developing nations, customs duties are assessed upon values calculated from "official prices" or "minimum prices" determined by the government.

Australian customs valuation.--Australia bases dutiable value on the higher of (1) the actual f.o.b. transaction price adjusted to disallow any special discount, or (2) "current domestic value," i.e., the value of identical goods sold for domestic consumption in the country of export plus all charges for placing the goods free on board at the port of export. If the goods are not sold for consumption in the exporting country, or are sold only to exclusive agents, or are imported under any other unusual circumstances, the dutiable value is determined at the discretion of customs officials. Most Australian imports are valued on the basis of current domestic value.

For certain imported products which are also made in Australia, if the landed, duty-paid cost of the imported item is less than the established "support value," there is levied an additional duty equal to 90 percent of the difference between the landed value and the support price.

1/ The United States, Canada, Australia, New Zealand, and South Africa.

Canadian customs valuation.--The basic value for calculation of duty in Canada is the "fair market value" of the imported goods in the exporter's country. If fair market value cannot be determined (e.g., like goods are not sold for consumption in the country of origin), then dutiable value is based on the cost of production of the imported goods plus an allowance for gross profit. Under certain circumstances government officials may prescribe the manner in which dutiable value is to be determined.^{1/}

U.S. customs valuation.--The Tariff Act of 1930, as Amended, provides nine standards for the customs valuation of goods imported into the United States. For the great bulk of imports, duties are assessed on the "export value" in the country of origin; when this is not appropriate, these products are assessed on the "United States value"^{2/} or "constructed value."^{3/} Four categories of products (benzenoid chemicals, certain rubber-soled footwear, wool knit gloves valued under \$1.76 per dozen, and certain canned clams) are valued for customs purposes on the basis of the selling price of competitive U.S. products (the "American selling price"). Somewhat different valuation standards are used for 1,015 articles (which have come to be referred to as the "Final List").^{4/} One significant

^{1/} Circumstances in which the regular valuation procedures may be inappropriate include the following: The imported goods are intended for packaging, assembly, or further manufacture in Canada; are obsolete or not new; are not of prime quality; or constitute job lots.

^{2/} The price at which the product is sold in the United States, less transportation costs, duties, and certain other expenses.

^{3/} Cost of production, plus producer's profit, plus packing for shipment to the United States.

^{4/} The United States adopted new valuation standards in 1956. At that time, a list of products was compiled for which the new standards would have meant a reduction of 5 percent or more in the appraised value. For these articles, the old valuation standards were retained. The list of articles is referred to as the "Final List."

difference in the standards applicable to these products is that the primary value to be used is "foreign value" ^{1/} or "export value," whichever is higher. The Final List also contains many benzenoid chemicals subject to valuation on the basis of an American selling price standard which differs in minor respects from that standard as applied to goods not on the Final List.

Complaints against foreign
customs valuation

By far the most numerous complaint against customs valuation received by the Tariff Commission in its survey of trade barriers came from U.S. exporters who objected to the prevalent use of c.i.f. values as the basis of customs valuation in most countries of the world. Because U.S. import duties are, for the most part, levied on an f.o.b. basis, U.S. producers and exporters apparently look upon assessment on the c.i.f. value in other countries as inherently unfair.

Several countries assess duties on the "domestic value" of merchandise in the country of origin if it is higher than the invoice value for the imports being considered. This practice drew several complaints, but principally against Canada, Australia, New Zealand and South Africa.

A large number of countries (virtually all were developing nations) were criticized for using "arbitrary" values for the assessment of duties. Several of these use "official values" set by government officials, rather than some form of commercial value, for customs valuation purposes. Particularly singled out for criticism in this respect were Mexico, Brazil, and Argentina.

^{1/} The price at which the article is offered to all purchasers in wholesale quantities for consumption in the exporting country.

A problem in virtually all valuation systems is establishing a correct customs value for imports which are not shipped as arms-length transactions between independent unrelated parties. Most countries adjust upward the invoice values of such import shipments to establish the customs value. As multinational corporations and exclusive distributorships spread around the world, problems arising from non-arms-length transactions multiply. The upward adjustment of invoice values for customs purposes in non-arms-length transactions is commonly referred to as "uplift," especially in countries using the Brussels Definition of Value. Japan, the United Kingdom, France, and Italy were particularly mentioned in complaints to the Commission concerning uplift procedures in customs valuation. The difficulties are mostly attributable to the inability to use real costs (as opposed to arbitrary costs) in making the adjustments, insufficient explanations offered concerning the bases for the uplifts, and the delays generally incurred in the processing of such entries.

Complaints against
U.S. customs valuation

Over the past 25 years, complaints against certain aspects of U.S. customs valuation practices have become some of the most common complaints heard in discussions of trade barriers. The primary target has been the American selling price (ASP) valuation standard. In the world of trade and trade barriers, probably very few practices of any government have received the publicity poured upon the ASP system by trading partners of the United States. ASP has been widely characterized as one of the most important barriers to trade maintained by the United States, even though ASP applies to less than 1 percent of U.S. imports.

The American selling price.--The ASP system is criticized chiefly because it usually results in the collection of a substantially larger amount of duty than would be collected if the actual value of the imported goods were used.^{1/} Foreign exporters also maintain that because they have no control over changes in the American selling price (which affect the amount of duty which will be collected), they are faced with significant uncertainties as to the ultimate cost of placing their goods on the U.S. market. An additional complaint is that administration of the provision is complex and frequently accompanied by long delays in customs clearance of merchandise and in the determination of the actual amount of duty to be paid.

The ASP system was first utilized by the United States in the Tariff Act of 1922 and was continued in the Tariff Act of 1930. The General Agreement on Tariffs and Trade was formulated in 1947, and the collection of import duties based upon the value of merchandise of national origin rather than upon the actual value of the imported merchandise violates Article VII of that agreement. However, since the ASP system was being applied when the United States acceded to the GATT, continuance of the

^{1/} In a Tariff Commission study of ASP imports in 1964, ad valorem equivalents (based on normal customs valuation) were calculated for duties collected under the ASP system. It was found in that study that for some categories of benzenoid chemicals, for example, an ASP rate of 20 percent collected duties ranging up to 58 percent of the actual value of the imports; and ASP rates of 25 and 40 percent were equivalent to 112 and 172 percent, respectively. The 20 percent ASP rate on footwear was found to be equivalent, on the average, to 58 percent based on normal valuation.

Virtually all rates on benzenoid chemicals were reduced by 50 percent in the Kennedy Round; however, no reduction was made in the rate applicable to ASP footwear.

In 1971, for some benzenoid chemicals the equivalents of the ASP duties collected ranged well above 200 percent; for footwear, as high as 98 percent.

system is permissible under the Protocol of Provisional Application of the GATT.

Four categories of products (benzenoid chemicals, certain rubber-soled footwear, certain canned clams, and low-valued wool knit gloves), which together account for less than one percent of total U.S. imports, are subject to ASP valuation.

The reported dutiable value of 1972 imports of these products was \$463 million. Benzenoid chemicals made up 86.6 percent of this amount; footwear, 12.5 percent; and canned clams, 0.7 percent.^{1/}

Imports of benzenoid chemicals accounted for about 19 percent of the total value of U.S. chemical imports in 1972; ASP footwear for 2.7 percent of the total value of all imported footwear; and ASP clams for less than 0.3 percent of total fish imports.

Not all of the imports covered by the ASP tariff provisions actually pay duties on the American selling price value. If, at the time of importation, an article is found not to be competitive with a U.S. product, the duties are assessed according to the other valuation standards in the U.S. system. Under this rule, in 1972, only 59 percent of benzenoid chemical imports and 41 percent of ASP footwear imports were found to be competitive and assessed duties on ASP values.

Data on the probable economic effect of elimination of the ASP standard are found in the Tariff Commission's March 1973 report on customs valuation.^{2/}

^{1/} The price bracket of wool knit gloves subject to ASP has been below actual price levels for several years. Consequently, no imports occur in this category.

^{2/} Customs Valuation: Report of the U.S. Tariff Commission to the Committee on Finance and the Subcommittee on International Trade, United States Senate, 1973.

The Final List.--Aside from the ASP standard, traders level a more general complaint against the U.S. customs valuation system: that is the complexity of a system having nine specific detailed standards, each ranked in the order of precedence for application, but varying with the type of merchandise. The U.S. valuation provisions probably owe their complexity and detail in part to an effort by the drafters of those provisions to preclude arbitrary valuation by customs officials and insure fairness for all parties. Importers and foreign shippers contend, however, that because of this complexity, only experts with comprehensive knowledge of the system can predict with sufficient confidence the results of application of the system to a particular shipment of goods. The so-called "Final List" provisions account for a good part of the complexity of the U.S. valuation system.

The Final List was established in the Customs Simplification Act of 1956. In 1954, the President proposed to the Congress a substantial simplification of the U.S. customs valuation system contained in the Tariff Act of 1930 which had been found to present a large number of significant administrative problems. A study of the proposed bill revealed that a slightly lower valuation would result from application of the simplified standards, that the amount of the decrease varied considerably among products, and that in some cases it was substantial. To avoid an excessive drop in valuation of any product, the bill was redrafted to separate such products from the main body of imports and retain the then-existing provisions for use solely in valuing such commodities. It was

proposed that a list be published identifying all products for which appraised values under the new standards would be at least five percent lower than under the old standards, and for such products the old standards would be retained. Recognizing that such a list would have only transient validity because of constant changes in economic conditions and resultant price changes, it was further proposed to revise the list annually subject to Congressional approval, and that if after compilation of the fourth list Congress did not take action to provide otherwise, the new simplified standards would become applicable to all products. However, as finally enacted, the Customs Simplification Act provided for the compilation of only one list to be known as the Final List. In determining the products to be on the list, the five percent value difference was to be determined on the basis of comparisons of shipments imported during fiscal 1954. The Final List continued the old valuation provisions for these products, and consequently all of the administrative problems associated with them. 1/

Final List products have been estimated to account for 14 percent of the total value of U.S. imports in a recent year. However, about 40 percent of these imports now enter free of duty.2/ Data on the probable economic effects of elimination of the Final List are found in the Tariff Commission's 1973 report on customs valuation. 3/

1/ One significant aspect of the Final List valuation standards is that the primary value to be used is "foreign value" or "export value," whichever is higher.

2/ The duty-free imports consist principally of automotive products from Canada and books. Originally all merchandise on the Final List was subject to an ad valorem rate. Since its enactment, however, automotive products from Canada have been made free of duty under terms of the U.S.-Canadian Automotive Products Agreement and books have become free of duty under the Florence Agreement.

3/ Customs Valuation: Report of the U.S. Tariff Commission to the Committee on Finance and Subcommittee on International Trade, United States Senate, 1973.

Documentation Requirements and Consular Formalities

Every country requires some form of documentation to be submitted to government authorities on products crossing its borders. A diversity of needs give rise to these requirements. The simplest may be to permit the compilation of commercial statistics on the country's foreign trade. A common purpose is to provide information necessary for the determination of import duties. Another common purpose is for governmental regulation or control of foreign trade, including its amount, composition, and origin or destination.

A serious detriment to trade is recognized to exist in the cost of complying with documentation requirements which are excessive in terms of quantity, complexity, formality, and the time consuming procedures associated with obtaining or clearing the documents with the appropriate authorities.

A study of documentation problems in international trade was recently conducted by the National Committee on International Trade Documentation (NCITD) and the U.S. Department of Transportation. The study found that an average international shipment requires 46 different documents in about 360 copies and consuming 64 hours of preparation and processing time. Therefore, considering one year's commerce in U.S. international trade with 10 million export shipments and 8 million import shipments, a total of 828 million documents, 6-1/2 billion copies and more than a billion man-hours of workload is generated.

The NCITD study calculated the cost of preparing documentation required by several countries. An outstanding example of costliness was the Poliza de Consumo demanded by Peru. The documentation study reckons that, at the time of its survey, this form's preparation cost \$251 and took about 25 hours and 10 minutes. 1/ Many documents are required for a shipment and the cost and time necessary for each of these quickly mounts. The commercial invoice is required generally throughout the world. It is fundamentally a financial form but it is demanded by consuls and customs for import purposes and to clear entry. According to the study, the median total cost was about \$32.50. It necessitates about 3 hours and 11 minutes of work. 2/ A certificate of analysis is frequently required by governments in order to control imports and to obtain sufficient information for accurate tariff classification. It averaged about 1 hour to prepare, and its total costs were about \$12.57 on the average, excluding the analysis itself. 3/

Several nations require a special customs or consular invoice to be prepared on merchandise shipped to them. Among these countries are: Canada, Australia, New Zealand, Tanzania, Ghana, Nigeria, South Africa, United States, 4/ and several South American countries. These documents are said to be required in order for these nations to fully control and identify goods imported into their country. There have been widespread

1/ National Committee on International Trade Documentation and Office of Facilitation of the U.S. Department of Transportation, Paperwork or Profits (New York: National Committee on International Trade Documentation), 1971, p. 108.

2/ Ibid., p. 86

3/ Ibid., p. 84

4/ The U.S. requirement can be waived by customs officials if the data are available from other documents covering the import entry.

complaints concerning this requirement. Among the procedures which may be involved in supplying consular and customs invoices are: Purchasing the document from a consulate, translating it, special commodity listings, stamping and certifications, the delay of the cargo shipment while waiting for the consular invoice to clear, and substantial fines for any errors in preparation, translation or procedure. Preparation of an average consular invoice was calculated to cost about \$42.78 in total and to require 7 hours and 21 minutes. ^{1/} The full cost of preparation, processing, and distribution plus formalization fees averaged \$86.43. In addition, an average of about 10 days was necessary for the completed, corrected and approved consular invoice to be lodged with the importer.

Some nations demand not only consular invoices but their legalization at a consulate nearest the port of shipment of the cargo. A fee is usually charged for the legalization. Particularly severe in this regard are the South American countries and the Philippines. Some idea of the significance of such fees is found in a recent action by Venezuela. On January 2, 1974, Venezuela eliminated its requirement for consular invoices and replaced the income from them by a 3.5 percent ad valorem tariff for customs services, to be assessed upon importation together with the regular import duties.

The U.S. customs invoice has been the object of strong criticism from traders and foreign governments for many years. The invoice is required for the customs entry of shipments having a value of \$500 or more. It is obtainable from U.S. consular offices and prepared by the

^{1/} Ibid., p. 88.

exporter or freight forwarder. Critics of the form have contended that it is an overly detailed and highly complex document requiring information beyond that normally required by most countries for customs entry. The NCITD study calculated the average cost of preparing the U.S. customs invoice to be \$11.31. 1/

A certificate of origin usually is required by countries which restrict or control trade with particular nations. Some nations complain that the use of certificates of origin is too widespread and that the resulting inconvenience and expense is a barrier to trade. Another complaint has been that information required to be disclosed in some certificates constitutes an unnecessary invasion of confidential business information. The cost of preparation and processing of this document averaged \$12.29, according to the documentation study. 2/

In the Tariff Commission's survey of trade barriers, 132 complaints were received concerning documentation requirements which the complainants considered excessive and burdensome and 50 complaints were received against the cost and inconvenience of consular formalities associated with documentation requirements of some countries. Forty-two percent of the complaints were against developed nations, 58 percent were against the less developed countries (including virtually all complaints concerned with consular formalities).

1/ Ibid., p. 112.

2/ Ibid., p. 85.

U.S. documentation requirements were the object of more complaints than those of any other developed country. About half of the complaints against U.S. requirements concerned use of the special customs invoice (Form 5515) for the entry of imports. ^{1/} Documentation requirements for U.S. export shipments under programs of the Agency for International Development (A.I.D.) and requirements for products under U.S. export control programs each drew about 20 percent of the complaints. Also mentioned were documentation on label approvals for imported alcoholic beverages, documentation required to meet certain U.S. customs valuation regulations, and certificates of origin requirements on certain shipments (which are no longer applicable).

Among the complaints filed against the major foreign developed countries were the following: Use of a special customs invoice for import entries (Canada, Australia, New Zealand, South Africa); documentation requirements on pharmaceuticals and drugs (Italy, Netherlands, United Kingdom, Japan); requirement of a certificate of authenticity for bourbon whiskey (France, Netherlands, United Kingdom, South Africa, New Zealand, Japan); certificate of origin (Italy); declaration of value (Australia); homologation certificates for boats (Italy); textile samples attached to each of four copies of invoices on textile shipments (South Africa); and in Japan, for certain products, documentation showing the distribution network, the price at each stage until the final purchaser, and the names and commissions of all middlemen.

^{1/} After the Tariff Commission survey for the present study was completed, new statistical reporting requirements on U.S. imports were issued in 1973, the primary purpose of which was to provide for the collection and reporting of f.o.b. and c.i.f. data on U.S. imports. In response to strong objections by U.S. importers against the requirement as originally published, the requirement was modified before being put into effect.

Regulations on Samples, Returned Goods, and Reexports

Traders are generally of the view that customs duties should not be collected on commercial samples and advertisements shipped in international trade in connection with the solicitation of sales, on imported products found to be defective or not in conformance with the purchase contract (and consequently returned abroad or destroyed), or on imported goods which are reexported abroad for other reasons. Probably most governments, at least among the major developed countries, have made some provisions to accommodate traders in these matters. Frequently, however, the administrative procedures which have been established for such transactions are cumbersome, expensive, and often drag on for many months. International conventions have been developed under the aegis of the Customs Cooperation Council to expedite and facilitate transactions of this type.

Complaints relating to samples, returned goods, and reexports which were submitted in the Tariff Commission's survey of trade barriers were about evenly divided between developed and developing countries. A large number of the complaints dealt with quantitative limitations imposed in many countries on pharmaceutical samples and advertising matter. Argentina, Brazil, Chile, Mexico, Venezuela, and India drew complaints for assessing duties on samples or imposing complex and long procedures, extending sometimes up to 8 months, to obtain permits for duty-free entry.

The Japanese and U.S. procedures for the entry of samples were also

criticized. Several traders complained of the impossibility or extreme difficulty in obtaining a refund of import duties when imported products are reexported from Denmark, Italy, the United States, and several Latin American countries. Several U.S. manufacturers complained of the cumbersome of the U.S. drawback procedures, and one very large firm reported that it forgoes over \$200,000 in annual drawback payments because it is unwilling to undertake the "onerous" record keeping necessary to claim the payments. 1/

1/ Information on U.S. drawback provisions can be found in the following reports by the U.S. Tariff Commission: Study of Temporary Entry Provisions of Title 19 of the United States Code, Report on Legislative Objectives, TC Publication 170, 1966, and Study of Temporary Entry Provisions of Title 19 of the United States Code, Report on Use of Temporary Entry Procedures and Tentative Proposals, TC Publication 286, 1969.

Customs Classification of Merchandise

If a country wishes to apply different tariff rates to different products, a system to classify goods by tariff category is required. The classification system and its principles of operation are usually referred to as a "tariff nomenclature." Inasmuch as a product's classification will determine the rate of duty to be assessed, traders have long had a keen interest in tariff nomenclatures and their application.

Over the past hundred years, tariff nomenclatures have developed into instruments of formidable complexity. Those of the major trading nations contain at least a few thousand separate product categories, each with individual rates of duty, and the nomenclatures in many of the smaller countries are equally detailed. Such detailed differentiation among products unavoidably gives rise to frequent disputes between customs officials (who must classify imported merchandise in the system) and importers (who naturally seek the lowest possible tariff charge) as to the correct classification of goods. In the United States alone, approximately 50,000 formal protests are filed annually against tariff classifications made by customs officials.

International harmonization of customs nomenclatures

It was long ago recognized that trade is hindered if a shipper cannot easily determine in advance with reasonable certainty the import duties and other charges which will be levied upon his goods,

or if decisions in disputes dealing with tariff classification are time consuming and involve expensive legal and administrative proceedings. To minimize these problems, proposals were made in the 1920's in the League of Nations for the adoption of a common international system for customs nomenclature, and the subject was again considered after World War II at the United Nations Conference on Trade and Labor, but in both cases no appreciable results were achieved.

After World War II, customs unions in several areas of the world were proposed. Since a common nomenclature is virtually essential for the operation of a customs union, pursuant to such proposals in Europe, a standard nomenclature was developed by an international study group meeting in Brussels, Belgium. The nomenclature, which appeared in December, 1950, in the form of an international Convention on the Classification of Goods in Customs Tariffs, is now commonly referred to as the Brussels Tariff Nomenclature (BTN). Within 10 years this nomenclature had been adopted by all major countries of Europe; today it is used by most countries of the world. Canada and the United States are the only major trading nations which have not adopted the BTN.

Pursuant to the Customs Simplification Act of 1954, the U.S. Tariff Commission undertook a complete revision and modernization of the U.S. tariff nomenclature which existed at that time. The results of this work were ultimately enacted into law as the Tariff Schedules of the United States (TSUS), which became effective in August 1963. Major goals in preparation of the new schedules were

simplification and the elimination of uncertainty in tariff classification for U.S. imports. The TSUS is possibly the most carefully and expertly drafted tariff nomenclature in the world. However, it is a unique classification system.

The Canadian tariff nomenclature has not undergone a complete revision and updating since 1908, although parts of the schedule are continuously being changed and modernized from time to time. In 1969 most provisions for chemicals in the Canadian schedule were revised to conform to the BTN for those products.

Because the tariff classification nomenclatures of Canada and the United States differ substantially from the widely used BTN standard system, they have been criticized as constituting barriers to trade. 1/

"Arbitrary" classification practices

Probably so long as customs tariffs are used, importers will find customs officials "arbitrary" in their classification decisions when such decisions result in the importer paying a higher duty than he thinks should be demanded under the provisions of a country's tariff. In the Tariff Commission's survey, complaints of arbitrary customs classification practices were made against several countries, including the United States. For the most part, these complaints

1/ At the request of the President, the Tariff Commission instituted in August 1972 a study for the purpose of preparing a draft translation of the TSUS into the basic format of the BTN. The study is scheduled for completion in September 1974. U.S. adoption of the BTN would require legislation by the Congress.

reflected either a disagreement between the importer (or foreign exporter) and customs officials as to the interpretation of the tariff nomenclature of the importing country, dissatisfaction with the way a product is defined, or a dislike for some other aspect of the importing country's nomenclature. In all cases, the complainant felt higher duties were collected than were justifiable; in some cases the complaint involved the additional element of uncertainty as to what the ultimate duty collection would be. The most significant practices which were described as arbitrary are summarized in the following paragraphs.

Australia.--For textiles and chemicals, Australia practices what is called a "substitute notice system," whereby customs officials may apply to product A, the customs duty applicable to product B if: (1) product A is a substitute for product B; (2) product A is intended to be or can be used as a substitute for product B; (3) product A can be used for the same use as B; or (4) product A is an imitation of product B. Chemical producers particularly complained that it is the nature of chemicals to be put to different uses and that the uses change frequently. They felt that Australian officials can arbitrarily designate substitution relationships for chemicals for the application of higher rates of duty. The practice was said to create a significant uncertainty for exporters of chemicals and textiles.

Canada.--A number of tariff headings in the Canadian schedule distinguish products "of a class or kind made in Canada" from those which are not. Products in the first category are subject to higher duties. For every article imported under such provisions, customs officials must determine whether or not it is to be considered as of a kind made in Canada. Many arguments have arisen as to whether imported products are "of a class or kind" made in Canada in terms of actually competing with Canadian products. The practice was criticized principally because of the uncertainty which it introduces into the determination of the amount of duty which will ultimately be required on import shipments.

Antidumping Practices

Dumping is international price discrimination, or the practice of selling in foreign countries at prices below those charged in the home market of the exporter.

Dumping is generally regarded as objectionable if it causes a distortion of natural trade patterns. Article VI of the GATT recognizes "that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry . . . or materially retards the establishment of a domestic industry." 1/

To counteract dumping in their markets, most major trading nations have enacted laws which assess special "antidumping duties" 2/ on dumped goods in order to raise the dumping price to the level of

1/ Under GATT rules, an article is considered to be entered into a country at less than normal value if the price--

"(a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country, or

(b) in the absence of such domestic price, is less than either

(1) the highest comparable price for the like product for export to any third country in the ordinary course of trade, or

(2) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit."

2/ Antidumping duties bear a resemblance to, and are frequently confused with countervailing duties. Antidumping duties are designed to offset less than fair prices of imported products attributable to price discrimination by foreign exporters, whereas countervailing duties are instituted to offset such prices of imported products resulting from foreign governmental subsidization. Countervailing duties are discussed in the next section of this report.

home market prices. The GATT provisions prohibit an antidumping duty in excess of the margin of dumping. Also, the levy of antidumping duties is permitted only if the importation of dumped products causes or threatens material injury to the national industry.

In the ordinary course of trade, the situation continually arises where an exporter may sell abroad at a lower price than currently prevails in his home market, and particularly for certain customers. ^{1/} It is not surprising, therefore, that traders frequently find themselves running afoul of antidumping laws and regulations around the world, and this quite naturally has generated a large volume of complaints, especially during the past two decades.

Charges that countries were using antidumping procedures not as a corrective measure for an unfair trade practice, but rather as a device to provide additional protection for domestic industries against imported products became so widespread in the late 1950's that the GATT contracting parties undertook a broad study of the subject, and a second examination was made in the early 1960's.

During this period, strong complaints were especially leveled against U.S. administrative practices, particularly the length of time taken for investigations and the frequent and prolonged withholding of appraisement. When preparations got underway for the Kennedy Round of trade negotiations under the GATT, some countries

^{1/} Although an exporter certainly is aware of differences in his own selling prices to various customers, he frequently may not know that he is selling a product abroad at prices below "current domestic value," as that value is defined in the antidumping statutes of the country to which he is shipping.

conditioned their participation in those negotiations upon a modification of U.S. administrative practices. Antidumping actions against U.S. exports at that time were being encountered chiefly in Canada, and complaints were heard from U.S. exporters against the abrupt and arbitrary nature of the Canadian procedures.

The International Antidumping Code

The eventual outcome of the GATT work was the negotiation of an International Antidumping Code during the Kennedy Round. The Code was intended to supplement and interpret the basic provisions on dumping contained in Article VI of the GATT. Most of the major trading nations, including the United States, have signed the Code. Notable exceptions are Australia, New Zealand and South Africa.

The major objective of the Code was to insure that antidumping practices should not constitute an unjustifiable impediment to international trade. This was to be accomplished largely by a code of conduct for administrative practices which was designed (1) to avoid possible harassment in antidumping proceedings, (2) to reduce the penal nature of the remedies, and (3) to ensure procedural fairness. The Code encourages short periods of investigation; and notification of foreign suppliers of the initiation of such proceedings is required. An opportunity to appear at a hearing must be given to the supplier and he must be notified of the final decision, with the reasons and criteria used. The Code established a Committee on Antidumping Practices to examine antidumping actions of countries and to reconcile any differences that may arise in interpretations of various parts of the Code.

U.S. adherence to the Code was controversial domestically. The President, in accepting the Code, took the position that it was compatible with existing U.S. law. Others contended that the Code's provisions were inconsistent with the U.S. Antidumping Act of 1921. Congress enacted legislation on the matter in October 1968. 1/

The frequency of antidumping procedures

The frequency of formal antidumping actions varies widely among countries. For example, 10 countries which are parties to the International Antidumping Code reported no formal antidumping activity on the part of their governments during the 12 months ending June 30, 1972. The antidumping activities of the other parties to the Code are summarized in table 11-D. It should be noted in connection with data presented in the table that when antidumping duties are imported by any country they normally are actually applied only to a few imports.

Table 11-D.--Summary of antidumping activities

Item	Canada	European Community	Finland	Greece	United Kingdom	United States
1. Cases pending as of 1 July 1971	10	1	-	9	2	34
2. Investigations opened	9	11	1	-	9	39
3. Cases on which provisional action taken	8	-	-	-	2	29
4. Cases on which final decision reached:						
a) antidumping duties imposed	5	-	-	-	3	16
b) cases settled through price undertakings	-	3	-	-	1	6
c) cases dismissed	6	1	-	1	5	9
5. Revocation of antidumping duties	-	-	-	-	1	-
6. Cases pending as of 30 June 1972	10	8	1	8	3	44

Source: General Agreement on Tariffs and Trade, Basic Instruments and Selected Documents, 19th Supplement.

1/ See Title II of the Renegotiation Amendments Act of 1968 (P.L.90-634), and also Report of the U.S. Tariff Commission on S. Con. Res. 38, Regarding the International Antidumping Code Signed at Geneva on June 30, 1967, Committee on Finance, United States Senate, 1968.

In the United States, for example, only imports on which appraisement has been withheld pending completion of the investigation usually pay antidumping duties because the importer immediately adjusts his prices upward if a finding of dumping is made. In 1972, the United States collected \$229,429 in antidumping duties.

Similar data on Australia and South Africa, two important countries which are not parties to the Code, are not available. The frequency of complaints against these countries, however, would seem to indicate that they are among the more active users of antidumping proceedings.

Various explanations have been suggested for the fact that some countries use antidumping procedures far less frequently than others. Undoubtedly, this is in part due to a difference in the commercial policy views of the countries on the matter of dumping. Another explanation put forward is that countries with few formal antidumping actions apply other measures to imports which their customs officials consider to be below normal value and thereby obviate the need for a formal antidumping proceeding. In some countries, for example, this can be accomplished when ad valorem duties are used simply by an upward adjustment in the customs value of the merchandise sufficient to offset any under valuation that might constitute dumping.

Complaints against foreign antidumping practices

Some of the complaints submitted to the Tariff Commission against foreign antidumping practices were similar to complaints made against U.S. practices. The complainants seem to share the consternation of

traders throughout the world when they unexpectedly find themselves confronted with a charge of dumping their product because of pricing in a manner which they consider legitimate business practice but which government officials in another country interpret otherwise.

The major complaints against foreign countries involved Australia, South Africa, and Canada.

Australia.--Australian customs officials impose provisional dumping duties after a complaint has been filed by an Australian industry as soon as they are satisfied that a prima facie case of dumping exists. The provisional duties are collected until the Tariff Board makes a finding in the case, and there is no limit on the time the Board may take for this. Two large U.S. chemical producers and a manufacturer of saws reported that this procedure has effectively destroyed markets which they had spent substantial sums developing and servicing. These same producers expressed dissatisfaction with the manner in which normal values for the determination of dumping are ascertained under Australian laws and regulations. Other complaints were made against the criteria which the Tariff Board appears to follow in their determinations of injury in antidumping cases. All of the complaints concerning Australia expressed the view that the Australian procedures did not allow sufficient opportunity for proper presentation by the foreign exporter of a refutation of the dumping charge.

South Africa.--In South Africa, goods are considered dumped if the price is below the "current domestic value" in their home market. U.S. producers of chemicals and wood products complained of the manner in which South Africa determines "current domestic value." It was reported that published price lists are arbitrarily used for this purpose without taking into consideration the discounts normally given on such list prices. One respondent felt the South African procedure favored companies which do not issue price lists. Some respondents felt antidumping duties had been imposed unjustifiably, contending that neither the volume of imports nor the price at which they had been entered could have adversely affected South African producers. Under South African law, customs officials may impose dumping duties whenever it is determined that "detriment may result to an industry" from the dumped imports.

Canada.--The Canadian antidumping system was completely revised after Canada adhered to the International Antidumping Code. This revision, which instituted an administrative mechanism based on the U.S. antidumping system, removed the basis for many of the major complaints which previously had been made against Canadian practices, and particularly the "automatic" application of dumping duties, which U.S. exporters had found so objectionable. In the present investigation complaints received against the new Canadian system concerned the manner in which normal value is determined, and particularly for transactions between related firms. One respondent stated: "We are given pricing formulas which we must use in computing fair market values

for products sold to our subsidiary in Canada. Using this arbitrary pricing formula, the cost of the goods to our own subsidiary is often higher than our prices to independent dealers in the United States."

Complaints against U.S. antidumping practices

After the Antidumping Code was negotiated, the U.S. Treasury Department substantially modified its administrative procedures in the antidumping area. The changes were principally designed to remove the cause of the numerous complaints which had been made during the 1950's and early 1960's against the prolonged U.S. procedures and withholding of appraisement. In spite of these modifications U.S. antidumping practices continue to be severely criticized.

In the Tariff Commission's current investigation of trade barriers, the American Importers Association (AIA) presented a lengthy detailed criticism of U.S. antidumping practices and several other complaints were received from individual importers.

Foreign governments also have strongly criticized U.S. antidumping practices in the past few years. Such criticism has appeared principally in meetings of the GATT Antidumping Committee, where representatives of the European Community, the United Kingdom, Sweden and Japan have taken the position that certain practices of the U.S. Treasury Department and findings of the Tariff Commission violate the Antidumping Code. 1/

1/ For a discussion of some of the current complaints made against U.S. practices see John J. Barcelo, "Antidumping Laws as Barriers to Trade -- The United States and the International Antidumping Code," in Cornell Law Review, April 1972.

Countervailing Duties

Countervailing duties are special duties imposed on imported products in addition to regular duties, if, under designated circumstances, these products benefit from foreign subsidies.

Countervailing duties differ significantly from regular duties and also from other trade barriers; regular duties and other trade barriers restrict international competition and the efficient allocation of world resources, whereas countervailing duties are designed to protect international competition and efficient resource allocation by counterbalancing the restrictive effect of another nontariff barrier, subsidies. It follows, therefore, that countervailing duties should be considered trade barriers only if improperly applied. Countervailing duties are supposed to counteract the effects of foreign subsidization only, and not to serve as a protective device against other means of import competition.

GATT provisions on countervailing duties

Article VI(3) of the GATT defines a countervailing duty as "a special duty levied for the purpose of offsetting any bounty or subsidy bestowed, directly or indirectly, upon the manufacture, production or export of any merchandise." To make sure that countervailing duties should not be used as a protective device, per se, but only as a device to offset the effect of subsidization, the GATT limits the amount of the countervailing duty to the amount of subsidy granted. Moreover, under the GATT, countervailing duties are not to

be levied unless the subsidization to be countervailed threatens "material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry." It should be pointed out that the GATT rules do not oblige countries to impose countervailing duties if the party injured in their market by foreign subsidies is not a domestic industry, but rather exporters of a third country.

The GATT does not offer any comprehensive definition of governmental measures that are to be regarded as subsidies. However, the GATT explicitly states that the exemption from indirect taxes applied to domestic consumption of the exported article does not constitute a subsidy.

U.S. provisions on countervailing duties

The U.S. countervailing duty statute was first enacted in substantially its present form in 1897. The present version ^{1/} provides that whenever any country bestows a bounty or grant upon a product, "then upon the importation of any such article ... into the United States, ... there shall be levied and paid, in all such cases, in addition to the duties otherwise imposed ... an additional duty equal to the net amount of such bounty or grant ..." The countervailing duty statute provides that the subsidies on which countervailing duties are imposed may be granted upon production as well as exports, and may be direct or indirect. Countervailing duties can only be imposed on imported items that are otherwise dutiable; they cannot be imposed on duty-free articles.

^{1/} Tariff Act of 1930, sec. 303, 19 U.S.C. 1303 (1965).

The statute contains no provision concerning injury of a competing domestic industry, therefore it does not conform with Article VI 6(a) of the GATT, which provides that the determination of such injury is a prerequisite for the imposition of countervailing duties. Since the U.S. statute predated the GATT, its continued application without violating the agreement is permitted under the Protocol of Provisional Application of the GATT. Foreign countries have frequently criticized the U.S. exemption and called for an international countervailing duty code, the implementation of which would require the amendment of the relevant U.S. statute.

The wording of the U.S. countervailing duty statute permits a broad interpretation and application thereof, the more so since the terms "bounty" and "grant" (currently generally referred to as subsidies) are not defined in the statute or administrative regulations issued under it. Hence, great discretion has been delegated to the Secretary of the Treasury, who was designated under the statute to determine on his own initiative, or following a complaint, whether a subsidy is involved, and to assess and collect countervailing duties accordingly. ^{1/}

The U.S. Customs Service or the Secretary of the Treasury are not required to disclose the reasons of their determination. It is notable in this respect that the existence of comparable U.S. subsidies does not preclude countervailing action against foreign

^{1/} The Secretary of the Treasury, in turn, redelegate this discretion to the U.S. Customs Service, which actually investigates subsidy complaints and makes the assessment of countervailing duties.

subsidies. The law does not place a limit on the time by which a decision must be reached after a complaint is filed, and U.S. countervailing duty proceedings generally have taken a considerable period of time.

Until now only importers have had the right to challenge the Treasury's imposition of countervailing duties in court. However, quite recently it has been proposed in Congress that U.S. manufacturers should also have the right to judicial appeal against a finding of the Treasury that denies their petition for countervailing duties.

Countervailing practices

It appears that countries other than the United States seldom, if ever, resort to countervailing, although several countries have countervailing measures in their statutes. ^{1/} The application of other protective devices, however, frequently preempts the need for countervailing. There is no information readily available that thus far U.S. interests would have been affected by the imposition of countervailing duties.

The United States has applied countervailing duties only infrequently. Since the first statute was enacted in 1897, countervailing duty orders have been issued in about 70 cases.

^{1/} New Zealand is known to have imposed countervailing duties in certain instances.

The term "countervailing duty" is frequently misused to describe a charge levied on imports in order to bring the price of an imported article up to a minimum specified by the government before the imported article is permitted entry. Such charges, however, are not imposed to counterbalance a foreign subsidy.

Earlier examples of U.S. countervailing duty impositions frequently involved foreign subsidization in the form of currency retention schemes and other related practices. Prior to the second World War the United States imposed countervailing duties in connection with German subsidization involving such manipulations. The National Socialist Government of Germany blocked foreign accounts, not permitting foreign firms to transfer their receipts out of Germany. American firms generally transferred their accounts, often at substantial discounts, to firms that used them to purchase goods that were approved and encouraged for export. This blatant form of currency manipulation subsidized German exports with funds received from U.S. and other imports.

Another instance of U.S. countervailing duty imposition against currency manipulation of a foreign country occurred with respect to exports of combed wool tops from Uruguay to the United States in 1953. In order to encourage the export of certain products (mostly of those with a high domestic value-added content), the Government of Uruguay permitted exporters of such products to convert their proceeds into pesos at higher rates of exchange than those granted to exporters of other products. Such privileged rates, in turn, enabled the exporters so favored to lower their export prices and compete more successfully in foreign markets. Although the Court of Customs and Patent Appeals ultimately overruled the application of countervailing duties in this case, stating that the calculation of the amount of subsidy involved was not supported by substantial evidence,

the Court nevertheless recognized that, in theory, the use of multiple exchange rates could result in subsidization.

In the late fifties and most of the sixties little use was made of the U.S. countervailing duty statute, but several countervailing duty orders have been issued since 1967. This recent surge in countervailing action reflected increased import competition on the U.S. market, resulting partly from intensified foreign subsidization of exports destined for the United States. In recent years, the most outstanding example of U.S. countervailing involved foreign subsidization in the form of direct payments to exporters. The U.S. Government imposed countervailing duties on most dutiable French imports, effective September 1968. In July of the same year the French Government granted direct subsidies to exporters which were designed to offset higher wage costs resulting from the civil disturbances that took place the previous May. The U.S. Government estimated the amount of the French subsidy on the average at 2.5 percent of the f.o.b. price, and imposed the same rate of countervailing duties. This duty rate was later cut to half upon an equivalent reduction by the French Government of the subsidy. Early in 1969, the French Government discontinued the payments altogether and the U.S. Government subsequently removed the countervailing duties on imported French merchandise.

Several countervailing duty impositions by the U.S. Government in recent years relate to the subsidization of exports from Italy to the United States, based on the Italian Law 639, of July 1964.

This law stipulates that certain industrial products (there is a list of 473 items) shall qualify on export for a refund of customs duties and various domestic indirect taxes, in addition to the Italian turnover taxes. Beginning in 1967, the Treasury Department has imposed countervailing duties on imports of transmission towers, welded wire mesh, ski lift towers and, most recently in March 1972, on compressors used in refrigerators, freezers and other appliances, imported from Italy, and benefiting from Law 639. When Italy shifted to a value-added tax system on January 1, 1973, some of the direct taxes which in part formed the basis of the rebates countervailed in the United States were discontinued. Nonetheless, it appears that this tax reform did not completely eliminate a further potential subsidization of Italian exports under Law 639.

Another example of most recent U.S. countervailing practices involves a case of subsidization of regional development in Canada in the form of grants, low interest loans and tax concessions. Effective February 1973, the Treasury Department imposed countervailing duties (estimated at 6.6 percent of the f.o.b. factory price) upon imports of X-radial steel-belted tires produced by Michelin Tire Ltd., of Nova Scotia, Canada. The Treasury's action was based upon the finding that the Canadian Government and the provincial government of Nova Scotia made grants amounting to \$23 million, the provincial government of Nova Scotia extended a low-interest loan of \$50 million, and local municipalities provided property tax concessions to the two plants of the Michelin Company in Canada. This was

the first time that the United States has invoked the countervailing duty statute when subsidization of regional development was involved. The Treasury Department indicated it was imposing countervailing duties in this case because output of the plants being subsidized would be chiefly exported, and predominantly to the U.S. market.

Opponents of countervailing Michelin's imports have taken the position that although the subsidies in question benefit production intended partly for export, this effect is incidental, i.e., the subsidies are "nondiscriminatory" in character. Moreover, they point out that regional development subsidization is standard practice in several countries, and a substantial number of U.S. exporters have also benefited from programs of this nature.

Although the subsidization of agricultural exports by foreign governments (especially those in the European Community) has been a significant trade issue in recent years, U.S. countervailing of farm imports has not been significant. 1/

An international agreement on countervailing

It has been proposed on several occasions, and particularly by critics of U.S. countervailing duty practices, that an international code on countervailing duty practices should be developed along the lines of the antidumping code. In the late 1960's, GATT members agreed in principle to hold discussions in this area, but

1/ The U.S. Government imposed countervailing duties on agricultural imports such as tomatoes and tomato concentrates from Italy, the sugar content of certain articles from Australia, and barley and molasses from France.

the United States and the European Community were unable to agree on the terms of reference of a working party to be established. The position of the United States was that countervailing should be discussed in the broader context of subsidy practices, especially those applied in agriculture; the European Community, on the other hand, did not want to discuss agricultural subsidization, but desired to focus instead on the removal of the exemption the United States enjoys from the injury requirement in its countervailing practices.

The elimination of the countervailing practice from international trade is intimately related to the removal of subsidies as international trade barriers. The solution of the latter, which is the primary problem, would automatically wipe out the practice of countervailing as well.

Chapter XII

DISCRIMINATORY OCEAN FREIGHT RATES

Introduction

Many U.S. producers and exporters reported to the Tariff Commission that discriminatory treatment in ocean freight rates greatly weakens their ability to compete abroad and enhances the competitive strength of foreign industries in the U.S. market. For example, ocean freight rates on many commodities from the United States to Japan are higher than the rates from Japan to the United States on the same products. The differences frequently are large, ranging from 20 percent to well over 100 percent. Moreover, since most foreign tariffs are applied on a c.i.f. basis, and most foreign consumption taxes, such as the value-added taxes in Europe and the commodity taxes in Japan, are applied on a landed duty-paid basis, the effects of the discriminatory rate treatment are multiplied.

For economic and security reasons, ocean shipping has long been regarded by nations of the world as a vital question. The United States has been no exception, expressing its concern about shipping and ocean freight rates with legislation which in this century alone runs from the Shipping Act of 1916 to the Merchant Marine Act of 1970. One of the major developments resulting from this legislation was the formation of the Federal Maritime Commission (FMC) in 1961 as the successor to the Federal Maritime Board. The FMC was charged, among its other duties, with guarding the U.S. foreign commerce against unjustly discriminatory

shipping practices. Two years later, the Joint Economic Committee of the U.S. Congress began an investigation of ocean freight rates which it maintained were a possible source of one such discriminatory practice. On the basis of a series of hearings from 1963 to 1965, the Joint Economic Committee issued this finding:

The international ocean freight rate structure is weighted against U.S. exports. Our exports bear most of the cost of vessel operation, even in trades where imports approximate exports in value and quantity. Government studies reveal that on trade between the U.S. Pacific coast and the Far East, freight rates on American exports exceeded rates on corresponding imports on 80 percent of the sampled items. This same discrimination prevails on 70 percent of the products shipped by American exporters from U.S. Atlantic and gulf ports to the Far East and on 60 percent of the commodities shipped from the Atlantic coast to Western Europe. 1/

In these differences between inbound and outbound ocean freight rates in U.S. foreign trade, the Joint Economic Committee felt there existed a damaging barrier to U.S. foreign commerce.

The occurrence of a difference in the ocean freight rate charged on the same item moving along reciprocal trade routes is known as a shipping rate disparity. Specifically, for U.S. trade, this means that it is generally appreciably more expensive per ton to ship a commodity from a U.S. port to a foreign port than to ship the identical product, or what is substantially an identical product, from the same foreign port to the same port in the United States--even if the same vessel is used in both cases. The Joint Economic Committee report determined that these

1/ U.S. Congress, Joint Economic Committee, Discriminatory Ocean Freight Rates and the Balance of Payments, (89th Congress, 1st Sess.), January 6, 1965, p. 3.

disparities are prevalent in the shipping trade from the United States along all outbound routes. This disparity problem seems to be a matter characteristic of U.S. shipping trade.

Ocean freight rate disparities have been singled out as contributing to the U.S. balance of payments deficit and export malaise by the Joint Economic Committee as well as by various private groups. Some have termed disparities between inbound and outbound rates in U.S. sea-borne trade a significant and damaging barrier against U.S. export trade. While acknowledging the disparities, shipping lines, American and foreign, defend the prevailing rate structures as economically just and necessary.

Shipping conferences

Shipping disparities are an outgrowth of the organization of ocean liners into conferences. A liner is a ship which operates along definite routes on the basis of definite fixed schedules. Liners are common carriers. They offer their services to the general public and, in the United States, are required by law to publish their freight rates and register them with the Federal Maritime Commission. For charter vessels, no fixed rate schedules are involved. The disparity question does not apply to charter ships since the rates for these ships involve a special agreement between the shipper and the shipping company. ^{1/} Tramp ships carry on their operations without a regular schedule. Usually, liners

^{1/} For example, in the recent U.S.-U.S.S.R. wheat sale, charter ships were used to transport the grain. According to the U.S.-U.S.S.R. Maritime Agreement of December 1972, one-third of the vessels had to be U.S. ships, another third were required to be Soviet ships, and the remaining third could be hired from any nationality.

haul only general cargo as opposed to bulk or liquid cargo. Trampers often carry bulk cargo. Tankers, because of their size, make up another category of ships. General cargo liners made up about 58 percent of the U.S. fleet (excluding the Great Lakes fleet) at mid-1971, while of the combined inbound and outbound trade of the United States in 1970, about 17 percent was carried in liners (excluding defense cargoes).

Only liners are organized into conferences, and most liners usually hold membership in one or several conferences. A conference is an association of shipping companies, operating along a specific trade route on the basis of a fixed schedule with a written basic agreement requiring that all member companies charge identical freight rates. Conferences often also undertake to allocate routes, berthing, sailing rights, etc. A conference is involved with freight movement in only one direction. Liners operating in one direction may or may not return by the same route; the goods, facilities, and methods involved in trade in one direction may vary greatly in the other. Thus, a liner frequently belongs to several conferences. Each conference has its own highly complex and intricate rate structure involving literally thousands of commodity classifications. As a result, although many conferences have members in common, each is likely to employ a different system of rates.

The conference system was developed as a reaction against cut-throat competition prevalent among shipping lines in the 19th century, much akin to the development of the railroad rate bureaus of the same period. Consequently, it happened that in the late 1800's, groups of shipowners interested in ocean traffic along specific routes, began to

band together to prevent disastrous rate wars. The development of steamshipping allowed for regularly scheduled sailings. By working in cooperation, these shipping lines were able to offer to the public dependable scheduled service at a uniform charge.

The flag ships of any nation interested in trading along a certain route may join the association. Since they offer identical prices, the conference lines form, in essence, a type of international cartel. However, for the shipper, a dependable program of departures and stability of rates is sufficiently crucial that he will tolerate the conference's monopoly control of rates.

First, by far the majority of knowledgeable shippers desire conditions of stability insofar as ocean freight rates are concerned. They want rates to remain stable for considerable periods of time. They want to know today what the rate will be 30, 60, or 90 days in the future. . . . Another factor involved in stability is reasonable assurance to the shipper that his competitors are paying the same rate he is paying. . . . What the shipper does not want is a situation of frequently fluctuating rates. 1/

Thus, the conference system has benefits for both the shipper and the shipowner.

Although this system fosters stability, it also has significant drawbacks, such as the shipping rate disparity situation in U.S. trade. The problem's proportions become more apparent when it is noted that U.S. outbound rates are substantially greater than inbound rates, in many cases 40 to 100 percent greater. The Joint Economic Committee, in its hearings on ocean freight rates, discovered that shipping rates

1/ Federal Maritime Commission, The Effect of Steamship Conference Organization, Procedure, Rules, Regulations and Practices upon the Foreign Commerce of the United States, Fact Finding Investigation No. 6, Aug. 16, 1967, p. 187.

on goods moving from the United States to "third market" ports are also far greater than those rates which are charged on the same commodities from other industrialized countries traveling to third market ports, even though the United States is far closer to these ports in nautical miles. 1/ It is not difficult to understand why a U.S. exporter becomes disturbed at the thought of paying a larger freight charge to ship his product to a market than his foreign competitor who is more distant from that market.

Government review of shipping conferences

Governments are hard pressed to bring review authority to bear on the actions of shipping conferences. Although the conferences are a kind of international monopoly, U.S. firms holding conference membership are exempt from antitrust action and have been since the early 1900's. It has long been the policy of the U.S. Government to allow the conferences to set ocean freight rates in foreign commerce. This kind of policy has been quite common; it is not unusual to observe a lack of governmental control of conferences and shipping rates in a great many maritime nations. 2/

1/ This chapter deals chiefly with maritime practices of developed countries. In order to give more complete coverage of the disparity picture, it should be noted that Gilbert Verbit in his Trade Agreements for Developing Countries (New York, 1969) states that the developing countries of the world face a disparity problem in shipping rates, not from the developing to the developed countries, but between the less developed countries themselves. Conferences would surely argue that the rates are high because of the lower volume of traffic.

2/ For example, among the major trading nations, Belgium, Canada, Denmark, Finland, West Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Turkey, and the United Kingdom also do not regulate activities of liner conferences or the setting of ocean freight rates in its foreign seaborne commerce. France regulates rates between metropolitan France and Algeria but not elsewhere. The Japanese Government does not officially regulate rates in international shipping, but steamship conferences are required to report rates in advance to Japan's ministry of transportation.

The U.S. Government does reserve the right to disapprove of particular conference rates as discriminatory to the nation through the regulatory powers of the Federal Maritime Commission. 1/ The FMC has probably been the most active of any national governmental agency in its efforts to influence the conferences. When the U.S. Congress passed legislation instituting the FMC, it bestowed upon this organization many broad-ranging powers, and the scope of FMC authority and actions have given pause to some foreign nations.

The question is how far FMC action goes toward the unilateral government control of trade. The Commission has asked shipping lines engaged in trade to and from America for details of the total revenue tons of cargo they carry, the total gross freight revenues they earn, the number of revenue tons of certain commodities, and the gross freight earned on the carriage of these commodities. It has also drafted a contract form for use in agreements between both foreign and American exporters, and then ordered conferences based both inside and outside America to adopt this. 2/

However, it is very difficult for the U.S. Government to monitor the conferences, for the conferences are not national bodies. Foreign nations may validly object when the United States attempts to review a conference, which is an international body. Moves to control foreign-owned steamship companies and foreign-based conferences may be seen by other maritime nations as violations of international law. Reactions to U.S. efforts toward securing information from foreign flag lines in order

1/ Section 17 of the U.S. Shipping Act, 1916, provides that, after notice and hearing, the Commission may disapprove a rate found to unjustly discriminate against an American exporter, as compared to his foreign competitors or disapprove certain unjust discriminations between shippers and ports. Section 18(b)(5) of the same act provides that the Commission, after hearing, may disapprove a rate or charge which it finds to be so unreasonably high or low as to be harmful to U.S. commerce.

2/ "Conflict at Sea," The Economist, Sept. 5, 1964, p. 936.

to make rate judgments have created difficult international situations; in 1964, for example, the British Government adopted legislation forbidding its shipping lines from obeying certain U.S. laws. The Consultative Shipping Group (CSG), a forum of 12 European nations and Japan, had its origins in the discussions among these nations in the early 1960's concerning how they might counter the actions of the FMC which they regarded as an intrusion of foreign authority over their national trade. 1/

The different interpretations of the role of government review over the conferences is illustrated in the recent attempts to write and implement a code of conduct for liner conferences. In 1971, the CSG governments requested The Committee of European National Shipowners Association (CENSA) to elaborate on a code of practice for liner conferences. As described in the resulting CENSA code, government representatives are not made participants in the procedures for conference consultation or conciliation. However, a developing country code, written as a draft code as a basis for discussion for the third UNCTAD conference held in April and May 1972 2/ provides that:

Disputes which cannot be settled as a result of consultation may be referred to local arbitration or, if so required by national legislation or regulation of the country from which the cargo originates, submitted to the decision of the government of that country...but disputes in the following case will, unless national legislation or regulation of that country provides otherwise, be referred to international arbitration.... 3/

1/ S. A. Lawrence, International Sea Transport: The Years Ahead (Lexington, Mass.: D.C. Heath and Company, 1972), p. 38.

2/ See UNCTAD document TD/III/c.4/L.2 and Annex and Corr. 1.

3/ Article 68 of the draft resolution submitted by Indonesia, Chairman of the Group of 77, on behalf of the Group. For a fuller discussion of this subject, see "UNCTAD III - The Question of Shipping," by Stephen Zamora in The Journal of World Trade Law, January-February 1973.

In other words, there is little or no agreement as to the proper relationship between government and conferences, and the international character of the conferences help these associations to remain free of any overt national control.

It has also been inferred that national blocs of shipping lines within the conferences try to exert some influence on the rate setting procedures in order to gain an advantage for the nation of their flag. In many conferences, one nationality group often does form a majority of the members. As participants in the conference, all member lines, regardless of the flag they fly, charge rates according to the same system. Each full conference member possesses one vote in the decision of a rate system. 1/ The conference rate setting methods are based upon several essential criteria common to most conferences of the world. With the exception of Japan, it is almost universally true that the conference shipping lines have little tie to their national manufacturing sector. It seems that though a nationality group may represent a majority of conference votes, there is little basis for the favoring of a particular nationality. For example, although the U.S. conference lines are aware that the United States faces a disparity problem, a shipping company is not likely to surrender the profits that high freight rates afford it in order to aid in the solution of the national problem.

The conference rate making system

As stated, the conferences examine each potential shipper's product according to several criteria before they set a rate. They study

1/ There are associate conference members, which have no vote.

the value of the product which the shipper wishes to export. The probable volume of the commodity's movement overseas is examined. The conference looks at the competitive situation of both its customer and itself with regard to this product. Also observed are the cost of shipping operations, loading, stowing, and unloading of the product and the transportation characteristics of this commodity (perishable, dangerous, flammable, fragile, etc.). However, each conference may apply and interpret these criteria in a way unique to itself. Considering the incredibly complex commodity classification system and different application of these basic precepts for rate making by each conference, it is not surprising that each conference has a very personalized rate structure.

Within the framework of these conference criteria, some basis for the disparity situation exists. The conference uses the commodity's value as a major measure for the levying of a freight rate. U.S. unit prices tend to be higher than those of its trading partners, and as the value of a product increases, the rate charged on it likewise increases. Under these circumstances, it is not unreasonable to expect that freight rates levied on many products originating in the United States would reflect these greater values.

Another conference criterion is the cost of ship operation. Some explanation for the disparities in the trade with third market ports exists because, according to the shipping lines, the greatest part of the cost of ship operation is not in moving the goods across

the ocean but in loading, stowing, and unloading. 1/ Another consideration, though secondary, on the subject of ship operation is the possibility that the very presence of U.S. liners in a conference may force up the freight rates. The cost of U.S. merchant marine is high relative to other maritime nations. U.S. liners probably are most competitive in the uniform and closely regulated atmosphere of the conference. When liners take part in conferences and agree to use the same rate schedule, they expect that this suppression of competition will enable them to show a profit.

The competitive norm appears to require the regulatory body to determine the lowest rate level at which all the carriers that are needed to provide the service (demanded at that rate level) would earn at least enough revenue to cover all their costs. The highest-cost carrier in this group--i.e., the marginal carrier--would earn little or no more than that amount. Such a method would prevent shippers from being penalized because of the abnormal revenue requirements in an over-tonnage trade. 2/

Thus, it is possible that the presence of liners with higher expenses may well create a need for a higher rate structure in order to allow all conference members to operate at a profit. This results in a general upward trend in rates both outbound and inbound. 3/

For the conferences, the assumption that the inbound and outbound rates on a specific product should be equal is fundamentally wrong.

1/ An FMC investigation has established that the United States is the highest cost country in respect to loading and discharging.

2/ William L. Grossman, Ocean Freight Rates (Cambridge, Md.; Cornell Maritime Press, 1956), p. 125.

3/ FMC Fact Finding Investigation No. 6 (August 16, 1967) states that it appears likely that the higher American flag operating costs, especially in trades where unsubsidized American flag carriers predominate and where there is a large movement of government cargo, would cause a tendency toward higher freight rates.

This opinion is due in some part to their theory of the "product mix" of a trade route. Even though a certain product, manufactured in the United States and abroad, is identical, exactly the same in dollar value, and the U.S. originating and foreign originating commodity must travel the same nautical miles to reach the final market, the rates will probably not be the same. Each identical product may not travel in exactly the same quantity at the same time with the same accompanying goods. Thus, since the "product mix" is different, the conference feels that there is a justifiable basis for different rates.

Beyond these considerations, the conference, in setting its rates, tries to make itself aware of both the shipper's ability to pay a certain rate and also by what amount this rate can rise until the shipper's product is priced out of the foreign market. Simply stated, the conference tends to charge what it thinks the traffic will bear. By exacting a rate that could possibly dry up the market for a U.S. export, the conferences would only be denying themselves future business.

Cargo preference

Many nations employ a system of cargo preference as a means of subsidizing their national fleet. In order to provide for the carriage of a substantial part of U.S. foreign trade in U.S. flagships, legislation was enacted awarding special types of government-owned or financed cargoes to U.S. flag commercial ships. One such act which was passed in 1904 gave U.S. flagships preference in the transportation of supplies for the armed forces overseas. Public Law 664 (1954), known

popularly as "The Cargo Preference Bill," likewise provided preferential treatment for the U.S. merchant marine.

Whenever the United States shall procure, contract for, or otherwise obtain for its account, or shall furnish to or for the account of any foreign nation without provision for reimbursement, any equipment, materials, or commodities, within or without the United States, or shall advance funds or credits or guarantee the convertibility of foreign currencies in connection with the furnishing of such equipment, materials, or commodities, the appropriate agency. . . shall take such steps. . . to assure that at least 50 per centum of the gross tonnage of such equipment, materials, or commodities. . . which may be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for United States flag commercial vessels in such manner as will insure a fair and reasonable participation of United States flag commercial vessels in such cargoes by geographic areas. . . 1/

In addition, Public Resolution No. 17, passed in 1934, provided that exports financed by loans from the Reconstruction Finance Corporation or any other such Federal Government agency be carried only in U.S. flagships. It is possible to set aside these requirements, and they have been set aside often.

What is the effect of cargo preference? There have been many complaints that the practice is highly detrimental to world trade.

This system of artificial quotas or of building walls around these cargo markets not only removes them from the free play of competition but is contributing to a world shipping system of restricted markets. . . . The temptation is for each nation to follow the shortsighted practice of restricting the carriage of its import and export trade to vessels

1/ As quoted in Wytze Gorter, United States Merchant Marine Policies: Some International Economic Implications, Essays in International Finance, No. 23, (Princeton University Press, 1955), pp. 9-10.

flying its flag. . . .At best, the result will very likely be a world shipping system in which large portions of the world's fleet go empty half the time. 1/

U.S. unions and shipping lines feel differently. Their opinion is that cargo preference is a major force in keeping the American merchant marine in operation. Certainly the implementation of the concept of cargo preference is increasingly common. "Brazil, Chile, Colombia, France, Peru, the Philippines, Taiwan, Uruguay, and Venezuela have all adopted cargo preference measures since the United States enacted in 1954 Public Law 664. . . ." 2/

The conference usually, as a matter of practice, regards the transportation arrangements and rate structure for government cargo as a matter of negotiation between a national government and the shipping lines of that flag. Unfortunately, this kind of method can add to a shipping rate disparity problem, as is the case with the United States. The cargo preference system creates a tendency towards upward pressure on freight rates. There is certainly less competition for government-owned cargo which is reserved to national flag ships. Where competition is less, rates have a tendency to increase. 3/ This problem is compounded when, in the same trade, a commodity moves both commercially and as preference cargo.

1/ Covington and Burling, Counsel for A.P. Moller, Copenhagen, "Statement on Cargo Preference," U.S. Congress, Joint Economic Committee, Discriminatory Ocean Freight Rates, pp. 1247-8.

2/ Ibid., p. 1255.

3/ Federal Maritime Commission, Fact Finding Investigation No. 6: The Effects of Steamship Conference Organization Procedure, Rules, Regulations and Practices Upon the Foreign Commerce of the United States; Aug. 16, 1967; pp. 144-46.

A carrier may be receiving a large share of government cargo either by allotment from the government without competition or through the more limited competition of other American flag lines. When this carrier is asked to reduce the rate on that particular commodity to enable a commercial commodity to move. . .there would obviously be a tendency on its part to vote to maintain the higher rate level and protect the revenue it is already receiving from the government shipments. 1/

The result is an increased disparity in rates between the outbound and inbound trade routes.

The UNCTAD Secretariat in a report on "The Regulation of Liner Conferences (Code of Conduct for Liner Conference System)" suggested the 40-40-20 formula that cargo should be shared equally by the flag lines of the countries whose trade is carried; third-flag carriers may participate but should carry no more than 20 percent of the cargo among them.

Means of changing conference rates

Insofar as the U.S. outbound rates are a good deal higher than those inbound, discrimination is involved. If this discrimination is found to be a real barrier to the trade of a commodity, there are mechanisms which can be employed to change the rate. Some of the most exorbitant U.S. outbound rates have an end result of adding only a few percent on the overseas selling price of the U.S. export, but this creates a deterrent to sales abroad for the U.S. product which is only marginally competitive in a foreign market. If a commodity's price is just low enough to compete overseas, the extra percentage that a high

1/ Ibid., p. 147.

shipping cost will add to that price may destroy the product's competitive position.

There are several ways of avoiding the normal conference rates. A charter ship's rates are lower than the usual conference rate, if the shipper is able to hire an entire vessel (not a likely situation for the marginal competitor). If the shipper does not require regularly scheduled service, a tramp ship will carry freight for less. Within the conference, there is official machinery for handling requests for rate changes although it has been questioned how often the shipper obtains favorable results from this procedure. The structure of the conference usually also provides for a dual rate system. If a shipper is willing to send his goods exclusively within the conference for a particular length of time, the conference will apply lower rates. ^{1/}

In many nations like Japan and the United Kingdom, there is another force which helps shippers to obtain rate changes. These are the strong national shippers councils which negotiate with the conferences on rates and services and have shown themselves very able to get results from the conferences in areas where governmental agencies have been ineffective. Shippers councils in the United States have not been able to organize themselves to the effective strength of those of other countries. However, it may be that shippers councils in the United States would be liable to antitrust prosecution.

^{1/} This system is distinctive from the deferred rebate system which is illegal in the United States. Under this system, instead of an immediate discount, the shipper must wait for a deferred rebate payable sometime after the actual shipping takes place.

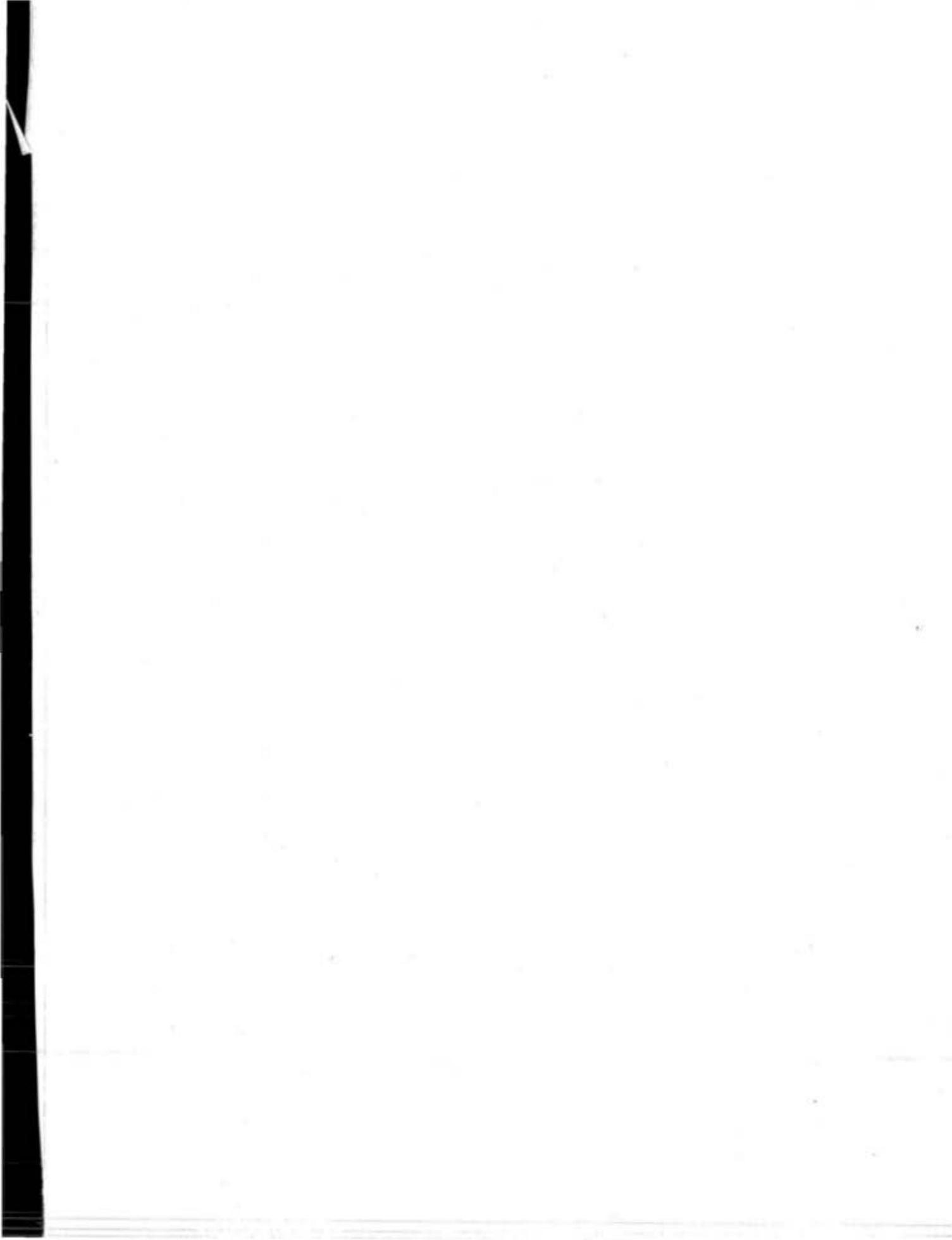
Finally, there is a growing trend in the shipping world which could possibly put an end to the shipping rate disparity issue entirely: that is containerization. The development of containerization should cut down on the high U.S. cost of loading and discharging. Commodity rate classifications would be tremendously simplified by the widespread, systematic use of standard containers and container ships. Commodities could be organized into groups referred to simply as "class 1," "class 2," etc. Rates would be based on the weight and value of one container filled with a commodity.

For example, if 1,000 Japanese typewriters, weighing 20,000 pounds and with a total value of \$50,000 can be carried in one container and 500 U.S. typewriters, weighing 20,000 pounds and with a total value of \$50,000 can be carried in the same container, then these commodities should fall under the same commodity "Class". Then, a flat rate per one container of this commodity "Class" could be established, which would be the same rate for both directions. 1/

The disparity issue would be ended and the conference rate system made immeasurably simpler.

Though the growth of containerization has been dramatic, complaints still point to ocean freight rate disparities as a nontariff trade barrier. However, the extent to which disparities retard the U.S. export situation is unsure, as is the solution for an effective end to this problem.

1/ U.S. Department of State, Washington, D.C., A-358, May 1971.



part 3

major industrial product sectors: tariffs and other trade barriers

Report to the
Committee On Finance
of the United States Senate
and its
Subcommittee On
International Trade

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

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of the
United States Senate

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on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 7 OF 11

PART III. PRODUCT SECTORS: TARIFFS AND OTHER
TRADE BARRIERS

CHAPTER XIII. PRODUCT SECTORS: SOME
GENERAL OBSERVATIONS



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C O N T E N T S

Volume 7

CHAPTER XIII. PRODUCT SECTORS: SOME GENERAL OBSERVATIONS

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Chapter XIII

PRODUCT SECTORS: SOME GENERAL OBSERVATIONS

Introduction

Chapter IV of this report presents and discusses average tariff levels of the United States, Canada, Japan, the European Community, and the United Kingdom, chiefly in terms of large aggregate averages for "all industrial products" and "all agricultural products," and summarizes the theoretical and methodological considerations which are to be borne in mind in making any international comparison of tariff levels. That chapter also contains some summary tariff data for lower levels of product aggregation in which industrial products are subdivided into 23 product sectors, and agricultural products into 9 sectors.

Chapter VI discusses the overall nature and extent of concessions contained in trade agreements to which the United States is a party. In chapters VII through XII, nontariff barriers are discussed in detail, principally by category or type of barrier.

The purpose of this third part of the report is to present tariff comparisons in greater detail and at a much lower level of product aggregation where the averages become more meaningful, to give a more detailed indication of the change which has occurred in average tariff levels of smaller product groups since inception of the trade-agreements program, and to relate nontariff trade barriers more directly to the specific products upon which they impinge.

In this part of the report, comparisons of MFN tariff levels of the United States, Canada, Japan, the European Community, and the United Kingdom are made for each of the 23 industrial product sectors and 9

agricultural product sectors, first described in Chapter IV, at the sector level as a whole and for the most important categories of products within the sector. Average duty levels of each country are presented, together with the distribution, by duty level, of each country's MFN tariff provisions and MFN imports in the sector. The trade importance of the sector is discussed in terms of the volume of trade and the direction of trade flows among the five major markets under consideration. An effort has been made to show the overall reduction which has occurred in each of the five tariffs under examination since the United States first negotiated with the respective countries for mutual tariff reductions under the reciprocal trade-agreements program. And finally, complaints submitted to the Commission during this investigation against tariffs or other trade barriers or practices affecting products in the sector are summarized.

The 32 sectors, which are numbered and discussed in the order of their importance in total export trade of OECD countries 1/ in 1969, are listed in table 13-A.

In each of the product sectors are found tables showing the network of trade in the particular product among the United States, Canada, Japan, the European Community, the United Kingdom, other OECD countries, and non-OECD countries (including a subtotal for less developed nations). The primary purpose of these tables is to show trade patterns and the

1/ A list of members of the Organization for Economic Cooperation and Development (OECD) is given at the end of this chapter.

Table 13-A. -- Product Sectors: OECD and United States Trade in 1969 and 1970

		(Millions of dollars)							
Sector number	Description	OECD trade				United States trade			
		1969		1970		1969		1970	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
<u>Industrial Sectors</u>									
I-1	Nonelectrical machinery-----	27,735	18,983	33,098	23,271	6,866	2,506	8,030	2,975
I-2	Transport equipment-----	27,137	18,409	30,365	20,869	6,945	5,352	6,947	5,974
I-3	Ores, metals and metal manufactures-----	24,182	27,510	29,860	33,197	3,125	4,938	3,864	5,528
I-4	Chemicals-----	16,140	12,540	18,608	14,640	3,208	1,275	3,715	1,478
I-5	Textiles-----	13,936	15,236	15,212	16,202	1,235	2,292	1,335	2,492
I-6	Electrical machines and apparatus-----	10,930	8,080	13,211	9,988	2,213	1,820	2,471	2,109
I-7	Pulp, paper and paperboard, and manu- factures-----	7,872	6,750	9,007	7,533	1,204	1,714	1,449	1,734
I-8	Coal, petroleum, natural gas-----	5,595	19,493	7,128	23,038	1,193	2,802	1,645	3,083
I-9	Mineral products and fertilizers, ceramic products and glass-----	5,200	5,025	5,722	5,652	863	840	871	920
I-10	Professional, scientific and control- ling instruments, photographic apparatus, clocks and watches-----	5,033	3,648	5,895	4,344	1,210	590	1,354	667
I-11	Wood and cork and manufactures-----	3,254	5,666	3,551	6,147	618	1,129	694	955
I-12	Precious stones, precious metals and manufactures-----	2,861	3,871	2,491	3,461	343	834	263	764
I-13	Rubber and rubber manufactures-----	1,985	2,456	2,334	2,660	352	477	380	498
I-14	Raw hides and skins, leather and furskins and manufactures-----	1,607	2,363	1,675	2,210	293	365	263	336
I-15	Footwear and travel goods-----	1,519	1,542	1,720	1,797	21	588	23	737
I-16	Musical instruments, sound recording or reproduction apparatus-----	1,429	1,148	1,605	1,386	246	423	229	505
I-17	Firearms, ammunition, tanks and other armored fighting vehicles-----	1,164	417	1,126	398	760	117	698	95
I-18	Furniture-----	906	938	1,010	1,079	95	192	53	231
I-19	Toys and sporting goods-----	868	899	978	1,059	118	307	136	383
I-20	Photographic and cinematographic supplies-----	818	667	961	783	255	77	278	106
I-21	Works of art and collectors' pieces-----	334	488	343	462	42	185	47	162
I-22	Office and stationery supplies-----	244	171	270	186	43	18	44	18
I-23	Manufactured articles not elsewhere specified-----	838	862	968	1,149	86	254	92	328
	Total industrial sectors-----	161,587	157,162	187,338	181,511	32,274	29,092	34,861	32,078
<u>Agricultural Sectors</u>									
A-1	Foodstuffs-----	5,020	11,659	5,614	13,173	819	2,681	866	3,201
A-2	Grains-----	3,807	3,567	4,609	4,105	1,947	20	2,400	29
A-3	Animals and products thereof-----	2,927	5,007	3,384	5,579	249	991	240	1,180
A-4	Oil seeds, fats and oils, and their products-----	2,436	3,735	3,398	4,590	1,505	198	2,192	214
A-5	Beverages and spirits-----	1,673	1,735	1,987	2,066	65	661	83	741
A-6	Dairy products-----	1,478	1,302	1,713	1,468	116	72	124	89
A-7	Fish, shellfish and products-----	1,301	1,778	1,519	2,101	86	692	95	794
A-8	Tobacco-----	1,298	1,226	1,332	1,226	696	129	679	128
A-9	Miscellaneous agricultural and forestry products-----	1,324	2,082	1,573	2,421	206	252	244	280
	Total agricultural sectors-----	21,264	32,091	25,129	36,729	5,689	5,696	6,923	6,656
	Grand total-----	182,851	189,253	212,467	218,240	36,963	34,791	41,784	38,734

Source: Compiled from OECD Statistics of Foreign Trade, Series C.

directions of trade flows to assist in assessing the significance of relative duty levels on trade among the major trading nations. The secondary purpose is to give an indication of the general order of magnitude or importance of trade in the product area.

The trade data given in the tables are for 1969, which was the latest year for which OECD trade statistics were available when most of the basic statistical work for this report was completed. It has been possible to include in the text some of the 1970 OECD trade data which recently became available.

There has been a substantial increase in world trade since 1969, and the magnitude of the increase for the United States, Canada, Japan, the European Community, and the United Kingdom is shown in table 13-B. However, in general, the patterns of trade flow shown in the trade network tables for the product sectors remain the same.

Chapter IV has discussed the problems of achieving comparability in tariff and trade product categories necessary for any comparison of tariffs among nations. As explained in detail in Chapter IV, this comparability has been accomplished for the present study by using as "building blocks" the product categories (headings) of the Brussels Tariff Nomenclature (BTN), which is used by all important trading nations except the United States and Canada. It has, of course, been necessary to translate U.S. and Canadian tariff and trade data into the BTN format. The exact coverage of each product sector is specified in terms of BTN headings, and the full description of each BTN heading is given in the appendix to this chapter.

Table 13-B.--Trade of the United States, Canada, Japan, the European Community, and the United Kingdom, 1969-72

(In billions of dollars)						
Country	Year	Imports		Exports		
		Value	Index (1969 = 100)	Value	Index (1969 = 100)	
United States----	1969	36.0	100	38.0	100	
	1970	39.9	111	43.2	114	
	1971	45.5	127	44.1	116	
	1972	55.6	154	49.8	131	
Canada-----	1969	13.1	100	13.8	100	
	1970	13.4	102	16.2	117	
	1971	16.8	128	18.3	133	
	1972	20.5	156	21.0	152	
Japan-----	1969	15.0	100	16.0	100	
	1970	18.9	126	19.3	121	
	1971	19.7	131	24.0	150	
	1972	23.5	157	28.6	179	
European Community <u>1</u> /---	1969	39.3	100	39.2	100	
	1970	45.6	116	45.2	115	
	1971	49.1	125	50.6	129	
	1972	52.5	134	56.7	145	
United Kingdom---	1969	19.3	100	16.9	100	
	1970	21.7	112	19.4	115	
	1971	24.0	124	22.3	132	
	1972	28.0	145	24.3	144	

1/ Excludes intra-EC trade.

Source: For the United States, U.S. Foreign Trade: Highlights of Exports and Imports, January 1973, pp. 21 and 63. For Canada, Japan, and the United Kingdom, for the years 1969 and 1970, United Nations Statistical Office, Statistical Yearbook, 1971; and for 1971 and 1972, import data were obtained from Commerce Today, U.S. Department of Commerce, Apr. 30, 1973, pp. 36 and 37 and export data were obtained from the 16th and 17th annual report of the President of the United States on the trade agreements program, 1971 and 1972. For the European Community, data were obtained from Foreign Trade: Monthly Statistics issued by the European Community's Statistical Office.

Comparing average tariff levels

Problems in comparing national customs tariffs, especially at aggregate product levels, have been discussed in detail in Chapter IV of this report, but the principal points to be kept in mind while examining the comparisons made in the following pages bear restating.

First, when dealing with a single product, the level of the tariff usually can be clearly indicated. However, when products which are subject to different tariff rates must be aggregated in order to discuss a large category of products, there is no satisfactory method for averaging the various rates to express in a single figure an unbiased average tariff. Nevertheless, the most practical method for wide-ranging comparisons is in terms of groups of products, and one must therefore resort to averages. As indicated in Chapter IV, in preparing the GATT Tariff Study it was recognized that agreement among the GATT contracting parties could never be achieved on a single average as the "fairest" indicator of a country's tariff level; thus, four averages -- a simple arithmetic average and three averages weighted in different ways -- were calculated, thereby enabling each country to select an average it preferred for the purpose at hand.

For comparing national tariff levels in the present report, the simple arithmetic average and an average weighted by the country's own imports are used. These have been selected primarily for two

reasons: Their simplicity of concept, and the fact that they are widely presumed to represent the two extremes of bias, and therefore, should be indicative of the range in which the true average is found. On the theory that a country's imports will be greatest in products with low rates of duty, and smallest in products with high restrictive rates, an average of tariffs weighted by the country's own imports entering at the various rates of duty is presumed to have a strong downward bias. On the other hand, a simple arithmetic average that gives equal weight to every line provision is presumed to be biased upward, in part because national tariff nomenclatures tend to be more detailed in categories of dutiable products where protection is desired, and far less detailed for duty-free or low duty articles. However, it has been shown in Chapter IV and also will be seen in the tariff comparisons which follow that there are numerous cases where the relative position of these averages does not conform to the popular notion of their direction of bias.

A second point to be borne in mind is that the comparisons made here are based on MFN rates of duty only. Provisions for non-MFN tariff treatment (i.e., either preferential or "statutory"), and trade under those provisions, have not been used in calculating the averages. Of the two classes of exclusions, preferential tariffs and trade are by far the most important; their inclusion in the calculations would in many cases place the average duty levels significantly below the

level calculated on MFN provisions alone, but their existence heightens the restrictive impact of the MFN duty on imports not enjoying the preferential treatment. For the past several years, preferential treatment has been given imports into Canada from Commonwealth countries, into the United Kingdom from Commonwealth and EFTA countries, into the European Community from associated countries and territories, and into the United States from the Philippines and, for automotive products only, from Canada. Under these preferential arrangements, almost 20 percent of industrial product imports into the United Kingdom in 1970 were given preferential treatment, as were 11 percent of U.S. industrial imports, 4 percent of Canadian imports, and about 1 percent of shipments into the European Community from outside sources; Japan's preferential imports were negligible.

In each of the product sectors will be found an indication of the portion of imports of the five major countries which has entered with preferential tariff treatment. However, these data reflect trade flows under preferential arrangements as they existed prior to 1972, and preferential tariff arrangements are in the process of changing significantly. A series of new preferential agreements has been made between the European Community and the EFTA countries not acceding to Community membership; many developed countries have implemented, or are planning, generalized tariff preferences for products of LDC's; and Commonwealth preferences are expected to be

modified or phased out after entry of the United Kingdom into the European Community.

Also excluded from the calculations of duty averages used here is trade within the customs union of the European Community (West German imports from France, Italian imports from West Germany, etc.), which moves duty free and is considered for customs purposes an internal transaction (not imports). The value of intra-EC shipments is only 10 percent less than EC imports from outside sources.

Another important consideration in any comparison of tariffs is the system for determining the customs value of a product upon which ad valorem duties are assessed. The intricacies of this problem are summarized in Chapter IV and discussed in detail in a recent report on customs valuation submitted to the Committee on Finance of the U.S. Senate. ^{1/} Suffice it to say here that the United States and Canada use a system which determines the value usually in the country of export (an "f.o.b. system") whereas the European Community, the United Kingdom and Japan (and most other countries of the world) use a system which determines the value usually at the port of entry into the importing country (a "c.i.f. system").

Since the c.i.f. value is greater than the f.o.b. value of a product (by virtue of inclusion of insurance and freight charges)

^{1/} See Customs Valuation, Report of the U.S. Tariff Commission to the Committee on Finance, March 1973.

an ad valorem rate applied to the c.i.f. value collects more absolute duty than the same rate applied to the f.o.b. value. This difference can be significant for individual products which bear high freight or insurance charges. In large aggregates, however, it becomes less important. The differences are discussed in Chapter IV in terms of U.S. tariff averages. There it is shown that for the 23 industrial sectors, if U.S. duty collections had been applied to c.i.f. rather than f.o.b. values for calculation of average duties, in no sector would the average duty level have been lower by more than 1.5 percentage points.

Finally, the reader should understand that generalized conclusions on the restrictive effect on a tariff, based solely on whether the nominal rate appears to be relatively "low" or "high," are seldom warranted. A growing number of academic studies are showing that the effective tariff protection of a given nominal rate for a product can vary widely among countries; "low" nominal rates can be extremely restrictive, while "high" nominal rates have been shown to have an unexpectedly low restrictive effect. 1/

The average tariff levels in this report were calculated using the final stage of Kennedy Round rates, which became effective on January 1, 1972, for the United States, the European Community, and the United Kingdom; on July 4, 1969, for Canada, and on April 1, 1971, for Japan. The averages for Japan do not reflect the unilateral duty

1/ For a discussion of "effective" levels of protection, see the section entitled "'Effective' Versus Nominal Tariff Rates" in Chapter IV, Tariffs.

reductions (for the most part, of approximately 20 percent) which Japan made in 1972 on most industrial products and some agricultural products. They also do not reflect the temporary reductions made by Canada in February 1973 on a wide range of products, particularly consumer goods, by an average of 5 percentage points. The Canadian reductions covered roughly 10 percent of Canada's total imports and 20 percent of dutiable imports. The weighted averages for the 32 sectors were calculated using 1970 import data. At the subsector level, weighted averages for agricultural products were also based on 1970 imports; for industrial product subsectors, the calculations were made on 1967 imports. The industrial product averages have been taken from basic documentation prepared for the GATT Tariff Study. The agricultural product averages are calculations made by the Tariff Commission.

The effect of European Community enlargement

The tariff and trade data on the European Community presented in this report are for the Community as it existed prior to 1973, comprised of six nations: Belgium, France, Luxembourg, Netherlands, Italy, and West Germany. On January 1, 1973, the Community was enlarged to include three additional countries (the United Kingdom, Denmark, and Ireland) whose tariffs on goods from non-EC countries are being aligned gradually over a five year period to conform with the Community's Common External Tariff, while tariffs on trade of the six original members with

newly acceding countries will be gradually removed. 1/

The effect of EC enlargement on the tariff averages contained in this report is that over the next few years the tariff averages shown for the United Kingdom will move toward the levels shown for the European Community, and at the end of the alignment period be incorporated into the EC averages. Since the vast majority of EC rates are ad valorem, the EC arithmetic average will not significantly change, but the weighted average can undergo some change due to changes in the trade used for weighting. The magnitude and direction of the changes in the weighted average is not known.

Measuring the "extent of tariff concessions"

To respond to that part of the Senate Finance Committee's request to the Commission dealing with the extent of tariff concessions granted in trade agreements, an effort has been made to determine the "pre-trade agreement" average level of tariffs of the United States, Canada, the United Kingdom, Japan, and the European Community for comparison with the averages of today.

Problems inherent in comparing average tariff levels at a single point in time are further compounded when comparing average levels over

1/ The schedule of installments for the alignment of the tariffs of the acceding countries to the Common External Tariff is as follows: 40 percent on January 1, 1974, and 20 percent each on January 1, 1975, January 1, 1976, and July 1, 1977. The schedule of installments for removing the tariffs on internal trade in the enlarged Community is as follows: 20 percent each on April 1, 1973, January 1, 1974, January 1, 1975, January 1, 1976, and July 1, 1977.

a period of time, especially if the purpose of the comparison is to determine or measure the amount of change due to a single factor, such as modification in the nominal rates of duty.

The change in a country's average tariff level over time is a function of three factors: Changes in the individual nominal rates of duty in the tariff schedule; changes in the prices of products subject to specific rates of duty; and changes in the composition of imports, which are used as weights in calculating the average level of the tariff. An examination of the following statistics on U.S. imports, duties collected, and average duty levels in 1932 and 1972 will illustrate the operation of these three factors.

	<u>1932</u>	<u>1972</u>
Total U.S. imports-----	\$1,325.0 million	\$55,282.3 million
Free:		
Value-----	\$885.5 million	\$18,911.8 million
Percent-----	66.8	34.2
Dutiable:		
Value-----	\$439.6 million	\$36,370.5 million
Percent-----	33.2	65.8
Duty collected-----	\$259.6 million	\$3,123.7
Average ad valorem duty level:		
Total imports-----	19.6% ad val.	5.6% ad val.
Dutiable imports-----	59.1% ad val.	8.6% ad val.

Import duties collected by the United States in 1932 were equal to 19.6 percent of the value of total imports, and 59.1 percent of dutiable imports; 1972 duty collections equaled 5.6 percent of the value of total imports, and 8.6 percent of dutiable imports. This very substantial decline in the average tariff level is the net result

of contradictory forces. Between 1932 and 1972, there was a remarkable change in the composition of U.S. imports, one aspect of which is illustrated by the shift in ratios of dutiable and free products. If other factors (intentional rate reductions and inadvertent rate reductions through price increases of specific duty products) had not intervened, this change in product composition undoubtedly would have resulted in a higher average duty level in 1972 than in 1932. The direction of force of both the other determining factors, however, was downward, and they were of sufficient strength to more than counter-balance the upward push from the greater importation of dutiable merchandise. The majority of tariff rates were cut during the period by 50 percent or more in trade negotiations. The very significant rise in the general price level between 1932 and 1972 meant a correspondingly significant drop in the ad valorem equivalent of specific duties.

The relative strength of these two downward forces has never been determined. The trade agreement cuts in duties are believed to have contributed more to lowering the U.S. average tariff level than the reductions resulting from inflation. However, because almost 40 percent of U.S. duties are specific rates, inflation has been a very important factor in lowering the level. An illustrative example of its significance can be found in a product such as potatoes, imports of which had a unit value of 68 cents per 100 pounds in 1932, and \$2.75 in 1972. The 1932 duty was 75 cents per 100 pounds, equivalent

to 110 percent ad valorem in terms of 1932 prices, and 27.2 percent ad valorem in terms of 1972 prices. The price rise, in effect, lowered the duty by 83 percentage points. In a trade-agreement concession to Canada, the duty was cut 50 percent to 37-1/2 cents per 100 pounds on a specified amount of imports each year. The ad valorem equivalent of this reduced duty today is only 13.6 percentage points lower than the duty would be if no trade-agreement concession had been made.

It has not been possible to isolate the effect of each of the three determinants of change in average tariff levels over time in order to indicate clearly that a specific amount of the change measures the "extent of tariff concessions." Nevertheless, it is felt that the calculations which have been made give a reasonable estimate of the order of magnitude of reductions in tariff levels made by tariff concessions.

The methodology for calculating the pre-trade-agreement average tariffs is described in Chapter V of this report. The type of averages which were calculated are as follows:

	<u>Industrial products</u>	<u>Agricultural products</u>
United States	Own-trade-weighted	Simple arithmetic
European Community	Own-trade-weighted	Simple arithmetic
United Kingdom	Own-trade-weighted	Simple arithmetic
Japan	Own-trade-weighted	Simple arithmetic
Canada	Simple arithmetic	Simple arithmetic

For industrial products, the appropriate trade data for Canada were not available to permit calculation of an own-trade-weighted average for pre-trade-agreement Canadian tariffs, and it was therefore necessary to use an arithmetic average to indicate the extent of reduction in Canada's tariff level. ^{1/} For agricultural products, arithmetic averages are used for all countries.

The averages were calculated using tariff rates in effect just prior to the first negotiation between the respective country and the United States for reciprocal tariff reductions under the Trade Agreements Program. Thus, the pre-trade-agreement "base dates" differ for each country and are as follows: United States, 1934; Canada, 1934; Japan, 1954; European Community, 1960; United Kingdom, 1937.

The pre-trade-agreement average duties of the Community already reflect a large number of tariff reductions made in trade agreements prior to formation of the Community. The autonomous, or "pre-trade-agreement," rates of the Community were established, for the most part, by taking an arithmetic average of the duties applied in the four customs territories of the Community on January 1, 1957. Each of the four pre-existing tariffs contained reductions which had been negotiated in bilateral agreements with the United States under

^{1/} Canadian arithmetic and own-trade-weighted averages frequently differ significantly. The reader should examine these differences, given in each product sector, for closer comparability of the Canadian figures with figures for other countries for industrial products.

the GATT. Since the EC's Common External Tariff was established, European Community rates of duty have been reduced in two GATT negotiations: The Dillon Round, concluded in 1962, and the Kennedy Round, concluded in 1967.

Trade complaints

For the preparation of this report, the Commission solicited from all interested parties information on barriers to trade, emphasizing that information on barriers other than tariffs was particularly desired. A substantial number of complaints was received from firms and trade associations, as well as government sources and other public organizations. The complaints dealing with specific products are summarized in the appropriate product sectors which follow.

The common thread running through most of the complaints received from U.S. exporters and importers was their belief that the practices or policies which they reported placed them at a competitive disadvantage either by withholding from them opportunities or benefits available to their competitors, or simply by increasing the cost of delivering their product to the ultimate consumer. Complaints from U.S. producers concerned with foreign competition in the domestic market usually were simply the obverse image of complaints from exporters and importers, that is that the complained-of practices or policies provided the imported product with a competitive opportunity or advantage not available to the domestic producer, and frequently lessened the cost of delivery of the foreign product in the U.S. market. Although the reported measures undoubtedly affect the competitive position of the

complainant, many are not presently included under the rubric "barriers to trade." An example is the nondiscriminatory sales tax, applicable equally to imports and domestic products. Nevertheless, it is thought useful to report these complaints.

In tabulating the trade complaints, each barrier reported by a respondent in the Commission's survey has been counted one time for each country in which the respondent reported encountering the barrier. Thus, for example, if a manufacturer stated that his shipments to countries X, Y, and Z are subject to import licenses, this was counted as three complaints. The total number of complaints against a particular practice or trade barrier in a product sector may generally be taken as indicative of the significance of the barrier for trade in that sector. However, a few instances were noted where this is not the case because trade in that particular product is concentrated in relatively few firms, and consequently few complaints were submitted.

Terminology

For simplicity and conciseness of exposition, the following terms are used, with the meanings indicated, in discussing the product sectors:

Five major countries -- The United States, Canada, Japan, the United Kingdom, and the European Community (as constituted of six countries before enlargement in January 1, 1973).

Five major tariffs -- The tariff schedules of the five major countries.

The European Community (or the Community) -- The customs union existing prior to January 1, 1973, comprised of Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany.

Intra-Community exports, intra-Community imports -- Trade between member countries of the European Community.

GATT Tariff Study countries -- The United States, Canada, Japan, the United Kingdom, Sweden, Denmark, Norway, Finland, Switzerland, Austria, and the European Community, when the reference is to tariff or trade data prior to 1970. When reference is to 1970 data, the group includes Australia and New Zealand.

Industrial products -- Products classified in Chapters 25-99 of the Brussels Tariff Nomenclature.

Agricultural products -- Products classified in Chapters 1-24 of the Brussels Tariff Nomenclature.

Sectors, subsectors -- Sectors are the 23 major industrial product categories and the nine major agricultural product categories. Subsectors are subgroups of products within sectors. The industrial sectors are the same as those used by the GATT contracting parties in the GATT Tariff Study. Agricultural sectors are based on definitions developed primarily by the Tariff Commission staff.

OECD, OECD countries -- The Organization for Economic Cooperation and Development (OECD) is an international organization established by a convention signed in Paris in 1960 to encourage economic growth and high employment with financial stability among member countries, to contribute to the economic development of less advanced countries, and to expand world multilateral trade. OECD member countries in

the years for which the basic trade data in this report are based (1969 and 1970) were as follows:

Austria	Iceland	Spain
Belgium	Ireland	Sweden
Canada	Italy	Switzerland
Denmark	Japan	Turkey
Finland	Luxembourg	United Kingdom
France	Netherlands	United States
West Germany	Norway	
Greece	Portugal	

Australia became a member in 1971, and New Zealand joined in 1973, but trade of these countries is not included in OECD trade data discussed in this report.

Imports -- The statistics of imports used in this report are principally from two sources, the OECD and the GATT. GATT import data exclude intra-EC shipments; OECD data include intra-EC shipments. For clarity, an effort has been made to specify the coverage in every case.

General rate, autonomous rate, statutory rate -- Rates of duty which would be applicable in the absence of trade-agreement concessions in Canada and Japan (general rate), the European Community (autonomous rate), and the United States (statutory rate). These terms are also used in describing "pre-trade-agreement" rate levels of these countries.

CHAPTER XIII

APPENDIX

Appendix table 13-A.--Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories
<u>Industrial Sectors</u>		
I-1	<u>Nonelectrical machinery</u>	
	Power-generating machinery-----	84.01-08 : 711 excl. 711.7; 719.1(1)
	Agricultural machinery and appliances-----	84.24-28 : 712 excl. 712.3(1) & 712.5
	Office machines-----	84.51-55 : 714
	Metalworking machinery-----	84.43-45; 84.50 : 715
	Textile and leather machinery-----	84.36-42 : 717; 725.0(2)
	Construction, mining & handling equipment-----	84.09; 84.22-23; 87.07 : 718.4; 719.3
	Other machine tools-----	84.46-49 : 719.5
	Pumps-----	84.10-11; 84.18 : 712.3(1); 719.2
	Heating and cooling equipment-----	73.36-37; 84.12-15 : 697.1(1); 719.1 excl. 719.1(1); & 719.1(9); 719.4(2); 725.0(1); 812.1
	Pulp and paper machinery-----	84.31; 84.33 : 718.1
	Bookbinding machinery-----	84.32; 84.34-35 : 718.2
	Other machines-----	84.16-17; 84.19-21; 84.29-30; : 711.7; 718.3; 718.5; 719.1(9); 84.56-59; 86.10 : 719.4(3); 719.6; 719.8
	Parts and accessories-----	84.60-65 : 719.7; 719.9
I-2	<u>Transport equipment</u>	
	Motor vehicles-----	87.01-06; 87.09; 87.12 : 712.5; 732; 733.1(2)
	Aircraft-----	88.01-03 : 734
	Ships and boats-----	89.01-05 : 735
	Other transport equipment-----	86.01-09; 87.10-11; 87.14 : 731; 733 excl. 733.1(2)
I-3	<u>Ores and metals, and metal manufactures</u>	
	Ores and metal waste-----	26.01; 26.03; 73.03 : 281; 282; 283 excl. 283.1(2); & 283.2(2); 284.0(1); 285.0(1); 286
	Iron and steel:	
	Unworked-----	73.01; 73.04-07 : 671 excl. 671.4 & 671.5; 672.1; 672.3(1); 672.5(1);
	Ferro-alloys-----	73.02 : 671.4-5
	Semi-manufactured products-----	73.08-18 : 672 excl. 672.1, 672.3(1), & 672.5(1); 673-677; 678.1-3
	Nonferrous metals, unwrought:	
	Copper-----	74.01-02 : 283.1(2); 284.0(2); 682.1
	Nickel-----	75.01 : 283.2(2); 284.0(3); 683.1
	Aluminum-----	76.01 : 284.0(4); 684.1
	Magnesium-----	77.01 : 284.0(5); 689.3(1)
	Lead-----	78.01 : 284.0(6); 685.1
	Zinc-----	79.01 : 284.0(7); 686.1
	Tin-----	80.01 : 284.0(9); 687.1
	Nonferrous metal products:	
	Copper-----	74.03-08 : 682.2
	Nickel-----	75.02-05 : 683.2
	Aluminum-----	76.02-07 : 684.2
	Lead-----	78.02-05 : 685.2
	Zinc-----	79.02-04 : 284.0(8); 686.2
	Tin-----	80.02-05 : 687.2
	Other (unworked or semi-manufactured)---	77.02; 77.04; 81.01-04 : 688; 689.3 excl. 689.3(1); 689.4; 689.5

Appendix table 13-A.--Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories--Continued

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories
<u>Industrial Sectors--Con.</u>		
I-3 <u>Ores and metals, and metal manufactures--Con.</u>		
Metal manufactures:		
Tools-----	82.01-07	695
Cutlery-----	82.09-15	696
Household equipment-----	73.38;74.17-18;76.15;82.08; 83.06;83.12	697.1(2);697.2;697.9 excl. 697.9(1);719.4(1);812.3
Containers, etc.-----	73.22-24;74.09;76.09-11	692
Others-----	73.19-21;73.25-35;73.39-40; 74.10-16;74.19;75.06;76.08; 76.12-14;76.16;77.03;78.06; 79.05-06;80.06;83.01-03; 83.07-11;83.13-15	678.4-5;679;691;693;694; 697.9(1);698;812.4(2)
I-4 <u>Chemicals</u>		
Chemical elements & compounds:		
Organic chemicals-----	15.11;29.01-37;29.40;29.43; 29.45	512 excl. 512.2(4) & 512.2(5)
Chemical elements, inorganic acids, oxides and halogens-----	27.05;28.01-28	513
Other inorganic products-----	28.29-58	514; 515
Dyeing, tanning and coloring materials:		
Tanning materials-----	32.01-03	532 excl. 532.1
Coloring materials-----	32.04-07	531;532.1;533.1
Paints, varnishes, etc.-----	32.08-13	533 excl.533.1;895.9(1)
Medical and pharmaceutical products-----	29.38-39;29.41-42;29.44; 30.01-05	541
Plastics:		
Plastic materials-----	39.01-06	581
Articles thereof-----	39.07	893
Essential oils, perfume materials, toilet preparations, soaps:		
Essential oils, perfume materials-----	33.01-05	551
Perfumery, cosmetics, soaps, cleaning preparations, etc.-----	33.06;34.01-02;34.04-05	553;554;599.7(1)
Other chemicals:		
Semi-manufactured products-----	35.04;38.01-03;38.05-10; 38.12-15;38.19	599.5(6);599.6;599.7 excl. 599.7(1);599.7(7), & 599.7(8); 599.9(2);599.9(4);599.9(9); 662.3(3)
Finished products-----	34.07;35.03;35.06;36.01-05; 36.07;38.11;38.16-18	571 excl. 571.4;599.2; 599.5(5);599.5(9);599.7(7)- (8); 599.9(1);599.9(3); 599.9(5)
I-5 <u>Textiles</u>		
Textile fibers and waste:		
Wools-----	53.01-05	262 excl. 262.5(1)
Cotton-----	55.01-04	263
Synthetic and artificial fibers-----	56.01-04	266
Jute-----	57.03	264
Hard fibers-----	57.01-02;57.04	265 excl. 265.1 & 265.3
Others-----	50.01-03;54.01-02;63.01-02	261;265.1;265.3;267

Appendix table 13-A. --Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories--Continued

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories
<u>Industrial Sectors--Con.</u>		
I-5 <u>Textiles--Con.</u>		
<u>Yarns:</u>		
Wool-----	53.06-10	651.2
Cotton-----	55.05-06	651.3-4
Synthetic and artificial fibers-----	51.01-03;56.05-06	651.6-7
Jute-----	57.06	651.9(2)
Hard fibers-----	57.05;57.07-08	651.5(3);651.9(3);651.9(4)
Others-----	50.04-08;52.01;54.03-04	651.1;651.5 excl.651.5(3); 651.9(1)
<u>Fabrics and similar products:</u>		
Wool-----	53.11-13	653.2(1);653.9(2);653.9(3)
Cotton-----	55.07-09	652.1;652.2 excl.652.2(3)
Synthetic and artificial fibers-----	51.04;56.07	653.5 excl. 653.5(3);653.6 excl. 653.6(3)
Jute-----	57.10	653.4
Hard fibers-----	57.09;57.11-12	653.3(2);653.9(4);653.9(5)
Others (including pile, chenilles, coated, impregnated, elastic and knitted fabrics of all fibers)-----	50.09-10;52.02;54.05;58.04; 58.08;59.07-09;59.11;59.13; 60.01	652.2(3);653.1;653.2(2); 653.3(1);653.5(3);653.6(3); 653.7;653.9(1);653.9(6); 654.0(4);655.4 excl.655.4(1)& 655.4(6);655.5
<u>Made up articles and related products-----</u>	58.01-03;58.05-07;58.09-10; 59.01-06;59.10;59.12;59.14-17; 62.01-05	654 excl. 654.0(4);655.1; 655.4(1);655.4(6);655.6; 655.8-9;656;657.4(2);657.5-7
<u>Clothing and clothing accessories-----</u>	60.02-06;61.01-11;65.01-02; 65.03-05	655.7;841.1;841.2;841.4; 841.5(1)-(3)
I-6 <u>Electrical machines and apparatus</u>		
<u>Electrical machinery for industry-----</u>	85.01;85.11;85.19;85.22	722;729.7;729.9(2);729.9(9)
<u>Telecommunications apparatus-----</u>	85.13-15	724
<u>Tools and other electrical apparatus-----</u>	85.05-09; 85.12; 85.16-17	725.0(3)-(5); 729.4; 729.6; 729.9(3)-(4)
<u>Electrical equipment and parts-----</u>	85.02-04; 85.10; 85.18; 85.20-21; 85.23-28	723; 729.1-3; 729.9(1)(5) (6)(8); 812.4(3)
I-7 <u>Pulp, paper and paperboard</u>		
<u>Paper pulp and paper waste-----</u>	47.01-02	251
<u>Paper and paperboard-----</u>	48.01-09	641 excl. 641.9(7)
<u>Printed matter-----</u>	49.01-11	892 excl. 892.9(1)
<u>Manufactured articles-----</u>	48.10-11;48.13-21	641.9(7);642;892.9(1)

Appendix table 13-A.--Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories--Continued

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories
<u>Industrial Sectors--Con.</u>		
I-8	<u>Coal, petroleum, natural gas</u>	
	Coal, coke and agglomerates-----	: 27.01-04 : 321
	Gas-----	: 27.11 : 341.1
	Crude petroleum-----	: 27.09 : 331.0(1)\
	Products derived from coal, petroleum or gas-----	: 27.06-08; 27.10; 27.12-14; : 331.0(2); 332; 521 : 27.16; 34.03; 38.04
I-9	<u>Mineral products and fertilizers</u>	
	Stone, sand and gravel-----	: 25.05; 25.14-17; 25.20-21 : 273
	Fertilizers-----	: 25.10; 31.01 : 271.1; 271.3
	Other crude minerals-----	: 25.01-04; 25.06-09; 25.11-13; : 274; 275.2; 276 : 25.18-19; 25.24-32; 26.02; : : 26.04; 27.15; 71.04
	Manufactured fertilizers-----	: 31.02-05 : 271.2; 271.4; 561
	Other mineral manufactures (except glass)-----	: 25.22-23; 68.01-16; 69.01-14 : 661; 662 excl. 662.3(3); : 663; 666; 812.2
	Glass and glassware	
	Flat glass and manufactures-----	: 70.04-09 : 664.3-5; 664.7-8; 664.9(1)
	Other glass manufactures-----	: 70.01-03; 70.10-21 : 651.8; 653.8; 664.1-2; : 664.6; 664.9 excl. 664.9(1); : 665.1-2; 665.8; 812.4(1)
I-10	<u>Professional, scientific and controlling instruments, photo- graphic apparatus, clocks and watches</u>	
	Photographic and optical apparatus-----	: 90.01-13 : 861.1-6
	Professional, scientific and controlling instruments-----	: 90.14-18; 90.20-29 : 726; 729.5; 861.7-9
	Watches and clocks-----	: 91.01-11 : 864
I-11	<u>Wood and cork</u>	
	Wood and cork in the rough-----	: 44.01-04; 45.01 : 241; 242; 244.0(1)
	Wood based panels-----	: 44.15; 44.18 : 631.2(1); 631.4(2)
	Semi-manufactured products-----	: 44.05-14; 44.16-17; 44.19; : 243; 244.0(2); 631 excl. : 45.02 : 631.2(1) & 631.4(2)
	Manufactured articles-----	: 44.20-28; 45.03-04 : 632; 633
I-12	<u>Precious stones and precious metals</u>	
	Precious stones, pearls-----	: 71.01-03 : 275.1; 667
	Unworked or semi-manufactured precious metals-----	: 71.05-11 : 285.0(2); 681
	Articles of precious stones and precious metals-----	: 71.12-16; 72.01 : 897; 961
I-13	<u>Rubber</u>	
	Raw rubber-----	: 40.01-04 : 231
	Semi-manufactured products-----	: 40.05-09; 40.15; : 621
	Manufactured articles-----	: 40.10-14; 40.16 : 629; 841.6

Appendix table 13-A.--Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories--Continued

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories
<u>Industrial Sectors--Con.</u>		
I-14 <u>Raw hides and skins, leather and furskins</u>		
Raw hides and furskins-----	: 41.01; 41.09; 43.01	: 211; 212
Semi-manufactured products-----	: 41.02-08; 41.10; 43.02	: 611; 613
Manufactured articles-----	: 42.01; 42.03-05; 43.03-04	: 612 excl. 612.3; 841.3; 842
I-15 <u>Footwear and travel goods</u>		
Footwear-----	: 64.01-06	: 612.3; 851
Travel goods, handbags-----	: 42.02	: 831.0
I-16 <u>Musical instruments, sound recording or reproduction apparatus</u>		
Sound recorders and sound recordings-----	: 92.11-13	: 891.1-2
Musical instruments-----	: 92.01-10	: 891.4; 891.8-9
I-17 <u>Firearms, ammunition, tanks and other armored fighting vehicles</u>		
-----	: 87.08; 93.01-07	: 571.4; 894.3; 951
I-18 <u>Furniture</u>		
-----	: 94.01-04	: 821
I-19 <u>Toys</u>		
-----	: 97.01-08	: 894.2; 894.4-5
I-20 <u>Photographic and cinematographic supplies</u>		
-----	: 37.01-08	: 862; 863
I-21 <u>Works of art and collectors' pieces</u>		
-----	: 99.01-06	: 896
I-22 <u>Office and stationery supplies</u>		
-----	: 83.04-05; 98.03-09	: 895 excl. 895.9(1)
I-23 <u>Manufactured articles not elsewhere specified</u>		
-----	: 27.17; 34.06; 35.01-02; 35.05; : 36.06; 36.08; 42.06; 46.01-03; : 48.12; 65.06-07; 66.01-03; : 67.01-05; 87.13; 88.04-05; : 90.19; 95.01-08; 96.01-06; : 98.01-02; 98.10-16	: 351; 599.5(3)-(4), (7); : 657.4(1); 657.8; 841.5(4)(9); : 894.1; 899
<u>Agricultural Sectors</u>		
A-1 <u>Foodstuffs</u>		
Fruit and edible nuts, fresh or dried-----	: 08.01-08.09; 08.12	: 051; 052
Fruit, prepared or preserved (except dried)-----	: 08.10; 08.11; 08.13; 11.04; : 20.03-20.06	: 053.2-3; 053.6; 053.9
Vegetables, fresh or dried-----	: 07.01; 07.04-07.06	: 054.1-2; 054.4-5; 054.8(1); 055.1
Vegetables, prepared or preserved (except dried)-----	: 07.02; 07.03; 11.03; 11.05; : 11.06; 20.01; 20.02	: 054.6; 055.4(1); 055.4(3)-(4); : 055.5
Coffee, tea, and mate-----	: 09.01-09.03	: 071.1; 074; 081.9(1)
Spices-----	: 09.04-09.10	: 075
Cocoa and cocoa preparations-----	: 18.01; 18.03-18.06	: 072; 073
Sugar and confectionery-----	: 17.01-17.05	: 061 excl. 061.6; 062
Products of the milling industry, preparations of cereals-----	: 11.01; 11.02; 11.07-11.09	: 046; 047; 048.1(1); 048.2; : 599.5(1)-(2)
Other foodstuffs-----	: 04.05; 04.06; 19.01-19.08; : 21.01-21.07; 22.10	: 025; 048 excl. 048.1(1) and : 048.2; 055.4(5); 061.6; : 071.3; 099

Appendix table 13-A.--Product sectors: Coverage in Brussels Tariff Nomenclature headings and Standard International Trade Classification categories--Continued

Sector	Brussels Tariff Nomenclature headings	Standard International Trade Classification categories	
<u>Agricultural Sectors--Con.</u>			
A-2	<u>Grains</u> -----	10.01-10.07	041-045
A-3	<u>Animals and products thereof</u>		
	Live animals-----	01.01-01.06	001; 941
	Meat, fresh, chilled, or frozen-----	02.01-02.04	011
	Meat, prepared or preserved and other meat products-----	02.05; 02.06; 16.01-16.03	012; 013; 411.3(1)
A-4	<u>Oil seeds, fats and oils, and their products</u>		
	Vegetable oils and seeds; oilcake-----	12.01; 12.02; 15.07; 23.04	081.3; 221; 421; 422
	Other fats, oils, waxes and products-----	15.01-15.06; 15.08-15.17	091; 411 excl. 411.3(1); 431; 512.2(5)-(6)
A-5	<u>Beverages and spirits</u>		
	Fruit and vegetable juices-----	20.07	053.5
	Wine-----	22.04-22.06	112.1
	Other beverages and spirits-----	22.01-22.03; 22.07-22.09	111; 112.2-4; 512.2(4)
A-6	<u>Dairy products</u>		
	Fluid milk, fresh or preserved-----	04.01; 04.02	022
	Butter and cheese-----	04.03; 04.04	023; 024
A-7	<u>Fish, shellfish and products</u>		
	Fish and shellfish, fresh, chilled or frozen-----	03.01; 03.03	031.1; 031.3
	Fish and shellfish, prepared or preserved-----	03.02; 16.04; 16.05	031.2; 032
A-8	<u>Tobacco</u>		
	Unmanufactured tobacco-----	24.01	121
	Manufactured tobacco-----	24.02	122
A-9	<u>Miscellaneous agricultural and forestry products</u>		
	Live trees, plants and seeds for sowing---	06.01; 06.02; 12.03	292.5-6
	Raw vegetable materials suitable for use in dyeing and tanning; lacs, gums, resins and other vegetable saps-----	13.01-13.03	292.1-2; 292.9(1)
	Other agricultural and forestry products, n.e.s.-----	05.01-05.15; 06.03; 06.04; 12.04-12.10; 14.01-14.05; 18.02; 23.01-23.03; 23.05- 23.07.	054.8 excl. 054.8(1); 081 excl. 081.3 and 081.9(1); 291; 292.3-4; 292.7; 292.9 excl. 292.9(1)

BRUSSELS NOMENCLATURE
FOR
THE CLASSIFICATION OF
GOODS IN
CUSTOMS TARIFFS

SUMMARY

Rules for the interpretation of the Nomenclature.

SECTION I**LIVE ANIMALS; ANIMAL PRODUCTS**

- 1 Live animals.
- 2 Meat and edible meat offals.
- 3 Fish, crustaceans and molluscs.
- 4 Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included.
- 5 Products of animal origin, not elsewhere specified or included.

SECTION II**VEGETABLE PRODUCTS**

- 6 Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage.
- 7 Edible vegetables and certain roots and tubers.
- 8 Edible fruit and nuts; peel of melons or citrus fruit.
- 9 Coffee, tea, maté and spices.
- 10 Cereals.
- 11 Products of the milling industry; malt and starches; gluten; inulin.
- 12 Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder.
- 13 Raw vegetable materials of a kind suitable for use in dyeing or in tanning; lacs; gums, resins and other vegetable saps and extracts.
- 14 Vegetable plaiting and carving materials; vegetable products not elsewhere specified or included.

SECTION III**ANIMAL AND VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS;
PREPARED EDIBLE FATS; ANIMAL AND VEGETABLE WAXES**

- 15 Animal and vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes.

SECTION IV**PREPARED FOODSTUFFS;
BEVERAGES, SPIRITS AND VINEGAR; TOBACCO**

- 16 Preparations of meat, of fish, of crustaceans or molluscs.
- 17 Sugars and sugar confectionery.
- 18 Cocoa and cocoa preparations.
- 19 Preparations of cereals, flour or starch; pastrycooks' products.
- 20 Preparations of vegetables, fruit or other parts of plants.
- 21 Miscellaneous edible preparations.
- 22 Beverages, spirits and vinegar.
- 23 Residues and waste from the food industries; prepared animal fodder.
- 24 Tobacco.

SECTION V**MINERAL PRODUCTS**

- 25 Salt; sulphur; earths and stone; plastering materials, lime and cement.
- 26 Metallic ores, slag and ash.
- 27 Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.

SECTION VI**PRODUCTS OF THE CHEMICAL AND ALLIED INDUSTRIES**

Section Notes.

- 28 Inorganic chemicals; organic and inorganic compounds of precious metals, of rare earth metals, of radio-active elements and of isotopes.
- 29 Organic chemicals.
- 30 Pharmaceutical products.
- 31 Fertilisers.
- 32 Tanning and dyeing extracts; tannins and their derivatives; dyes, colours, paints and varnishes; putty, fillers and stoppings; inks.
- 33 Essential oils and resinoids; perfumery, cosmetics and toilet preparations.
- 34 Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing and scouring preparations, candles and similar articles, modelling pastes and "dental waxes".
- 35 Albuminoid substances; glues.
- 36 Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations.
- 37 Photographic and cinematographic goods.
- 38 Miscellaneous chemical products.

SECTION VII**ARTIFICIAL RESINS AND PLASTIC MATERIALS, CELLULOSE ESTERS AND ETHERS,
AND ARTICLES THEREOF;
RUBBER, SYNTHETIC RUBBER, FACTICE,
AND ARTICLES THEREOF**

- 39 Artificial resins and plastic materials, cellulose esters and ethers; articles thereof.
- 40 Rubber, synthetic rubber, factice, and articles thereof.

SECTION VIII**RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF;
SADDLERY AND HARNESS; TRAVEL GOODS,
HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF GUT (OTHER THAN SILK-WORM GUT)**

- 41 Raw hides and skins (other than furskins) and leather.
- 42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut).
- 43 Furskins and artificial fur; manufactures thereof.

SECTION IX

**WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK;
MANUFACTURES OF STRAW, OF ESPARTO AND OF OTHER PLAITING MATERIALS;
BASKETWARE AND WICKERWORK**

- 44 Wood and articles of wood; wood charcoal.
- 45 Cork and articles of cork.
- 46 Manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork.

SECTION X

PAPER-MAKING MATERIAL; PAPER AND PAPERBOARD AND ARTICLES THEREOF

- 47 Paper-making material.
- 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard.
- 49 Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans.

SECTION XI

TEXTILES AND TEXTILE ARTICLES

Section Notes.

- 50 Silk and waste silk.
- 51 Man-made fibres (continuous).
- 52 Metallised textiles.
- 53 Wool and other animal hair.
- 54 Flax and ramie.
- 55 Cotton.
- 56 Man-made fibres (discontinuous).
- 57 Other vegetable textile materials; paper yarn and woven fabrics of paper yarn.
- 58 Carpets, mats, matting and tapestries; pile and chenille fabrics; narrow fabrics; trimmings; tulle and other net fabrics; lace; embroidery.
- 59 Wadding and felt; twine, cordage, ropes and cables; special fabrics; impregnated and coated fabrics; textile articles of a kind suitable for industrial use.
- 60 Knitted and crocheted goods.
- 61 Articles of apparel and clothing accessories of textile fabric, other than knitted or crocheted goods.
- 62 Other made up textile articles.
- 63 Old clothing and other textile articles; rags.

SECTION XII

**FOOTWEAR, HEADGEAR, UMBRELLAS, SUNSHADES, WHIPS, RIDING-CROPS AND PARTS THEREOF;
PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS;
ARTICLES OF HUMAN HAIR; FANS**

- 64 Footwear, gaiters and the like; parts of such articles.
- 65 Headgear and parts thereof.
- 66 Umbrellas, sunshades, walking-sticks, whips, riding-crops and parts thereof.
- 67 Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair; fans.

SECTION XIII

**ARTICLES OF STONE, OF PLASTER, OF CEMENT, OF ASBESTOS, OF MICA AND OF SIMILAR MATERIALS;
CERAMIC PRODUCTS; GLASS AND GLASSWARE**

- 68 Articles of stone, of plaster, of cement, of asbestos, of mica and of similar materials.
- 69 Ceramic products.
- 70 Glass and glassware.

SECTION XIV

**PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES, PRECIOUS METALS,
ROLLED PRECIOUS METALS, AND ARTICLES THEREOF;
IMITATION JEWELLERY; COIN**

- 71 Pearls, precious and semi-precious stones, precious metals, rolled precious metals, and articles thereof; imitation jewellery.
- 72 Coin.

SECTION XV

BASE METALS AND ARTICLES OF BASE METAL

Section Notes.

- 73 Iron and steel and articles thereof.
- 74 Copper and articles thereof.
- 75 Nickel and articles thereof.
- 76 Aluminium and articles thereof.
- 77 Magnesium and beryllium and articles thereof.
- 78 Lead and articles thereof.
- 79 Zinc and articles thereof.
- 80 Tin and articles thereof.
- 81 Other base metals employed in metallurgy and articles thereof.
- 82 Tools, implements, cutlery, spoons and forks, of base metal; parts thereof.
- 83 Miscellaneous articles of base metal.

SECTION XVI

MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF

Section Notes.

- 84 Boilers, machinery and mechanical appliances; parts thereof.
- 85 Electrical machinery and equipment; parts thereof.

SECTION XVII

VEHICLES, AIRCRAFT, AND PARTS THEREOF; VESSELS AND CERTAIN ASSOCIATED TRANSPORT EQUIPMENT

Section Notes.

- 86 Railway and tramway locomotives, rolling-stock and parts thereof; railway and tramway track fixtures and fittings; traffic signalling equipment of all kinds (not electrically powered).
- 87 Vehicles, other than railway or tramway rolling-stock, and parts thereof.
- 88 Aircraft and parts thereof; parachutes; catapults and similar aircraft launching gear; ground flying trainers.
- 89 Ships, boats and floating structures.

SECTION XVIII

OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL AND SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; SOUND RECORDERS AND REPRODUCERS; TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, MAGNETIC; PARTS THEREOF

- 90 Optical, photographic, cinematographic, measuring, checking, precision, medical and surgical instruments and apparatus; parts thereof.
- 91 Clocks and watches and parts thereof.
- 92 Musical instruments; sound recorders and reproducers; television image and sound recorders and reproducers, magnetic; parts and accessories of such articles.

SECTION XIX

ARMS AND AMMUNITION; PARTS THEREOF

- 93 Arms and ammunition; parts thereof.

SECTION XX

MISCELLANEOUS MANUFACTURED ARTICLES

- 94 Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings.
- 95 Articles and manufactures of carving or moulding material.
- 96 Brooms, brushes, feather dusters, powder-puffs and sieves.
- 97 Toys, games and sports requisites; parts thereof.
- 98 Miscellaneous manufactured articles.

SECTION XXI

WORKS OF ART, COLLECTORS' PIECES, AND ANTIQUES

- 99 Works of art, collectors' pieces, and antiques.

ABBREVIATIONS AND SYMBOLS

C	Centigrade	m	metre(s)
cg	centigram(s)	m ²	square metre(s)
cm	centimetre(s)	mg	milligram(s)
cm ³	cubic centimetre(s)	mm	millimetre(s)
g	gram(s)	mm ²	square millimetre(s)
kg	kilogram(s)	%	per cent
l	litre(s)	x°	x degrees

Examples.

1,500 g/m² means one thousand five hundred grams per square metre.

15° C means fifteen degrees Centigrade.

RULES FOR THE INTERPRETATION OF THE NOMENCLATURE

Interpretation of the Nomenclature shall be governed by the following principles :

1. — The titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions.
2. — (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as imported, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), imported unassembled or disassembled.

(b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of Rule 3.
3. — When for any reason, goods are, *prima facie*, classifiable under two or more headings, classification shall be effected as follows :

(a) The heading which provides the most specific description shall be preferred to headings providing a more general description.

(b) Mixtures and composite goods which consist of different materials or are made up of different components and which cannot be classified by reference to 3 (a) shall be classified as if they consisted of the material or component which gives the goods their essential character, insofar as this criterion is applicable.

(c) When goods cannot be classified by reference to 3 (a) or 3 (b), they shall be classified under the heading which involves the highest rate of duty.
4. — Goods not falling within any heading of the Nomenclature shall be classified under the heading appropriate to the goods to which they are most akin.

Section 1

LIVE ANIMALS; ANIMAL PRODUCTS

Chapter 1

Live animals.

Notes.

1. — This Chapter covers all live animals except :
- (a) Fish, crustaceans and molluscs, of headings Nos. 03.01 and 03.03;
 - (b) Microbial cultures and other products of heading No. 30.02; and
 - (c) Animals of heading No. 97.08.
- English text only :*
2. — Any reference in this Chapter to a particular genus or species, except where the context otherwise requires, includes a reference to the young of that genus or species.

01.01	001.5	Live horses, asses, mules and hinnies.
01.02	001.1	Live animals of the bovine species.
01.03	001.2	Live swine.
01.04	001.3	Live sheep and goats.
01.05	001.4	Live poultry, that is to say, fowls, ducks, geese, turkeys and guinea fowls.
01.06		Other live animals.
	001.9	A. Animals of a kind mainly used for human food.
	001.9	B. Other (including zoo animals, dogs and cats).

Chapter 2

Meat and edible meat offals.

Note.

- This Chapter does not cover :
- (a) Products of the kinds described in headings Nos. 02.01, 02.02, 02.03, 02.04 and 02.06, unfit or unsuitable for human consumption;
 - (b) Guts, bladders or stomachs of animals (heading No. 05.04) and animal blood (heading No. 05.15); or
 - (c) Animal fat, other than products of heading No. 02.05 (Chapter 15).

02.01		Meat and edible offals of the animals falling within heading No. 01.01, 01.02, 01.03 or 01.04, fresh, chilled or frozen.
	011.1	A. Meat of bovine animals.
	011.2	B. Meat of sheep and goats.
	011.3	C. Meat of swine.
	011.5	D. Meat of horses, asses, mules and hinnies.
	011.6	E. Offals.
02.02	011.4	Dead poultry (that is to say, fowls, ducks, geese, turkeys and guinea fowls) and edible offals thereof (except liver), fresh, chilled or frozen.
02.03	011.8 (1)	Poultry liver, fresh, chilled, frozen, salted or in brine.
02.04	011.8 (9)	Other meat and edible meat offals, fresh, chilled or frozen.
02.05	411.3 (1)	Pig fat free of lean meat and poultry fat (not rendered or solvent-extracted), fresh, chilled, frozen, salted, in brine, dried or smoked.
02.06		Meat and edible meat offals (except poultry liver), salted, in brine, dried or smoked.
	012.1	A. Bacon, ham and other pig meat.
	012.9	B. Other.

Chapter 3

Fish, crustaceans and molluscs.

Note.

- This Chapter does not cover :
- (a) Marine mammals (heading No. 01.06) or meat thereof (heading No. 02.04 or 02.06);
 - (b) Fish (including livers and roes thereof), crustaceans and molluscs, dead, unfit or unsuitable for human consumption by reason of either their species or their condition (Chapter 5); or
 - (c) Caviar or caviar substitutes (heading No. 16.04).

03.01	001.1	Fish, fresh (live or dead), chilled or frozen.
03.02	001.2	Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process.
03.03	001.3	Crustaceans and molluscs, whether in shell or not, fresh (live or dead), chilled, frozen, salted, in brine or dried; crustaceans, in shell, simply boiled in water.

Chapter 4

Dairy produce; birds' eggs; natural honey;
edible products of animal origin, not elsewhere specified or included.

Notes.

1. — The expression "milk" means full cream or skimmed milk, buttermilk, whey, kephir, yoghurt and similar fermented milk.
2. — Milk and cream put up in hermetically sealed cans are regarded as preserved within the meaning of heading No. 04.02. However, milk and cream are not regarded as so preserved merely by reason of being pasteurised, sterilised or peptonised, if they are not put up in hermetically sealed cans.

04.01	022.3	Milk and cream, fresh, not concentrated or sweetened.
04.02		Milk and cream, preserved, concentrated or sweetened.
	022.1	A. In liquid or semi-solid form.
	022.2	B. In solid form, such as block or powder.
04.03	023.0	Butter.
04.04	024.0	Cheese and curd.
04.05	025.0	Birds' eggs and egg yolks, fresh, dried or otherwise preserved, sweetened or not.
04.06	061.6	Natural honey.
04.07		Edible products of animal origin, not elsewhere specified or included.

Chapter 5

Products of animal origin, not elsewhere specified or included.

Notes.

1. — This Chapter does not cover :
 - (a) Edible products (other than guts, bladders and stomachs of animals, whole and pieces thereof, and animal blood, liquid or dried);
 - (b) Hides or skins (including furakins) other than goods falling within heading No. 05.05, 05.06 or 05.07 (Chapter 41 or 43);
 - (c) Animal textile materials, other than horsehair and horsehair waste (Section XI); or
 - (d) Prepared knots or tufts for broom or brush making (heading No. 96.03).
2. — For the purposes of heading No. 05.01, the sorting of hair by length (provided the root ends and tip ends respectively are not arranged together) shall be deemed not to constitute working.
3. — Throughout this Nomenclature elephant, mammoth, mastodon, walrus, narwhal and wild boar tusks, rhinoceros horns and the teeth of all animals are regarded as ivory.
4. — Throughout the Nomenclature the expression "horsehair" means hair of the manes and tails of equine or bovine animals.

05.01	291.9 (1)	Human hair, unworked, whether or not washed or scoured; waste of human hair.
05.02	291.9 (2)	Pigs', hogs' and boars' bristles or hair; badger hair and other brush making hair; waste of such bristles and hair.
05.03	292.5 (1)	Horsehair and horsehair waste, whether or not put up on a layer or between two layers of other material.
05.04	291.9 (3)	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof.
05.05	291.9 (4)	Fish waste.
05.06	291.9 (5)	Sinews and tendons; parings and similar waste, of raw hides or skins.
05.07	291.9 (6)	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feathers or parts of feathers.
05.08	291.1 (1)	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products.
05.09	291.1 (2)	Horns, antlers, hooves, nails, claws and beaks of animals, unworked or simply prepared but not cut to shape, and waste and powder of these products; whalebone and the like, unworked or simply prepared but not cut to shape, and hair and waste of these products.
05.10	291.1 (3)	Ivory, unworked or simply prepared but not cut to shape; powder and waste of ivory.
05.11	291.1 (4)	Tortoise-shell (shells and scales), unworked or simply prepared but not cut to shape; claws and waste of tortoise-shell.
05.12	291.1 (5)	Coral and similar substances, unworked or simply prepared but not otherwise worked; shells, unworked or simply prepared but not cut to shape; powder and waste of shells.
05.13	291.9 (7)	Natural sponges.
05.14	291.9 (8)	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; animal products, fresh, chilled or frozen, or otherwise provisionally preserved, of a kind used in the preparation of pharmaceutical products.
05.15	291.9 (9)	Animal products not elsewhere specified or included; dead animals of Chapter 1 or Chapter 3, unfit for human consumption.

Section II

VEGETABLE PRODUCTS

Chapter 6

Live trees and other plants; bulbs, roots and the like;
cut flowers and ornamental foliage.

Notes.

1. — This Chapter covers only live trees and goods (including seedling vegetables) of a kind commonly supplied by nursery gardeners or florists for planting or for ornamental use; nevertheless it does not include potatoes, onions, shallots, garlic and other products of Chapter 7.
2. — Any reference in heading No. 06.03 or 06.04 to goods of any kind shall be construed as including a reference to bouquets, floral baskets, wreaths and similar articles made wholly or partly of goods of that kind, account not being taken of accessories of other materials.

06.01	292.6 (1)	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower.
06.02	292.6 (9)	Other live plants, including trees, shrubs, bushes, roots, cuttings and slips.
06.03	292.7 (1)	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.
06.04	292.7 (2)	Foliage, branches and other parts (other than flowers or buds) of trees, shrubs, bushes and other plants, and mosses, lichens and grasses, being goods of a kind suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.

Chapter 7

Edible vegetables and certain roots and tubers.

Note.

In headings Nos. 07.01, 07.02 and 07.03, the word "vegetables" is to be taken to include edible mushrooms, truffles, olives, capers, tomatoes, potatoe, salad beetroot, cucumbers, gherkins, marrows, pumpkins, aubergines, sweet peppers, fennel, parsley, chervil, tarragon, cress, sweet marjoram (*Majorana hortensis* or *Origanum majorana*), horse-radish and garlic.

Heading No. 07.04 covers all dried, dehydrated or evaporated vegetables of the kinds falling within headings Nos. 07.01 to 07.03, other than :

- (a) Dried leguminous vegetables, shelled (heading No. 07.05);
- (b) Ground sweet peppers (heading No. 09.04);
- (c) Flours of the dried leguminous vegetables of heading No. 07.05 (heading No. 11.03);
- (d) Flour, meal and flakes of potato (heading No. 11.05).

07.01		Vegetables, fresh or chilled.
	054.1	A. Potatoes.
	054.4	B. Tomatoes.
	054.5	C. Other.
07.02	054.6 (1)	Vegetables (whether or not cooked), preserved by freezing.
07.03	054.6 (2)	Vegetables provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption.
07.04	055.1	Dried, dehydrated or evaporated vegetables, whole, cut, sliced, broken or in powder, but not further prepared.
07.05	054.2	Dried leguminous vegetables, shelled, whether or not skinned or split.
07.06	054.8 (1)	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and other similar roots and tubers with high starch or inulin content, fresh or dried, whole or sliced; sago pith.

Chapter 8

Edible fruit and nuts; peel of melons or citrus fruit.

Notes.

1. — This Chapter does not cover inedible nuts or fruits.
2. — The word "fresh" is to be taken to extend to goods which have been chilled.

08.01		Dates, bananas, coconuts, Brazil nuts, cashew nuts, pineapples, avocados, mangoes, guavas and mangosteens, fresh or dried, shelled or not.
	051.3	A. Bananas, fresh.
	051.7 (1)	B. Coconuts, Brazil nuts and cashew nuts, fresh or dried.
	051.9 (5)	C. Other fresh fruit.
	052.0 (1)	D. Other dried fruit.
08.02		Citrus fruit, fresh or dried.
	051.1	A. Oranges, tangerines, mandarines and clementines.
	051.2	B. Other.
08.03		Figs, fresh or dried.
	051.9 (1)	A. Fresh.
	052.0 (2)	B. Dried.
08.04		Grapes, fresh or dried.
	051.5	A. Fresh.
	052.0 (3)	B. Dried.

08.05	051.7 (2)	Nuts other than those falling within heading No. 08.01, fresh or dried, shelled or not.
08.06		Apples, pears and quinces, fresh.
	051.4	A. Apples.
	051.9 (2)	B. Pears and quinces.
08.07	051.9 (3)	Stone fruit, fresh.
08.08	051.9 (4)	Berries, fresh.
08.09	051.9 (9)	Other fruit, fresh.
08.10	052.6 (1)	Fruit (whether or not cooked), preserved by freezing, not containing added sugar.
08.11	052.6 (2)	Fruit provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.
08.12	052.6 (9)	Fruit, dried, other than that falling within heading No. 08.01, 08.02, 08.03, 08.04 or 08.05.
08.13	052.6 (4)	Peel of melons and citrus fruit, fresh, frozen, dried, or provisionally preserved in brine, in sulphur water or in other preservative solutions.

Chapter 9

Coffee, tea, maté and spices.

Notes.

1. — Mixtures of the products of headings Nos. 09.04 to 09.10 are to be classified as follows :
- (a) Mixtures of two or more of the products falling within the same heading are to be classified in that heading;
- (b) Mixtures of two or more of the products falling within different headings are to be classified under heading No. 09.10.

The addition of other substances to the products of headings Nos. 09.04 to 09.10 (or to the mixtures referred to in paragraphs (a) or (b) above) shall not affect their classification provided that the resulting mixtures retain the essential character of the goods falling in those headings. Otherwise such mixtures are not classified in this Chapter; those constituting mixed condiments or mixed seasonings are classified in heading No. 21.04.

2. — This Chapter does not cover :

- (a) Sweet peppers, unground (Chapter 7); or
- (b) Cubeb pepper (*Piper cubeba*) and other products of heading No. 12.07.

09.01 | Coffee, whether or not roasted or freed of caffeine; coffee husks and skins; coffee substitutes containing coffee in any proportion.

- 071.1 | A. Coffee and coffee substitutes containing coffee.
- 081.9 (1) | B. Coffee husks and skins.

09.02	074.1	Tea.
09.03	074.2	Maté.
09.04	075.1	Pepper of the genus "Piper"; pimento of the genus "Capsicum" or the genus "Pimenta".
09.05	075.2 (1)	Vanilla.
09.06	075.2 (2)	Cinnamon and cinnamon-tree flowers.
09.07	075.2 (3)	Cloves (whole fruit, cloves and stems).
09.08	075.2 (4)	Nutmeg, mace and cardamoms.
09.09	075.2 (5)	Seeds of anise, badian, fennel, coriander, cumin, caraway and juniper.
09.10	075.2 (9)	Thyme, saffron and bay leaves; other spices.

Chapter 10

Cereals.

Note.

Headings in this Chapter, except heading No. 10.06, are to be taken not to apply to grains which have been ground to remove the husk or pericarp or otherwise worked. Heading No. 10.06 is to be taken to apply to unworked rice and also rice, husked, glazed, polished or broken, but not otherwise worked.

10.01	041.0	Wheat and meslin (mixed wheat and rye).
10.02	045.1	Rye.
10.03	043.0	Barley.
10.04	045.2	Oats.
10.05	044.0	Maize.
10.06		Rice.
	042.1	A. In the husk or husked but not further prepared.
	042.2	B. Other.
10.07	043.9	Buckwheat, millet, canary seed and grain sorghum; other cereals.

Chapter 11

Products of the milling industry; malt and starches; gluten; inulin.

Notes.

1. — This Chapter does not cover :
 - (a) Roasted malt put up as coffee substitutes (heading No. 09.01 or 21.01);
 - (b) Flours and meal prepared for use as infant food or for dietetic or culinary purposes of heading No. 19.02;
 - (c) Corn flakes and other products falling within heading No. 19.05;
 - (d) Pharmaceutical products (Chapter 30); or
 - (e) Starches having the character of perfumery, cosmetics or toilet preparations falling within heading No. 33.06.
2. — (A) Products from the milling of the cereals listed in the table below fall within this Chapter if they have, by weight on the dry product :
 - (a) a starch content (determined by the modified Ewers polarimetric method) exceeding that indicated in Column (2); and
 - (b) an ash content (after deduction of any added minerals) not exceeding that indicated in Column (3).
 Otherwise, they fall to be classified in heading No. 23.02.
- (B) Products falling within this Chapter under the above provisions shall be classified in heading No. 11.01 (cereal flours) if the percentage passing through a silk gauze or man-made textile sieve with the aperture indicated in Column (4) or (5) is not less, by weight, than that shown against the cereal concerned.

Otherwise, they fall to be classified in heading No. 11.02.

Cereal	Starch content	Ash content	Rate of passage through a sieve with an aperture of	
			315 microns	500 microns
(1)	(2)	(3)	(4)	(5)
Wheat and rye	45 %	2.5 %	80 %	—
Barley	45 %	3 %	80 %	—
Oats	45 %	5 %	80 %	—
Maize and sorghum	45 %	2 %	—	90 %
Rice	45 %	1.6 %	80 %	—
Buckwheat	45 %	4 %	80 %	—

11.01 Cereal flours.

- 046.0 (1) A. Of wheat or of meslin.
047.0 (1) B. Other.

11.02 Cereal groats and cereal meal; other worked cereal grains (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except husked, glazed, polished or broken rice; germ of cereals, whole, rolled, flaked or ground.

- 046.0 (2) A. Groats and meal of wheat or of meslin.
047.0 (2) B. Cereal groats and meal (other than of wheat or of meslin).
048.1 (1) C. Other worked cereal grains (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared); germ of cereals, whole, rolled, flaked or ground.

- 11.03 055.4 (1) Flours of the leguminous vegetables falling within heading No. 07.05.
11.04 055.4 (2) Flours of the fruits falling within any heading in Chapter 8.
11.05 055.4 (3) Flour, meal and flakes of potato.
11.06 055.4 (4) Flour and meal of sago and of manioc, arrowroot, salep and other roots and tubers falling within heading No. 07.06.
11.07 048.2 Malt, roasted or not.
11.08 399.5 (1) Starches; inulin.
11.09 399.5 (2) Wheat gluten, whether or not dried.

Chapter 12

Oil seeds and oleaginous fruit; miscellaneous grains, seeds and fruit; industrial and medical plants; straw and fodder.

Notes.

1. — Heading No. 12.01 is to be taken to apply, *inter alia*, to ground-nuts, soya beans, mustard seeds, oil poppy seeds, poppy seeds and copra. It is to be taken not to apply to coconuts or other products of heading No. 08.01 or to olives (Chapter 7 or Chapter 20).
2. — For the purposes of heading No. 12.03, beet seeds, grass and other herbage seeds, seeds of ornamental flowers, vegetable seeds, seeds of forest trees, seeds of fruit trees, seeds of vetches and of lupines are to be regarded as seeds of a kind used for sowing.
Heading No. 12.03 is, however, to be taken not to apply to the following even if for sowing :
 - (a) Leguminous vegetables (Chapter 7);
 - (b) Spices and other products of Chapter 9;
 - (c) Cereals (Chapter 10); or
 - (d) Products falling within heading No. 12.01 or 12.07.
3. — Heading No. 12.07 is to be taken to apply, *inter alia*, to the following plants or parts thereof : basil, borage, hyssop, all species of mint, rosemary, rue, sage and wormwood.
Heading No. 12.07 is, however, to be taken not to apply to :
 - (a) Oil seeds and oleaginous fruit (heading No. 12.01);
 - (b) Medicaments falling within Chapter 30;
 - (c) Perfumery or toilet preparations falling within Chapter 33; or
 - (d) Disinfectants, insecticides, fungicides, weed-killers or similar products falling within heading No. 38.11.

12.01 Oil seeds and oleaginous fruit, whole or broken.

- 221.1 A. Ground-nuts.
221.2 B. Copra.
221.3 C. Palm nuts and kernels.
221.4 D. Soya beans.
221.5 E. Linseed.
221.6 F. Cotton seeds.
221.7 G. Castor oil seeds.
221.8 H. Other.

12.02	221.9	Flours or meals of oil seeds or oleaginous fruit, non-defatted, (excluding mustard flour).
12.03	292.5	Seeds, fruit and spores, of a kind used for sowing.
12.04	054.8 (3)	Sugar beet, whole or sliced, fresh, dried or powdered; sugar cane.
12.05	054.8 (3)	Chicory roots, fresh or dried, whole or cut, unroasted.
12.06	054.8 (4)	Hop cones and lupulin.
12.07	292.4	Plants and parts (including seeds and fruit) of trees, bushes, shrubs or other plants, being goods of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purposes, fresh or dried, whole, cut, crushed, ground or powdered.
12.08	054.8 (9)	Locust beans, fresh or dried, whether or not kibbled or ground, but not further prepared; fruit kernels and other vegetable products of a kind used primarily for human food, not falling within any other heading.
12.09	081.1 (1)	Cereal straw and husks, unprepared, or chopped but not otherwise prepared.
12.10	081.1 (2)	Mangolds, swedes, fodder roots; hay, lucerne, clover, sainfoin, forage kale, lupines, vetches and similar forage products.

Chapter 13

Raw vegetable materials of a kind suitable for use in dyeing or in tanning: lacs; gums, resins and other vegetable saps and extracts.

Note.

Heading No. 13.03 is to be taken to apply, *inter alia*, to liquorice extract and extract of pyrethrum, extract of hops, extract of aloes and opium. The heading is to be taken not to apply to:

- Liquorice extract containing more than 10 % by weight of sucrose or when put up as confectionery (heading No. 17.04);
- Malt extract (heading No. 19.01);
- Extracts of coffee, tea or maté (heading No. 21.02);
- Alcoholic saps and extracts constituting beverages, and compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages (Chapter 22);
- Camphor, glycyrrhizin and other products of headings Nos. 29.13 and 29.41;
- Medicaments falling within heading No. 30.03 or blood-grouping reagents (heading No. 30.05);
- Tanning or dyeing extracts (heading No. 32.01 or 32.04);
- Essential oils, concretes, absolutes and resinoids (heading No. 33.01) or aqueous distillates and aqueous solutions of essential oils (heading No. 33.05); or
- Rubber, balata, gutta-percha or similar natural gums (heading No. 40.01).

13.01	292.1	Raw vegetable materials of a kind used primarily in dyeing or in tanning.
13.02	292.2	Shellac, seed lac, stick lac and other lacs; natural gums, resins, gum-resins and balsams.
13.03	292.9 (1)	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, derived from vegetable products.

Chapter 14

Vegetable plaiting and carving materials: vegetable products not elsewhere specified or included.

Notes.

- This Chapter does not cover the following products which are to be classified in Section XI: vegetable materials or fibres of vegetable materials, of a kind used primarily in the manufacture of textiles, however prepared, or other vegetable materials which have undergone treatment so as to render them suitable for use only as textile materials.
- Heading No. 14.01 is to be taken to apply, *inter alia*, to split osier, reeds, bamboos and the like, to rattan cores and to drawn or split rattans. The heading is to be taken not to apply to chipwood (heading No. 44.09).
- Heading No. 14.02 is to be taken not to apply to wood wool (heading No. 44.12).
- Heading No. 14.03 is to be taken not to apply to prepared knots or tufts for broom or brush making (heading No. 96.03).

14.01	292.3	Vegetable materials of a kind used primarily for plaiting (for example, cereal straw, cleaned, bleached or dyed, osier, reeds, rushes, rattans, bamboos, raffia and lime bark).
14.02	292.9 (2)	Vegetable materials, whether or not put up on a layer or between two layers of other material, of a kind used primarily as stuffing or as padding (for example, kapok, vegetable hair and eel-grass).
14.03	292.9 (3)	Vegetable materials of a kind used primarily in brushes or in brooms (for example, sorgho, piassava, couch-grass and istle), whether or not in bundles or hanks.
14.04	292.9 (4)	Hard seeds, pips, hulls and nuts, of a kind used for carving (for example, corozo and dom).
14.05	292.9 (9)	Vegetable products not elsewhere specified or included.

Section III

ANIMAL AND VEGETABLE FATS AND OILS
AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS;
ANIMAL AND VEGETABLE WAXES

Chapter 15

Animal and vegetable fats and oils and their cleavage products;
prepared edible fats; animal and vegetable waxes.

Notes.

1. — This Chapter does not cover :
- (a) Pig fat or poultry fat of heading No. 02.05;
 - (b) Cocoa butter (fat or oil) (heading No. 18.04);
 - (c) Greaves (heading No. 23.01) and residues of heading No. 23.04;
 - (d) Fatty acids in an isolated state, prepared waxes, medicaments, paints, varnishes, soap, perfumery, cosmetics or toilet preparations, sulphonated oils or other goods falling within any heading in Section VI; or
 - (e) Factice derived from oils (heading No. 40.02).
2. — Soapstocks, oil foots and dregs, stearin, wool grease and glycerol residues are to be taken to fall in heading No. 15.17.

15.01	091.3	Lard, other pig fat and poultry fat, rendered or solvent-extracted.
15.02	411.3 (2)	Fats of bovine cattle, sheep or goats, unrendered; rendered or solvent-extracted fats (including "premier jus") obtained from those unrendered fats.
15.03	411.3 (3)	Lard stearin, oleostearin and tallow stearin; lard oil, oleo-oil and tallow oil, not emulsified or mixed or prepared in any way.
15.04	411.1	Fats and oils, of fish and marine mammals, whether or not refined.
15.05	411.3 (4)	Wool grease and fatty substances derived therefrom (including lanolin).
15.06	411.3 (9)	Other animal oils and fats (including neat's-foot oil and fats from bones or waste).
15.07		Fixed vegetable oils, fluid or solid, crude, refined or purified.
421.2		A. Soya bean oil.
421.3		B. Cotton seed oil.
421.4		C. Ground-nut oil.
421.5		D. Olive oil.
421.6		E. Sunflower seed oil.
421.7		F. Rape oil, colza oil and mustard oil.
422.1		G. Linseed oil.
422.2		H. Palm oil.
422.3		K. Coconut (copra) oil.
422.4		L. Palm kernel oil.
422.5		M. Castor oil.
422.9		N. Other.

15.08	431.1	Animal and vegetable oils, boiled, oxidised, dehydrated, sulphurised, blown or polymerised by heat in vacuum or in inert gas, or otherwise modified.
15.09	411.3 (5)	Degras.
15.10		Fatty acids; acid oils from refining; fatty alcohols.
431.3 (1)		A. Fatty acids; acid oils from refining.
512.3 (5)		B. Fatty alcohols.
15.11	512.2 (6)	Glycerol and glycerol lyes.
15.12	431.2	Animal or vegetable oils and fats, wholly or partly hydrogenated, or solidified or hardened by any other process, whether or not refined, but not further prepared.
15.13	091.4	Margarine, imitation lard and other prepared edible fats.
15.14	431.4 (1)	Spermaceti, crude, pressed or refined, whether or not coloured.
15.15	431.4 (2)	Beeswax and other insect waxes, whether or not coloured.
15.16	431.4 (3)	Vegetable waxes, whether or not coloured.
15.17	431.3 (2)	Residues resulting from the treatment of fatty substances or animal or vegetable waxes.

Section IV

PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR;
TOBACCO

Chapter 16

Preparations of meat, of fish, of crustaceans or molluscs.

Note.

This Chapter does not cover meat, meat offal, fish, crustaceans or molluscs, prepared or preserved by the processes specified in Chapters 2 and 3.

16.01	012.4	Sausages and the like, of meat, meat offal or animal blood.
16.02	012.5	Other prepared or preserved meat or meat offal.
16.03	012.3	Meat extracts and meat juices; fish extracts.
16.04	032.0 (1)	Prepared or preserved fish, including caviar and caviar substitutes.
16.05	032.0 (2)	Crustaceans and molluscs, prepared or preserved.

Chapter 17

Sugars and sugar confectionery.

Notes.

1. — This Chapter does not cover :
- (a) Sugar confectionery containing cocoa (heading No. 18.06);
 - (b) Chemically pure sugars (other than sucrose, glucose and lactose) and other products of heading No. 29.43; or
 - (c) Medicaments and other products of Chapter 30.
2. — Chemically pure sucrose, whatever its origin, is to be classified in heading No. 17.01.

17.01		Beet sugar and cane sugar, solid.
	001.1	A. Raw sugars.
	001.2	B. Other.
17.02	001.5	Other sugars; sugar syrups; artificial honey (whether or not mixed with natural honey); caramel.
17.03	001.5	Molasses, whether or not decolourised.
17.04	002.5 (1)	Sugar confectionery, not containing cocoa.
17.05	002.5 (2)	Flavoured or coloured sugars, syrups and molasses, but not including fruit juices containing added sugar in any proportion.

Chapter 18

Cocoa and cocoa preparations.

Notes.

1. — This Chapter does not cover the preparations described in heading No. 19.02, 19.08, 22.02, 22.09 or 30.03 containing cocoa or chocolate.
2. — Heading No. 18.06 includes sugar confectionery containing cocoa and, subject to Note 1 of this Chapter, other food preparations containing cocoa.

18.01	071.1	Cocoa beans, whole or broken, raw or roasted.
18.02	001.5 (2)	Cocoa shells, husks, skins and waste.
18.03	072.5 (1)	Cocoa paste (in bulk or in block), whether or not defatted.
18.04	072.5 (2)	Cocoa butter (fat or oil).
18.05	071.2	Cocoa powder, unsweetened.
18.06	071.0	Chocolate and other food preparations containing cocoa.

Chapter 19

Preparations of cereals, flour or starch; pastrycooks' products.

Notes.

1. — This Chapter does not cover :
- (a) Preparations of flour, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes, containing 50 % or more by weight of cocoa (heading No. 18.06);
 - (b) Biscuits or other articles made from flour or from starch, specially prepared for use as animal feeding stuffs (heading No. 23.07); or
 - (c) Medicaments and other products of Chapter 30.
2. — In this Chapter the expression "flour" includes the flour of fruits or of vegetables, and products of such flour are to be classified with similar products of cereal flour.

19.01	048.5 (1)	Malt extract.
19.02	048.5 (2)	Preparations of flour, meal, starch or malt extract, of a kind used as infant food or for dietetic or culinary purposes, containing less than 50 % by weight of cocoa.
19.03	045.3	Macaroni, spaghetti and similar products.
19.04	003.4 (1)	Tapioca and sago; tapioca and sago substitutes obtained from potato or other starches.
19.05	045.1 (2)	Prepared foods obtained by the swelling or roasting of cereals or cereal products (puffed rice, corn flakes and similar products).
19.06	045.5 (2)	Communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products.
19.07	045.4 (1)	Bread, ships' biscuits and other ordinary bakers' wares, not containing added sugar, honey, eggs, fats, cheese or fruit.
19.08	045.4 (2)	Pastry, biscuits, cakes and other fine bakers' wares, whether or not containing cocoa in any proportion.

Chapter 20

Preparations of vegetables, fruit or other parts of plants.

Notes.

1. — This Chapter does not cover :
 - (a) Vegetables or fruit, prepared or preserved by the processes specified in Chapters 7 and 8; or
 - (b) Fruit jellies, fruit pastes or the like in the form of sugar confectionery (heading No. 17.04) or chocolate confectionery (heading No. 18.06).
2. — The vegetables of headings Nos. 20.01 and 20.02 are those which fall in headings Nos. 07.01 to 07.05 when imported in the states provided for in those headings.
3. — Edible plants, parts of plants and roots of plants conserved in syrup (for example, ginger and angelica) are to be classified with the preserved fruit falling under heading No. 20.06; roasted ground-nuts are also to be classified in heading No. 20.06.
4. — Tomato juice the dry weight content of which is 7 % or more is to be classified under heading No. 20.02.

20.01	055.5 (1)	Vegetables and fruit, prepared or preserved by vinegar or acetic acid, with or without sugar, whether or not containing salt, spices or mustard.
20.02	055.5 (2)	Vegetables prepared or preserved otherwise than by vinegar or acetic acid.
20.03	052.6 (2)	Fruit preserved by freezing, containing added sugar.
20.04	052.2	Fruit, fruit-peel and parts of plants, preserved by sugar (drained, glacé or crystallised).
20.05	052.3	Jams, fruit jellies, marmalades, fruit purée and fruit pastes, being cooked preparations, whether or not containing added sugar.
20.06	052.3	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit.
20.07	052.5	Fruit juices (including grape must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit.

Chapter 21

Miscellaneous edible preparations.

Notes.

1. — This Chapter does not cover :
 - (a) Mixed vegetables of heading No. 07.04;
 - (b) Roasted coffee substitutes containing coffee in any proportion (heading No. 09.01);

- (c) Spices and other products of headings Nos. 09.04 to 09.10; or
- (d) Yeast put up as a medicament and other products of heading No. 30.03.

2. — Extracts of the substitutes referred to in Note 1 (b) above are to be classified in heading No. 21.02.
3. — For the purposes of heading No. 21.05, the expression "homogenised composite food preparations" means preparations of a kind used as infant food or for dietetic purposes, consisting of a finely homogenised mixture of two or more basic ingredients such as meat (including meat offal), fish, vegetables and fruit. For the application of this definition, no account is to be taken of small quantities of any ingredients which may be added to the mixture for seasoning, preservation or other purposes. Such preparations may contain a small quantity of visible pieces of ingredients other than meat, meat offal or fish.

21.01	099.0 (1)	Roasted chicory and other roasted coffee substitutes; extracts, essences and concentrates thereof.
21.02	071.3	Extracts, essences or concentrates, of coffee, tea or maté; preparations with a basis of those extracts, essences or concentrates.
	099.0 (2)	A. Extracts, essences or concentrates, of coffee, and preparations with a basis of those extracts, essences or concentrates. B. Other.
21.03	099.0 (3)	Mustard flour and prepared mustard.
21.04	099.0 (4)	Sauces; mixed condiments and mixed seasonings.
21.05	099.0 (5)	Soups and broths, in liquid, solid or powder form; homogenised composite food preparations.
21.06	099.0 (6)	Natural yeasts (active or inactive); prepared baking powders.
21.07	099.0 (9)	Food preparations not elsewhere specified or included.

Chapter 22

Beverages, spirits and vinegar.

Notes.

1. — This Chapter does not cover :
 - (a) Sea water (heading No. 25.01);
 - (b) Distilled and conductivity water and water of similar purity (heading No. 28.58);
 - (c) Acetic acid of a concentration exceeding 10 % by weight of acetic acid (heading No. 29.14);
 - (d) Medicaments of heading No. 30.03; or
 - (e) Perfumery or toilet preparations (Chapter 33).
2. — For the purposes of headings Nos. 22.08 and 22.09, the alcoholic strength is to be taken to be that shown on test by Gay Lussac's hydrometer at a temperature of 15° C.

22.01	111.9 (1)	Waters, including spa waters and aerated waters; ice and snow.
22.02	111.9 (2)	Lemonade, flavoured spa waters and flavoured aerated waters, and other non-alcoholic beverages, not including fruit and vegetable juices falling within heading No. 20.07.
22.03	112.1	Beer made from malt.
22.04	112.1 (1)	Grape must, in fermentation or with fermentation arrested otherwise than by the addition of alcohol.
22.05	112.1 (2)	Wine of fresh grapes; grape must with fermentation arrested by the addition of alcohol.
22.06	112.1 (3)	Vermouths, and other wines of fresh grapes flavoured with aromatic extracts.
22.07	112.2	Other fermented beverages (for example, cider, perry and mead).
22.08	212.2 (4)	Ethyl alcohol or neutral spirits, undenatured, of a strength of 80° or higher; denatured spirits (including ethyl alcohol and neutral spirits) of any strength.
22.09	112.4	Spirits (other than those of heading No. 22.08); liqueurs and other spirituous beverages; compound alcoholic preparations (known as "concentrated extracts") for the manufacture of beverages.
22.10	209.8 (7)	Vinegar and substitutes for vinegar.

Chapter 23

Residues and waste from the food industries; prepared animal fodder.

23.01	201.4	Flours and meals, of meat, offals, fish, crustaceans or molluscs, unfit for human consumption; greaves.
23.02	201.2	Bran, sharps and other residues derived from the sifting, milling or working of cereals or of leguminous vegetables.
23.03	201.3 (3)	Beet-pulp, bagasse and other waste of sugar manufacture; brewing and distilling dregs and waste; residues of starch manufacture and similar residues.
23.04	201.2	Oil-cake and other residues (except dregs) resulting from the extraction of vegetable oils.

23.05	201.5 (4)	Wine lees; argol.
23.06	201.1 (9)	Products of vegetable origin of a kind used for animal food, not elsewhere specified or included.
23.07	201.5 (8)	Sweetened forage; other preparations of a kind used in animal feeding.

Chapter 24

Tobacco.

24.01	121.0	Unmanufactured tobacco; tobacco refuse.
24.02		Manufactured tobacco; tobacco extracts and essences.
	122.1	A. Cigars and cheroots.
	122.2	B. Cigarettes.
	122.3	C. Other.

Section V

MINERAL PRODUCTS

Chapter 25

Salt; sulphur; earths and stone; plastering materials, lime and cement.

Notes.

- Except where the context otherwise requires, the headings of this Chapter are to be taken to apply only to goods which are in the crude state, or which have been washed (even with chemical substances eliminating the impurities without changing the structure of the product), crushed, ground, powdered, levigated, sifted, screened, concentrated by flotation, magnetic separation or other mechanical or physical processes (not including crystallisation) but not calcined or subjected to any further process other than a process specially mentioned in any heading in respect of the goods described therein.
- This Chapter does not cover :
 - Sublimed sulphur, precipitated sulphur or colloidal sulphur (heading No. 28.02);
 - Ferrous earth colours containing 70 % or more by weight of combined iron evaluated as Fe_2O_3 (heading No. 28.23);
 - Medicaments and other products of Chapter 30;
 - Perfumery, cosmetics or toilet preparations of heading No. 33.06;
 - Road and paving setts, curbs and flagstones (heading No. 68.01), mosaic cubes (heading No. 68.02) and roofing, facing and damp course slates (heading No. 68.03);

- (f) Precious or semi-precious stones (heading No. 71.02);
 (g) Cultured sodium chloride crystals (other than optical elements) weighing not less than 2.5 g each, of heading No. 38.19; optical elements of sodium chloride (heading No. 90.01); or
 (h) Writing or drawing chalks, tailors' or billiards chalks (heading No. 98.05).

25.01	276.2	Common salt (including rock salt, sea salt and table salt); pure sodium chloride; salt liquors; sea water.
25.02	274.2	Unroasted iron pyrites.
25.03	274.1	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur.
25.04	276.2 (2)	Natural graphite.
25.05	272.1	Natural sands of all kinds, whether or not coloured, other than metal-bearing sands falling within heading No. 26.01.
25.06	276.5 (1)	Quartz (other than natural sands); quartzite, including quartzite not further worked than roughly split, roughly squared or squared by sawing.
25.07	276.2 (1)	Clay (for example, kaolin and bentonite), andalusite, kyanite and sillimanite, whether or not calcined, but not including expanded clays falling within heading No. 68.07; mullite; chamotte and dinas earths.
25.08	276.5 (1)	Chalk.
25.09	276.9 (2)	Earth colours, whether or not calcined or mixed together; natural micaceous iron oxides.
25.10	271.3	Natural calcium phosphates, natural aluminium calcium phosphates, apatite and phosphatic chalk.
25.11	276.9 (3)	Natural barium sulphate (barites); natural barium carbonate (witherite), whether or not calcined, other than barium oxide.
25.12	275.2 (2)	Siliceous fossil meals and similar siliceous earths (for example, kieselguhr, tripolite or diatomite), whether or not calcined, of an apparent specific gravity of 1 or less.
25.13	275.2 (3)	Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat-treated.
25.14	273.1 (1)	Slate, including slate not further worked than roughly split, roughly squared or squared by sawing.
25.15	273.1 (2)	Marble, travertine, ecaussine and other calcareous monumental and building stone of an apparent specific gravity of 2.5 or more and alabaster, including such stone not further worked than roughly split, roughly squared or squared by sawing.

25.16	273.1 (2)	Granite, porphyry, basalt, sandstone and other monumental and building stone, including such stone not further worked than roughly split, roughly squared or squared by sawing.
25.17	273.4	Pebbles and crushed or broken stone (whether or not heat-treated), gravel, macadam and tarred macadam, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast; flint and shingle, whether or not heat-treated; granules and chippings (whether or not heat-treated) and powder of stones falling within heading No. 25.15 or 25.16.
25.18	276.2 (3)	Dolomite, whether or not calcined, including dolomite not further worked than roughly split, roughly squared or squared by sawing; agglomerated dolomite (including tarred dolomite).
25.19	276.2 (4)	Natural magnesium carbonate (magnesite), whether or not calcined, other than magnesium oxide.
25.20	273.2 (1)	Gypsum; anhydrite; calcined gypsum, and plasters with a basis of calcium sulphate, whether or not coloured, but not including plasters specially prepared for use in dentistry.
25.21	273.2 (2)	Limestone flux and calcareous stone, commonly used for the manufacture of lime or cement.
25.22	461.1	Quicklime, slaked lime and hydraulic lime, other than calcium oxide and hydroxide.
25.23	561.2	Portland cement, ciment fondu, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinker.
25.24	276.4	Asbestos.
25.25	276.9 (4)	Meerschaum (whether or not in polished pieces) and amber; agglomerated meerschaum and agglomerated amber, in plates, rods, sticks or similar forms, not worked after moulding; jet.
25.26	276.5 (2)	Mica, including splittings; mica waste.
25.27	276.9 (5)	Natural steatite, including natural steatite not further worked than roughly split, roughly squared or squared by sawing; talc.
25.28	276.5 (3)	Natural cryolite and natural chiolite.
25.29	276.9 (6)	Natural arsenic sulphides.
25.30	276.9 (7)	Crude natural borates and concentrates thereof (calcined or not), but not including borates separated from natural brine; crude natural boric acid containing not more than 85 % of H ₂ BO ₃ calculated on the dry weight.
25.31	276.5 (4)	Felspar, leucite, nepheline and nepheline syenite; fluorspar.
25.32	276.9 (9)	Strontianite (whether or not calcined), other than strontium oxide; mineral substances not elsewhere specified or included; broken pottery.

Chapter 26

Metallic ores, slag and ash.

Notes.

1. — This Chapter does not cover :
- (a) Slag and similar industrial waste prepared as macadam (heading No. 25.17);
- (b) Natural magnesium carbonate (magnesite), whether or not calcined (heading No. 25.19);
- (c) Basic slag of Chapter 31;
- (d) Slag wool, rock wool or similar mineral wools (heading No. 68.97);
- (e) Goldsmiths', silversmiths' and jewellers' sweepings, residues, lemelts and other waste and scrap, of precious metal (heading No. 71.11); or
- (f) Copper, nickel or cobalt mattes produced by any process of smelting (Section XV).
2. — For the purposes of heading No. 26.01, the term "metallic ores" means minerals of mineralogical species actually used in the metallurgical industry for the extraction of mercury, of the metals of heading No. 28.50 or of the metals of Section XIV or XV, even if they are intended for non-metallurgical purposes. The heading does not, however, include minerals which have been submitted to processes not normal to the metallurgical industry.
3. — Heading No. 26.02 is to be taken to apply only to ash and residues of a kind used in industry either for the extraction of metals or as a basis for the manufacture of chemical compounds of metals.

26.01

Metallic ores and concentrates and roasted iron pyrites.

281.3	A. Iron ore and concentrates (except roasted iron pyrites).
281.4	B. Roasted iron pyrites.
283.1 (1)	C. Copper ore and concentrates.
283.2 (1)	D. Nickel ore and concentrates.
283.3	E. Bauxite and concentrates.
283.4	F. Lead ore and concentrates.
283.5	G. Zinc ore and concentrates.
283.6	H. Tin ore and concentrates.
283.7	K. Manganese ore and concentrates.
283.9 (1)	L. Chromium ore and concentrates.
283.9 (2)	M. Tungsten ore and concentrates.
283.9 (3)	N. Ores and concentrates of titanium, vanadium, molybdenum, tantalum and zirconium.
283.9 (9)	P. Base metal ores and concentrates (other than those falling within sub-headings A to N and K).
285.0 (1)	Q. Ores and concentrates of silver, platinum and other metals of the platinum group.
286.0	R. Ores and concentrates of uranium and thorium.
1.1.2	S. Gold ore.

26.02 276.6 (1) Slag, dross, scalings and similar waste from the manufacture of iron or steel.

26.03 284.0 (1) Ash and residues (other than from the manufacture of iron or steel), containing metals or metallic compounds.

26.04 276.6 (2) Other slag and ash, including kelp.

Chapter 27

Mineral fuels, mineral oils and products of their distillation;
bituminous substances; mineral waxes.

Notes.

1. — This Chapter does not cover :
- (a) Separate chemically defined organic compounds, other than chemically pure methane and propane which are to be classified in heading No. 27.11;
- (b) Medicaments falling within heading No. 30.03; or
- (c) Mixed unsaturated hydrocarbons falling within heading No. 33.01, 33.02, 33.04 or 38.07.
2. — Heading No. 27.07 is to be taken to include products similar to those obtained by the distillation of high temperature coal tar but which are obtained by the distillation of low temperature coal tar or other mineral tars, by processing petroleum or by any other process, provided that the weight of the aromatic constituents exceeds that of the non-aromatic constituents.
3. — References in heading No. 27.10 to petroleum oils and oils obtained from bituminous minerals are to be taken to include not only petroleum oils and oils obtained from bituminous minerals but also similar oils, as well as those consisting of mixed unsaturated hydrocarbons, obtained by any process, provided that the weight of the non-aromatic constituents exceeds that of the aromatic constituents.
4. — Heading No. 27.13 is to be taken to include not only paraffin wax and the other products specified therein, but also similar products obtained by synthesis or by other processes.

27.01

Coal; briquettes, ovoids and similar solid fuels manufactured from coal.

321.4	A. Coal.
321.5	B. Other.
27.02 321.6	Lignite, whether or not agglomerated.
27.03 321.7	Peat (including peat litter), whether or not agglomerated.
27.04 321.8	Coke and semi-coke of coal, of lignite or of peat.
27.05 513.2 (8)	Retort carbon.
27.05bis 341.2	Coal gas, water gas, producer gas and similar gases. (Optional heading).
27.06 521.1	Tar distilled from coal, from lignite or from peat, and other mineral tars, including partially distilled tars and blends of pitch with creosote oils or with other coal tar distillation products.
27.07 521.4	Oils and other products of the distillation of high temperature coal tar; similar products as defined in Note 2 to this Chapter.
27.08	Pitch and pitch coke, obtained from coal tar or from other mineral tars.
322.9 (2)	A. Pitch.
322.9 (3)	B. Pitch coke.

27.09	321.0 (1)	Petroleum oils and oils obtained from bituminous minerals, crude.
27.10		Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing not less than 70 % by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations.
	321.0 (2)	A. Partly refined petroleum, including topped crudes.
	322.1	B. Motor spirit.
	322.2	C. Kerosene (including jet fuel) and white spirit.
	322.3	D. Distillate fuels.
	322.4	E. Residual fuel oils.
	322.5 (3)	F. Lubricating oils and greases.
	322.9 (4)	G. Other.
27.11	341.1	Petroleum gases and other gaseous hydrocarbons.
27.12	322.6 (1)	Petroleum jelly.
27.13	322.6 (2)	Paraffin wax, micro-crystalline wax, slack wax, ozokerite, lignite wax, peat wax and other mineral waxes, whether or not coloured.
27.14		Petroleum bitumen, petroleum coke and other residues of petroleum oils or of oils obtained from bituminous minerals.
	322.9 (4)	A. Petroleum coke.
	322.9 (5)	B. Other.
27.15	376.1	Bitumen and asphalt, natural; bituminous shale, asphaltic rock and tar sands.
27.16	322.9 (6)	Bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs).
27.17	351.0	Electric current. (Optional heading).

Section VI

PRODUCTS OF THE CHEMICAL AND ALLIED INDUSTRIES

Notes.

- (a) Goods (other than radio-active ores) answering to a description in heading No. 28.50 or 28.51 are to be classified in those headings and in no other heading of the Nomenclature.
(b) Subject to paragraph (a) above, goods answering to a description in heading No. 28.49 or 28.52 are to be classified in those headings and in no other heading of this Section.
- Subject to Note 1 above, goods classifiable within heading No. 30.03, 30.04, 30.05, 32.09, 33.06, 35.06, 37.08 or 38.11 by reason of being put up in measured doses or for sale by retail are to be classified in those headings and in no other heading of the Nomenclature.

Chapter 28

Inorganic chemicals; organic and inorganic compounds of precious metals, of rare earth metals, of radio-active elements and of isotopes.

Notes.

- Except where their context or these Notes otherwise require, the headings of this Chapter are to be taken to apply only to:
 - Separate chemical elements and separate chemically defined compounds, whether or not containing impurities;
 - Products mentioned in (a) above dissolved in water;
 - Products mentioned in (a) above dissolved in other solvents provided that the solution constitutes a normal and necessary method of putting up these products adopted solely for reasons of safety or for transport and that the solvent does not render the product particularly suitable for some types of use rather than for general use;
 - The products mentioned in (a), (b) or (c) above with an added stabiliser necessary for their preservation or transport;
 - The products mentioned in (a), (b), (c) or (d) above with an added anti-dusting agent or a colouring substance added to facilitate their identification or for safety reasons, provided that the additions do not render the product particularly suitable for some types of use rather than for general use.
- In addition to dithionites stabilised with organic substances and to sulphonylates (heading No. 28.36), carbonates and percarbonates of inorganic bases (heading No. 28.42), cyanides and complex cyanides of inorganic bases (heading No. 28.43), fulminates, cyanates and thiocyanates, of inorganic bases (heading No. 28.44), organic products included in headings Nos. 28.49 to 28.52 and metal and non-metal carbides (heading No. 28.56), only the following compounds of carbon are also to be classified in the present Chapter:
 - Oxides of carbon; hydrocyanic, fulminic, isocyanic, thiocyanic and other simple or complex cyanogen acids (heading No. 28.13);
 - Oxyhalides of carbon (heading No. 28.14);
 - Carbon disulphide (heading No. 28.15);
 - Thiocarbonates, selenocarbonates, tellurocarbonates, selenocyanates, tellurocyanates, tetrathiocyanatodiamminochromates (reineckates) and other complex cyanates, of inorganic bases (heading No. 28.48);
 - Solid hydrogen peroxide (heading No. 28.54), carbon oxysulphide, thiocarbonyl halides, cyanogen, cyanogen halides and cyanamide and its metallic derivatives (heading No. 28.58) other than calcium cyanamide containing not more than 25 % by weight of nitrogen, calculated on the dry anhydrous product (Chapter 31).
- This Chapter does not cover:
 - Sodium chloride or other mineral products falling within Section V;
 - Organo-inorganic compounds other than those mentioned in Note 2 above;
 - Products mentioned in Note 1, 2, 3 or 4 of Chapter 31;
 - Inorganic products of a kind used as luminophores, falling within heading No. 32.07;
 - Artificial graphite (heading No. 38.01); products put up as charges for fire-extinguishers or put up in fire-extinguishing grenades, of heading No. 38.17; ink removers put up in packings for sale by retail, of heading No. 38.19; cultured crystals (other than optical elements) weighing not less than 2.5 g each, of magnesium oxide or of the halides of the alkali or of the alkaline-earth metals, of heading No. 38.19;
 - Precious or semi-precious stones (natural, synthetic or reconstructed) or dust or powder of such stones (headings Nos. 71.02 to 71.04), and precious metals falling within Chapter 71;
 - The metals, whether or not chemically pure, falling within any heading of Section XV; or (A) Optical elements, for example, of magnesium oxide or of the halides of the alkali or of the alkaline-earth metals (heading No. 90.01).
- Chemically defined complex acids consisting of a non-metal acid falling within sub-Chapter II and a metallic acid falling within sub-Chapter IV are to be classified in heading No. 28.13.
- Headings Nos. 28.29 to 28.48 inclusive are to be taken to apply only to metallic or ammonium salts or peroxy salts.
Except where the context otherwise requires, double or complex salts are to be classified in heading No. 28.48.

6. — Heading No. 28.50 is to be taken to apply only to :
- The following fissile chemical elements and isotopes : natural uranium and uranium isotopes 233 and 235, plutonium and plutonium isotopes;
 - The following radio-active chemical elements : technetium, promethium, polonium, astatine, radon, francium, radium, actinium, protactinium, neptunium, americium and other elements of higher atomic number;
 - All other radio-active isotopes, natural or artificial, including those of the precious metals and of the base metals of Sections XIV and XV;
 - Compounds, inorganic or organic, of these elements or isotopes, whether or not chemically defined and whether or not mixed together;
 - Alloys (other than ferro-uranium), dispersions and cermets, containing any of these elements or isotopes or their inorganic or organic compounds;
 - Nuclear reactor cartridges, spent or irradiated.
- The term "isotopes" mentioned above and in headings Nos. 28.50 and 28.51 includes "enriched isotopes", but does not include chemical elements which occur in nature as pure isotopes nor uranium depleted in U 235.
7. — Heading No. 28.55 is to be taken to include ferro-phosphorus containing 15 % or more by weight of phosphorus and phosphor copper containing more than 8 % by weight of phosphorus.
8. — Chemical elements (for example, silicon and selenium) doped for use in electronics are to be classified in the present Chapter, provided that they are in forms unworked as drawn, or in the form of cylinders or rods. When cut in the form of discs, wafers or similar forms, they fall in heading No. 38.19.

I. — CHEMICAL ELEMENTS

28.01		Halogens (fluorine, chlorine, bromine and iodine).
	512.2 (1)	A. Chlorine.
	512.2 (2)	B. Other.
28.02	512.2 (3)	Sulphur, sublimed or precipitated; colloidal sulphur.
28.03	512.2 (7)	Carbon (including carbon black).
28.04		Hydrogen, rare gases and other non-metals.
	512.1 (1)	A. Oxygen.
	512.1 (2)	B. Nitrogen.
	512.1 (3)	C. Hydrogen and rare gases.
	512.2 (4)	D. Other.
28.05		Alkali and alkaline-earth metals; rare earth metals, yttrium and scandium and intermixtures or interalloys thereof; mercury.
	512.2 (5)	A. Mercury.
	512.2 (6)	B. Other.
II. — INORGANIC ACIDS AND OXYGEN COMPOUNDS OF NON-METALS		
28.06	512.3 (1)	Hydrochloric acid and chlorosulphuric acid.
28.07	512.3 (2)	Sulphur dioxide.
28.08	512.3 (3)	Sulphuric acid; oleum.
28.09	512.3 (4)	Nitric acid; sulphonitric acids.

28.10	512.3 (5)	Phosphorus pentoxide and phosphoric acids (meta-, ortho- and pyro-).
28.11	512.3 (6)	Arsenic trioxide, arsenic pentoxide and acids of arsenic.
28.12	512.3 (7)	Boric oxide and boric acid.
28.13	512.3 (8)	Other inorganic acids and oxygen compounds of non-metals (excluding water).
III. — HALOGEN AND SULPHUR COMPOUNDS OF NON-METALS		
28.14	512.4 (1)	Halides, oxyhalides and other halogen compounds of non-metals.
28.15	512.4 (2)	Sulphides of non-metals; phosphorus trisulphide.
IV. — INORGANIC BASES AND METALLIC OXIDES, HYDROXIDES AND PEROXIDES		
28.16	512.5 (1)	Ammonia, anhydrous or in aqueous solution.
28.17		Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium.
	512.5 (2)	A. Sodium hydroxide (caustic soda).
	512.5 (3)	B. Other.
28.18	512.5 (4)	Oxides, hydroxides and peroxides, of strontium, barium or magnesium.
28.19	512.5 (1)	Zinc oxide and zinc peroxide.
28.20		Aluminium oxide and hydroxide; artificial corundum.
	512.5 (5)	A. Aluminium oxide and hydroxide.
	512.5 (6)	B. Artificial corundum.
28.21	512.5 (7)	Chromium oxides and hydroxides.
28.22	512.5 (2)	Manganese oxides.
28.23	512.5 (3)	Iron oxides and hydroxides; earth colours containing 70 % or more by weight of combined iron evaluated as Fe₂O₃.
28.24	512.5 (4)	Cobalt oxides and hydroxides.
28.25	512.5 (5)	Titanium oxides.
28.26	512.5 (8)	Tin oxides (stannous oxide and stannic oxide).
28.27	512.5 (6)	Lead oxides; red lead and orange lead.

28.28 513.6 (9) Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases and metallic oxides, hydroxides and peroxides.

V. — METALLIC SALTS AND PEROXSALTS, OF INORGANIC ACIDS

28.29 514.1 (1) Fluorides; fluorosilicates, fluoroborates and other complex fluorine salts.

28.30 514.1 (2) Chlorides and oxychlorides.

28.31 514.1 (3) Chlorites and hypochlorites.

28.32 514.1 (4) Chlorates and perchlorates.

28.33 514.1 (5) Bromides, oxybromides, bromates and perbromates, and hypobromites.

28.34 514.1 (6) Iodides, oxyiodides, iodates and periodates.

28.35 514.2 (1) Sulphides; polysulphides.

28.36 514.2 (2) Dithionites, including those stabilised with organic substances; sulphoxylates.

28.37 514.2 (3) Sulphites and thiosulphates.

28.38 514.2 (4) Sulphates (including alums) and persulphates.

28.39 514.2 (5) Nitrites and nitrates.

28.40 514.2 (6) Phosphites, hypophosphites and phosphates.

28.41 514.2 (7) Arsenites and arsenates.

28.42 Carbonates and percarbonates; commercial ammonium carbonate containing ammonium carbamate.

514.2 (8) A. Sodium carbonate neutral.

514.2 (9) B. Other.

28.43 514.3 (1) Cyanides and complex cyanides.

28.44 514.3 (2) Fulminates, cyanates and thiocyanates.

28.45 514.3 (3) Silicates; commercial sodium and potassium silicates.

28.46 514.3 (4) Borates and perborates.

28.47 514.3 (5) Salts of metallic acids (for example, chromates, permanganates, stannates).

28.48 514.3 (6) Other salts and peroxysalts of inorganic acids, but not including azides.

VI. — MISCELLANEOUS

28.49 514.3 (7) Colloidal precious metals; amalgams of precious metals; salts and other compounds, inorganic or organic, of precious metals, including albuminates, proteinates, tannates and similar compounds, whether or not chemically defined.

28.50 515.1 Fissile chemical elements and isotopes; other radio-active chemical elements and radio-active isotopes; compounds, inorganic or organic, of such elements or isotopes, whether or not chemically defined; alloys, dispersions and cermet, containing any of these elements, isotopes or compounds.

28.51 515.2 Isotopes and their compounds, inorganic or organic, whether or not chemically defined, other than isotopes and compounds falling within heading No. 28.50.

28.52 515.3 Compounds, inorganic or organic, of thorium, of uranium depleted in U 235, of rare earth metals, of yttrium or of scandium, whether or not mixed together.

28.53 514.9 (1) Liquid air (whether or not rare gases have been removed); compressed air.

28.54 514.9 (2) Hydrogen peroxide (including solid hydrogen peroxide).

28.55 514.9 (3) Phosphides.

28.56 Carbides (for example, silicon carbide, boron carbide, metal carbides).

514.9 (4) A. Calcium carbide.

514.9 (5) B. Other.

28.57 514.9 (6) Hydrides, nitrides and azides, silicides and borides.

28.58 514.9 (9) Other inorganic compounds (including distilled and conductivity water and water of similar purity); amalgams, except amalgams of precious metals.

Chapter 29

Organic chemicals.

Notes.

1. — Except where the context otherwise requires, the headings of this Chapter are to be taken to apply only to :

(a) Separate chemically defined organic compounds, whether or not containing impurities;

(b) Mixtures of two or more isomers of the same organic compound (whether or not containing impurities), except mixtures of acyclic hydrocarbon isomers (other than stereoisomers), whether or not saturated (Chapter 27);

(c) The products of headings Nos. 29.38 to 29.42 inclusive, or the sugar ethers and sugar esters, and their salts, of heading No. 29.43, or the products of heading No. 29.44, whether or not chemically defined;

- (d) Products mentioned in (a), (b) or (c) above dissolved in water;
- (e) Products mentioned in (a), (b) or (c) above dissolved in other solvents provided that the solution constitutes a normal and necessary method of putting up these products adopted solely for reasons of safety or for transport and that the solvent does not render the product particularly suitable for some types of use rather than for general use;
- (f) The products mentioned in (a), (b), (c), (d) or (e) above with an added stabiliser necessary for their preservation or transport;
- (g) The products mentioned in (a), (b), (c), (d), (e) or (f) above with an added anti-dusting agent or a colouring or odouriferous substance added to facilitate their identification or for safety reasons, provided that the additions do not render the product particularly suitable for some types of use rather than for general use;
- (h) Diazonium salts, arylides used as couplers for these salts, and fast bases for azoic dyes, diluted to standard strengths.
2. — This Chapter does not cover :
- (a) Goods falling within heading No. 15.04 or glycerol (heading No. 15.11);
- (b) Ethyl alcohol (heading No. 22.08 or 22.09);
- (c) Methane and propane (heading No. 27.11);
- (d) The compounds of carbon mentioned in Note 2 of Chapter 28;
- (e) Urea (heading No. 31.02 or 31.05 as the case may be);
- (f) Colouring matter of vegetable or animal origin (heading No. 32.04); synthetic organic dyestuffs (including pigment dyestuffs), synthetic organic products of a kind used as luminophores and products of the kind known as optical bleaching agents substantive to the fibre and natural indigo (heading No. 32.05) and dyes or other colouring matter put up in forms or packings of a kind sold by retail (heading No. 32.09);
- (g) Metaldehyde, hexamethylenetetramine and similar substances put up in forms (for example, tablets, sticks or similar forms) for use as fuels, and liquid fuels of a kind used in mechanical lighters in containers of a capacity not exceeding 300 cm³ (heading No. 36.08);
- (h) Products put up as charges for fire-extinguishers or put up in fire-extinguishing grenades, of heading No. 38.17; ink removers put up in packings for sale by retail, of heading No. 38.19; or
- (i) Optical elements, for example, of ethylenediamine tartrate (heading No. 90.01).
3. — Goods which could be included in two or more of the headings of this Chapter are to be classified in the latest of those headings.
4. — In headings Nos. 29.03 to 29.05, 29.07 to 29.10 and 29.12 to 29.21 inclusive, any reference to halogenated, sulphonated, nitrated or nitrosated derivatives is to be taken to include a reference to any combinations of these derivatives (for example, sulphohalogenated, nitrohalogenated, nitrosulphonated and nitrosulphohalogenated derivatives).
- Nitro and nitroso groups are not to be taken as nitro-gen-functions for the purpose of heading No. 29.30.
5. — (a) The esters of acid-function organic compounds falling within sub-Chapters I to VII with organic compounds of these sub-Chapters are to be classified with that compound which is classified in the heading placed last in the sub-Chapters.
- (b) Esters of ethyl alcohol or glycerol with acid-function organic compounds of sub-Chapters I to VII are to be classified with the corresponding acid-function compounds.
- (c) The salts of the esters referred to in paragraph (a) or (b) above with inorganic bases are to be classified with the corresponding esters.
- (d) The salts of other acid- or phenol-function organic compounds falling within sub-Chapters I to VII with inorganic bases are to be classified with the corresponding acid- or phenol-function organic compounds.
- (e) Halides of carboxylic acids are to be classified with the corresponding acids.
6. — The compounds of headings Nos. 29.31 to 29.34 are organic compounds the molecules of which contain, in addition to atoms of hydrogen, oxygen or nitrogen, atoms of other non-metals or of metals (such as sulphur, arsenic, mercury or lead) directly linked to carbon atoms.
- Heading No. 29.31 (organo-sulphur compounds) and heading No. 29.34 (other organo-inorganic compounds) are to be taken not to include sulphonated or halogenated derivatives (including compound derivatives) which, apart from hydrogen, oxygen and nitrogen, only have directly linked to carbon the atoms of sulphur and of halogens which give them their nature of sulphonated or halogenated derivatives (or compound derivatives).
7. — Heading No. 29.35 (heterocyclic compounds) is to be taken not to include internal ethers, interna hemiacetals, methylene ethers of orthodihydric phenols, epoxides with three or four member rings, cyclic acetals, cyclic polymers of aldehydes, of thioaldehydes or of aldimines, anhydrides of polybasic acids, cyclic esters of polyhydric alcohols with polybasic acids, cyclic ureides and cyclic thioureides, imides of polybasic acids, hexamethylenetetramine and trimethylenetrinitramine.

		I. — HYDROCARBONS AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
29.01		Hydrocarbons.
512.1 (1)	A.	Styrene.
512.1 (2)	B.	Other.
29.02	512.1 (3)	Halogenated derivatives of hydrocarbons.
29.03	512.1 (4)	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons.
		II. — ALCOHOLS AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
29.04		Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
512.2 (1)	A.	Methanol (methyl alcohol).
512.2 (2)	B.	Other.
29.05	512.2 (3)	Cyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives.
		III. — PHENOLS, PHENOL-ALCOHOLS, AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
29.06	512.2 (7)	Phenols and phenol-alcohols.
29.07	512.2 (8)	Halogenated, sulphonated, nitrated or nitrosated derivatives of phenols or phenol-alcohols.
		IV. — ETHERS, ALCOHOL PEROXIDES, ETHER PEROXIDES, EPOXIDES WITH A THREE OR FOUR MEMBER RING, ACETALS AND HEMIACETALS, AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
29.08	512.3 (1)	Ethers, ether-alcohols, ether-phenols, ether-alcohol-phenols, alcohol peroxides and ether peroxides, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.09	512.3 (2)	Epoxides, epoxyalcohols, epoxyphenols and epoxyethers, with a three or four member ring, and their halogenated, sulphonated, nitrated or nitrosated derivatives.
29.10	512.3 (3)	Acetals and hemiacetals and single or complex oxygen-function acetals and hemiacetals, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

V. — ALDEHYDE-FUNCTION COMPOUNDS

29.11 512.4 (1) Aldehydes, aldehyde-alcohols, aldehyde-ethers, aldehyde-phenols and other single or complex oxygen-function aldehydes; cyclic polymers of aldehydes; paraformaldehyde.

29.12 512.4 (2) Halogenated, sulphonated, nitrated or nitrosated derivatives of products falling within heading No. 29.11.

VI. — KETONE-FUNCTION COMPOUNDS AND QUINONE-FUNCTION COMPOUNDS

29.13 512.4 (3) Ketones, ketone-alcohols, ketone-phenols, ketone-aldehydes, quinones, quinone-alcohols, quinone-phenols, quinone-aldehydes and other single or complex oxygen-function ketones and quinones, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

VII. — CARBOXYLIC ACIDS, AND THEIR ANHYDRIDES, HALIDES, PEROXIDES AND PERACIDS, AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES

29.14 512.5 (1) Monocarboxylic acids and their anhydrides, halides, peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.15 512.5 (2) Polycarboxylic acids and their anhydrides, halides, peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.16 512.5 (3) Carboxylic acids with alcohol, phenol, aldehyde or ketone function and other single or complex oxygen-function carboxylic acids and their anhydrides, halides, peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

VIII. — INORGANIC ESTERS AND THEIR SALTS, AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES

29.17 512.6 (1) Sulphuric esters and their salts, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.18 512.6 (2) Nitrous and nitric esters, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.19 512.6 (3) Phosphoric esters and their salts, including lactophosphates, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.20 512.6 (4) Carbonic esters and their salts, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

29.21 512.6 (5) Other esters of mineral acids (excluding halides) and their salts, and their halogenated, sulphonated, nitrated or nitrosated derivatives.

IX. — NITROGEN-FUNCTION COMPOUNDS

29.22 512.7 (1) Amine-function compounds.

29.23 512.7 (2) Single or complex oxygen-function amino-compounds.

29.24 512.7 (3) Quaternary ammonium salts and hydroxides; lecithins and other phospho-aminolipins.

29.25 512.7 (4) Carboxamide-function compounds; amide-function compounds of carbonic acid.

29.26 512.7 (5) Carboxyimide-function compounds (including ortho-benzoic sulphimide and its salts) and imine-function compounds (including hexamethylenetetramine and trimethylenetrinitramine).

29.27 512.7 (6) Nitrile-function compounds.

29.28 512.7 (7) Diazo-, azo- and azoxy-compounds.

29.29 512.7 (8) Organic derivatives of hydrazine or of hydroxylamine.

29.30 512.7 (9) Compounds with other nitrogen-functions.

X. — ORGANO-INORGANIC COMPOUNDS AND HETEROCYCLIC COMPOUNDS

29.31 512.8 (1) Organo-sulphur compounds.

29.32 512.8 (2) Organo-arsenic compounds.

29.33 512.8 (3) Organo-mercury compounds.

29.34 512.8 (4) Other organo-inorganic compounds.

29.35 512.8 (5) Heterocyclic compounds; nucleic acids.

29.36 512.8 (6) Sulphonamides.

29.37 512.8 (7) Sultones and sultams.

XI. — PROVITAMINS, VITAMINS, HORMONES AND ENZYMES, NATURAL OR REPRODUCED BY SYNTHESIS

29.38 541.1 Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent.

29.39 541.5 Hormones, natural or reproduced by synthesis; derivatives thereof, used primarily as hormones; other steroids used primarily as hormones.

29.40 512.9 (1) Enzymes.

XII. — GLYCOSIDES AND VEGETABLE ALKALOIDS, NATURAL OR REPRODUCED BY SYNTHESIS, AND THEIR SALTS, ETHERS, ESTERS AND OTHER DERIVATIVES

29.41 541.6 (1) Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.

29.42 541.4 Vegetable alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.

XIII. — OTHER ORGANIC COMPOUNDS

29.43 512.9 (2) Sugars, chemically pure, other than sucrose, glucose and lactose; sugar ethers and sugar esters, and their salts, other than products of headings Nos. 29.39, 29.41 and 29.42.

29.44 541.3 Antibiotics.

29.45 512.9 (3) Other organic compounds.

Chapter 30

Pharmaceutical products.

Notes.

1. — For the purposes of heading No. 30.03, "medicaments" means goods (other than foods or beverages such as dietetic, diabetic or fortified foods, tonic beverages, spa water) not falling within heading No. 30.02 or 30.04 which are either:
- (a) Products comprising two or more constituents which have been mixed or compounded together for therapeutic or prophylactic uses; or
 - (b) Unmixed products suitable for such uses put up in measured doses or in forms or in packings of a kind sold by retail for therapeutic or prophylactic purposes.

For the purposes of these provisions and of Note 3 (d) to this Chapter, the following are to be treated:

- (A) As unmixed products:
- (1) Unmixed products dissolved in water;
 - (2) All goods falling in Chapter 28 or 29; and
 - (3) Simple vegetable extracts falling in heading No. 13.03, merely standardised or dissolved in any solvent;
- (B) As products which have been mixed:
- (1) Colloidal solutions and suspensions (other than colloidal sulphur);
 - (2) Vegetable extracts obtained by the treatment of mixtures of vegetable materials; and
 - (3) Salts and concentrates obtained by evaporating natural mineral waters.
2. — The heading of this Chapter are to be taken not to apply to:
- (a) Aqueous distillates and aqueous solutions of essential oils, suitable for medicinal uses (heading No. 33.05);
 - (b) Dentifrices of all kinds, including those having therapeutic or prophylactic properties, which are to be considered as falling within heading No. 33.06; or
 - (c) Soap or other products of heading No. 34.01 containing added medicaments.

3. — Heading No. 30.05 is to be taken to apply, and to apply only, to:

- (a) Sterile surgical catgut and similar sterile suture materials;
- (b) Sterile laminaria and sterile laminaria tents;
- (c) Sterile absorbable surgical haemostatics;
- (d) Opacifying preparations for X-ray examinations and diagnostic reagents (excluding those of heading No. 30.02) designed to be administered to the patient, being unmixed products put up in measured doses or products consisting of two or more products which have been mixed or compounded together for such uses;
- (e) Blood-grouping reagents;
- (f) Dental cements and other dental fillings; and
- (g) First-aid boxes and kits.

30.01 541.6 (2) Organo-therapeutic glands or other organs, dried, whether or not powdered; organo-therapeutic extracts of glands or other organs or of their secretions; other animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included.

30.02 541.6 (3) Antisera; microbial vaccines, toxins, microbial cultures (including ferments but excluding yeasts) and similar products.

30.03 541.7 Medicaments (including veterinary medicaments).

30.04 541.9 (1) Wadding, gauze, bandages and similar articles (for example, dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in retail packings for medical or surgical purposes, other than goods specified in Note 3 to this Chapter.

30.05 541.9 (3) Other pharmaceutical goods.

Chapter 31

Fertilisers.

Notes.

1. — Heading No. 31.02 is to be taken to apply, and to apply only, to the following goods, provided that they are not put up in the forms or packings described in heading No. 31.05:

- (A) Goods which answer to one or other of the descriptions given below:
- (i) Sodium nitrate containing not more than 16.3 % by weight of nitrogen;
 - (ii) Ammonium nitrate, whether or not pure;
 - (iii) Ammonium sulphonitrate, whether or not pure;
 - (iv) Ammonium sulphate, whether or not pure;
 - (v) Calcium nitrate containing not more than 16 % by weight of nitrogen;
 - (vi) Calcium nitrate-magnesium nitrate, whether or not pure;
 - (vii) Calcium cyanamide containing not more than 25 % by weight of nitrogen, whether or not treated with oil;
 - (viii) Urea, whether or not pure.
- (B) Fertilisers consisting of any of the goods described in (A) above, but without quantitative criteria, mixed together.
- (C) Fertilisers consisting of ammonium chloride or of any of the goods described in (A) or (B) above, but without quantitative criteria, mixed with chalk, gypsum or other inorganic non-fertilising substances.

- (D) Liquid fertilisers consisting of the goods of sub-paragraphs 1 (A) (ii) or (viii) above, or of mixtures of those goods, in an aqueous or liquid ammonia solution.
2. — Heading No. 31.03 is to be taken to apply, and to apply only, to the following goods, provided that they are not put up in the forms or packings described in heading No. 31.05 :
- (A) Goods which answer to one or other of the descriptions given below :
- (i) Basic slag;
- (ii) Disintegrated (calcined) calcium phosphates (thermophosphates and fused phosphates) and calcined natural aluminium calcium phosphates;
- (iii) Superphosphates (single, double or triple);
- (iv) Calcium hydrogen phosphate containing not less than 0.2 % by weight of fluorine.
- (B) Fertilisers consisting of any of the goods described in (A) above, but without quantitative criteria, mixed together.
- (C) Fertilisers consisting of any of the goods described in (A) or (B) above, but without quantitative criteria, mixed with chalk, gypsum or other inorganic non-fertilising substances.
3. — Heading No. 31.04 is to be taken to apply, and to apply only, to the following goods, provided that they are not put up in the forms or packings described in heading No. 31.05 :
- (A) Goods which answer to one or other of the descriptions given below :
- (i) Crude natural potassium salts (for example, carnallite, kainite and sylvinit);
- (ii) Crude potassium salts obtained by the treatment of residues of beet molasses;
- (iii) Potassium chloride, whether or not pure, except as provided in Note 6 (c) below;
- (iv) Potassium sulphate containing not more than 52 % by weight of K_2O ;
- (v) Magnesium sulphate-potassium sulphate containing not more than 30 % by weight of K_2O .
- (B) Fertilisers consisting of any of the goods described in (A) above, but without quantitative criteria, mixed together.
4. — Monoammonium and diammonium orthophosphates, whether or not pure, and mixtures thereof, are to be classified in heading No. 31.05.
5. — For the purposes of the quantitative criteria specified in Notes 1 (A), 2 (A) and 3 (A) above, the calculation is to be made on the dry anhydrous product.
6. — This Chapter does not cover :
- (a) Animal blood of heading No. 05.15;
- (b) Separate chemically defined compounds (other than those answering to the descriptions in Note 1 (A), 2 (A), 3 (A) or 4 above); or
- (c) Cultured potassium chloride crystals (other than optical elements) weighing not less than 2.5 g each, of heading No. 38.19; optical elements of potassium chloride (heading No. 90.01).

31.01	271.1	Guano and other natural animal or vegetable fertilisers, whether or not mixed together, but not chemically treated.
31.02		Mineral or chemical fertilisers, nitrogenous.
	271.2	A. Sodium nitrate, natural.
	561.1	B. Other.
31.03		Mineral or chemical fertilisers, phosphatic.
	561.2 (1)	A. Basic slag.
	561.2 (9)	B. Other.

31.04		Mineral or chemical fertilisers, potassic.
	271.4	A. Potassium salts, crude natural.
	561.3	B. Other.
31.05	561.9	Other fertilisers; goods of the present Chapter in tablets, lozenges and similar prepared forms or in packings of a gross weight not exceeding 10 kg.

Chapter 32

Tanning and dyeing extracts; tannins and their derivatives; dyes, colours, paints and varnishes; putty, fillers and stoppings; inks.

Notes.

- This Chapter does not cover :
 - Separate chemically defined elements and compounds (except those falling within heading No. 32.04 or 32.05, inorganic products of a kind used as luminophores (heading No. 32.07), and also dyes or other colouring matter in forms or packings of a kind sold by retail falling within heading No. 32.09); or
 - Tannates and other tannin derivatives of products falling within headings Nos. 29.38 to 29.42, 29.44 or 35.01 to 35.04.
- Heading No. 32.05 is to be taken to include mixtures of stabilised diazonium salts and coupling compounds for the production of insoluble azoic dyestuffs on the fibre.
- Headings Nos. 32.05, 32.06 and 32.07 are to be taken to apply also to preparations based on, respectively, synthetic organic dyestuffs (including pigment dyestuffs), colour lakes and other colouring matter, of a kind used for colouring in the mass artificial plastics, rubber or similar materials or as ingredients in preparations for printing textiles. The headings are not to be applied, however, to prepared pigments falling within heading No. 32.09.
- Heading No. 32.09 is to be taken to include solutions (other than collodions) consisting of any of the products specified in headings Nos. 39.01 to 39.06 in volatile organic solvents if, and only if, the weight of the solvent exceeds 50 % of the weight of the solution.
- The expression "colouring matter" in this Chapter does not include products of a kind used as extenders in oil paints, whether or not they are also suitable for colouring distempers.
- The expression "stamping foils" in heading No. 32.09 is to be taken to apply only to products of a kind used for printing, for example, book covers or hat bands, and consisting of :
 - Thin sheets composed of metallic powder (including powder of precious metal), or pigment, agglomerated with glue, gelatin or other binder; or
 - Metal (for example, gold or aluminium) or pigment, deposited on paper, artificial plastic material or other support.

32.01	532.4	Tanning extracts of vegetable origin.
32.02	532.5	Tannins (tannic acids), including water-extracted gall-nut tannin, and their salts, ethers, esters and other derivatives.
32.03	532.3	Synthetic organic tanning substances, and inorganic tanning substances; tanning preparations, whether or not containing natural tanning materials; enzymatic preparations for pre-tanning (for example, of enzymatic, pancreatic, or bacterial origin).

32.04	532.1	Colouring matter of vegetable origin (including dyewood extract and other vegetable dyeing extracts, but excluding indigo) or of animal origin.
32.05	531.9 (1)	Synthetic organic dyestuffs (including pigment dyestuffs); synthetic organic products of a kind used as luminophores; products of the kind known as optical bleaching agents, substantive to the fibre; natural indigo.
32.06	531.9 (2)	Colour lakes.
32.07	532.1	Other colouring matter; inorganic products of a kind used as luminophores.
32.08	532.2 (1)	Prepared pigments, prepared opacifiers and prepared colours, vitrifiable enamels and glazes, liquid lustres and similar products, of the kind used in the ceramic, enamelling and glass industries; engobes (slips); glass frit and other glass, in the form of powder, granules or flakes.
32.09	532.3 (2)	Varnishes and lacquers; distempers; prepared water pigments of the kind used for finishing leather; paints and enamels; pigments in linseed oil, white spirit, spirits of turpentine, varnish or other paint or enamel media; stamping foils; dyes or other colouring matter in forms or packings of a kind sold by retail.
32.10	532.3 (2)	Artists', students' and signboard painters' colours, modifying tints, amusement colours and the like, in tablets, tubes, jars, bottles, pans or in similar forms or packings, including such colours in sets or outfits, with or without brushes, palettes or other accessories.
32.11	532.3 (4)	Prepared driers.
32.12	532.3 (5)	Glaziers' putty; grafting putty; painters' fillings; non-refractory surfacing preparations; stopping, sealing and similar mastics, including resin mastics and cements.
32.13		Writing ink, printing ink and other inks.
	533.2	A. Printing ink.
	535.9 (1)	B. Other.

Chapter 33

Essential oils and resinoids; perfumery, cosmetics and toilet preparations.

Notes.

- This Chapter does not cover :
 - Compound alcoholic preparations (known as "concentrated extracts"), for the manufacture of beverages, of heading No. 22.09;
 - Soap and other products falling within heading No. 34.01; or
 - Spirits of turpentine or other products falling within heading No. 38.07.

2. — Heading No. 33.06 is to be taken to apply, *inter alia*, to :

- Prepared room deodorisers, whether or not perfumed;
- Products, whether or not mixed (other than those of heading No. 33.05), suitable for use as perfumery, cosmetics or toilet preparations or as room deodorisers, put up in packings of a kind sold by retail for such use.

33.01	351.1	Essential oils (terpeneless or not); concretes and absolutes; resinoids.
33.02	351.2 (1)	Terpenic by-products of the deterpenation of essential oils.
33.03	351.2 (2)	Concentrates of essential oils in fats, in fixed oils, or in waxes or the like, obtained by cold absorption or by maceration.
33.04	351.2 (3)	Mixtures of two or more odoriferous substances (natural or artificial) and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in the perfumery, food, drink or other industries.
33.05	351.2 (4)	Aqueous distillates and aqueous solutions of essential oils, including such products suitable for medicinal uses.
33.06	355.9	Perfumery, cosmetics and toilet preparations.

Chapter 34

Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing and scouring preparations, candles and similar articles, modelling pastes and "dental waxes".

Notes.

- This Chapter does not cover :
 - Separate chemically defined compounds; or
 - Dentifrices, shaving creams or shampoos containing soap or organic surface-active agents (heading No. 33.06).
- For the purposes of heading No. 34.01, the expression "soap" is to be taken to apply only to soap soluble in water. Soap and the other products falling within heading No. 34.01 may contain added substances (for example, disinfectants, abrasive powders, fillers or medicaments). Products containing abrasive powders remain classified in heading No. 34.01 only if in the form of bars, cakes or moulded pieces or shapes. In other forms they are to be classified in heading No. 34.05 as "scouring powders and similar preparations".
- The reference in heading No. 34.03 to petroleum oils and oils obtained from bituminous minerals is to be taken to apply to the products defined in Note 3 of Chapter 27.
- In heading No. 34.04 the expression "prepared waxes, not emulsified or containing solvents" is to be taken to apply only to :
 - Mixtures of animal waxes, mixtures of vegetable waxes or mixtures of artificial waxes;
 - Mixtures of different classes of waxes (animal, vegetable, mineral or artificial); and

(C) Mixtures of waxy consistency not emulsified or containing solvents, with a basis of one or more waxes, and containing fats, resins, mineral substances or other materials.

The heading is to be taken not to apply to :

- (a) Waxes falling within heading No. 27.13; or
(b) Separate animal waxes and separate vegetable waxes, merely coloured.

34.01	354.1	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes or moulded pieces or shapes, whether or not combined with soap.
34.02	354.2	Organic surface-active agents; surface-active preparations and washing preparations, whether or not containing soap.
34.03	322.5 (2)	Lubricating preparations, and preparations of a kind used for oil or grease treatment of textiles, leather or other materials, but not including preparations containing 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals.
34.04	399.7 (1)	Artificial waxes (including water-soluble waxes); prepared waxes, not emulsified or containing solvents.
34.05	354.3	Polishes and creams, for footwear, furniture or floors, metal polishes, scouring powders and similar preparations, but excluding prepared waxes falling within heading No. 34.04.
34.06	399.3 (1)	Candles, tapers, night-lights and the like.
34.07	399.9 (1)	Modelling pastes (including those put up for children's amusement and assorted modelling pastes); preparations of a kind known as "dental wax" or as "dental impression compounds", in plates, horseshoe shapes, sticks and similar forms.

Chapter 35

Albuminoidal substances; glues.

Notes.

1. — This Chapter does not cover :
- (a) Protein substances put up as medicaments (heading No. 30.03); or
(b) Gelatin postcards and other products of the printing industry (Chapter 49).
2. — For the purposes of heading No. 35.05, the term "dextrins" is to be taken to apply to starch degradation products with a reducing sugar content, expressed as dextrose on the dry substance, not exceeding 10 %.
- Such products with a reducing sugar content exceeding 10 % fall in heading No. 17.02.

35.01	399.5 (2)	Casein, caseinates and other casein derivatives; casein glues.
35.02	399.5 (4)	Albumins, albuminates and other albumin derivatives.
35.03	399.5 (5)	Gelatin (including gelatin in rectangles, whether or not coloured or surface-worked) and gelatin derivatives; glues derived from bones, hides, nerves, tendons or from similar products, and fish glues; isinglass.

35.04	399.5 (6)	Peptones and other protein substances and their derivatives; hide powder, whether or not chromed.
35.05	399.5 (7)	Dextrins and dextrin glues; soluble or roasted starches; starch glues.
35.06	399.5 (9)	Prepared glues not elsewhere specified or included; products suitable for use as glues put up for sale by retail as glues in packages not exceeding a net weight of 1 kg.

Chapter 36

Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations.

Notes.

1. — This Chapter does not cover separate chemically defined compounds other than those described in Note 2 (a) or (b) below.
2. — Heading No. 36.08 is to be taken to apply only to :
- (a) Metaldehyde, hexamethylenetetramine and similar substances, put up in forms (for example, tablets, sticks or similar forms) for use as fuels; fuels with a basis of alcohol, and similar prepared fuels, in solid or semi-solid form;
- (b) Liquid fuels (for example, petrol) of a kind used in mechanical lighters, in containers of a capacity not exceeding 300 cm³; and
- (c) Resin torches, firelighters and the like.

36.01	571.1 (1)	Propellant powders.
36.02	571.1 (2)	Prepared explosives, other than propellant powders.
36.03	571.2 (1)	Mining, blasting and safety fuses.
36.04	571.3 (2)	Percussion and detonating caps; igniters; detonators.
36.05	571.3	Pyrotechnic articles (for example, fireworks, railway fog signals, amorces, rain rockets).
36.06	399.3 (2)	Matches (excluding Bengal matches).
36.07	399.9 (3)	Ferro-cerium and other pyrophoric alloys in all forms.
36.08	399.3 (3)	Other combustible preparations and products.

Chapter 37

Photographic and cinematographic goods.

Notes.

1. — This Chapter does not cover waste or scrap materials.
2. — Heading No. 37.08 is to be taken to apply only to:
- (a) Chemical products mixed or compounded for photographic uses (for example, sensitised emulsions, developers and fixers); and
- (b) Unmixed substances suitable for such uses and put up in measured portions or put up for sale by retail in a form ready for use.
- The heading does not apply to photographic pastes or gums, varnishes or similar products.

37.01	862.4 (1)	Photographic plates and film in the flat, sensitised, unexposed, of any material other than paper, paperboard or cloth.
37.02	862.4 (2)	Film in rolls, sensitised, unexposed, perforated or not.
37.03	862.4 (3)	Sensitised paper, paperboard and cloth, unexposed or exposed but not developed.
37.04	862.4 (4)	Sensitised plates and film, exposed but not developed, negative or positive.
37.05	862.4 (5)	Plates, unperforated film and perforated film (other than cinematograph film), exposed and developed, negative or positive.
37.06	862.9 (1)	Cinematograph film, exposed and developed, consisting only of sound track, negative or positive.
37.07	862.9 (2)	Other cinematograph film, exposed and developed, whether or not incorporating sound track, negative or positive.
37.08	862.3	Chemical products and flash light materials, of a kind and in a form suitable for use in photography.

Chapter 38

Miscellaneous chemical products.

Notes.

1. — This Chapter does not cover:
- (a) Separate chemically defined elements or compounds with the exception of the following:
- (1) Artificial graphite (heading No. 38.01);
- (2) Disinfectants, insecticides, fungicides, weed-killers, anti-sprouting products, rat poisons and similar products put up as described in heading No. 38.11;
- (3) Products put up as charges for fire-extinguishers or put up in fire-extinguishing grenades (heading No. 38.17);
- (4) Products specified in Note 2 (a), 2 (c), 2 (d) or 2 (f) below.
- (b) Mixtures of chemicals and foodstuffs of a kind used in the preparation of human foodstuffs (generally, heading No. 21.07).
- (c) Medicaments (heading No. 30.03).
2. — Heading No. 38.19 is to be taken to include the following goods which are to be taken not to fall within any other heading of the Nomenclature:
- (a) Cultured crystals (other than optical elements) weighing not less than 2.5 g each, of magnesium oxide or of the halides of the alkali or of the alkaline-earth metals;
- (b) Fusel oil;
- (c) Ink removers put up in packings for sale by retail;
- (d) Stencil correctors put up in packings for sale by retail;
- (e) Ceramic firing testers, fusible (for example, Seger cones);
- (f) Plasters specially prepared for use in dentistry; and
- (g) Chemical elements of Chapter 28 (for example, silicon and selenium) doped for use in electronics, in the form of discs, wafers or similar forms, polished or not, whether or not coated with a uniform epitaxial layer.

38.01	599.7 (2)	Artificial graphite; colloidal graphite, other than suspensions in oil.
38.02	599.7 (3)	Animal black (for example, bone black and ivory black), including spent animal black.
38.03	599.9 (2)	Activated carbon (decolourising, depolarising or adsorbent); activated diatomite, activated clay, activated bauxite and other activated natural mineral products.
38.04	521.3	Ammoniacal gas liquors and spent oxide produced in coal gas purification.
38.05	599.6 (1)	Tall oil.
38.06	599.6 (2)	Concentrated sulphite lye.
38.07	599.6 (3)	Spirits of turpentine (gum, wood and sulphate) and other terpenic solvents produced by the distillation or other treatment of coniferous woods; crude dipentene; sulphite turpentine; pine oil (excluding "pine oils" not rich in terpineol).
38.08	599.6 (4)	Rosin and resin acids, and derivatives thereof other than ester gums included in heading No. 39.05; rosin spirit and rosin oils.

38.09	599.6 (5)	Wood tar; wood tar oils (other than the composite solvents and thinners falling within heading No. 38.18); wood creosote; wood naphtha; acetone oil.
38.10	599.6 (6)	Vegetable pitch of all kinds; brewers' pitch and similar compounds based on rosin or on vegetable pitch; foundry core binders based on natural resinous products.
38.11	599.2	Disinfectants, insecticides, fungicides, weed-killers, anti-sprouting products, rat poisons and similar products, put up in forms or packings for sale by retail or as preparations or as articles (for example, sulphur-treated bands, wicks and candles, fly-papers).
38.12	599.7 (4)	Prepared glazings, prepared dressings and prepared mordants, of a kind used in the textile, paper, leather or like industries.
38.13	599.9 (4)	Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding rods and electrodes.
38.14	599.7 (5)	Anti-knock preparations, oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations and similar prepared additives for mineral oils.
38.15	599.7 (4)	Prepared rubber accelerators.
38.16	599.7 (7)	Prepared culture media for development of micro-organisms.
38.17	599.7 (8)	Preparations and charges for fire-extinguishers; charged fire-extinguishing grenades.
38.18	599.9 (5)	Composite solvents and thinners for varnishes and similar products.
38.19		Chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included; residual products of the chemical or allied industries, not elsewhere specified or included.
599.9 (9)		A. Products and preparations, other than those of sub-heading B.
642.3 (2)		B. Refractory cements or mortars.

Section VII

ARTIFICIAL RESINS AND PLASTIC MATERIALS, CELLULOSE ESTERS AND ETHERS, AND ARTICLES THEREOF; RUBBER, SYNTHETIC RUBBER, FACTICE, AND ARTICLES THEREOF

Chapter 39

Artificial resins and plastic materials, cellulose esters and ethers; articles thereof.

Notes.

- This Chapter does not cover :
 - Stamping foils of heading No. 32.09;
 - Artificial waxes (heading No. 34.04);
 - Synthetic rubber, as defined for the purposes of Chapter 40, or articles thereof;
 - Saddlery or harness (heading No. 42.01) or travel goods, handbags or other receptacles falling within heading No. 42.02;
 - Plaits, wickerwork or other articles falling within Chapter 46;
 - Goods falling within Section XI (textiles and textile articles);
 - Footwear, headgear, umbrellas, sunshades, walking-sticks, whips, riding-crops, fans or parts thereof or other articles falling within Section XII;
 - Imitation jewellery falling within heading No. 71.16;
 - Articles falling within Section XVI (machines and mechanical or electrical appliances);
 - Parts of aircraft or vehicles falling within Section XVII;
 - Optical elements of artificial plastics, spectacle frames, drawing instruments or other articles falling within Chapter 90;
 - Articles falling within Chapter 91 (for example, clock or watch cases);
 - Musical instruments or parts thereof or other articles falling within Chapter 92;
 - Furniture and other articles of Chapter 94;
 - Brushes or other articles falling within Chapter 96;
 - Articles falling within Chapter 97 (for example, toys, games and sports requisites); or
 - Buttons, slide fasteners, combs, mouthpieces or stems for smoking pipes, cigarette-holders or the like, parts of vacuum flasks or the like, pens, propelling pencils or other articles falling within Chapter 98.
- Headings Nos. 39.01 and 39.02 are to be taken to apply only to goods of a kind produced by chemical synthesis answering to one of the following descriptions :
 - Artificial plastics including artificial resins;
 - Silicones;
 - Resols, liquid polyisobutylene, and similar artificial polycondensation or polymerisation products.
- Headings Nos. 39.01 to 39.06 are to be taken to apply to materials in the following forms only :
 - Liquid or pasty (including emulsions, dispersions and solutions);
 - Blocks, lumps, powders (including moulding powders), granules, flakes and similar bulk forms;
 - Monofil of which any cross-sectional dimension exceeds 1 mm; seamless tubes, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked;

(d) Plates, sheets, film, foil and strip (other than that classified in heading No. 51.02 by the application of Note 4 to Chapter 51), whether or not printed or otherwise surface-worked, uncut or cut into rectangles but not further worked (even if, when so cut, they become articles ready for use);

(e) Waste and scrap.

39.01	581.1	Condensation, polycondensation and polyaddition products, whether or not modified or polymerised, and whether or not linear (for example, phenoplasts, aminoplasts, alkyds, polyallyl esters and other unsaturated polyesters, silicones).
39.02	581.2	Polymerisation and copolymerisation products (for example, polyethylene, polytetrahaloethylenes, polyisobutylene, polystyrene, polyvinyl chloride, polyvinyl acetate, polyvinyl chloroacetate and other polyvinyl derivatives, polyacrylic and polymethacrylic derivatives, coumarone-indene resins).
39.03		Regenerated cellulose; cellulose nitrate, cellulose acetate and other cellulose esters, cellulose ethers and other chemical derivatives of cellulose, plasticised or not (for example, collodions, celluloid); vulcanised fibre.
	581.3 (1)	A. Vulcanised fibre.
	581.3 (2)	B. Other.
39.04	581.9 (1)	Hardened proteins (for example, hardened casein and hardened gelatin).
39.05	581.9 (2)	Natural resins modified by fusion (run gums); artificial resins obtained by esterification of natural resins or of resinic acids (ester gums); chemical derivatives of natural rubber (for example, chlorinated rubber, rubber hydrochloride, oxidised rubber, cyclised rubber).
39.06	581.9 (9)	Other high polymers, artificial resins and artificial plastic materials, including alginic acid, its salts and esters; linoxyn.
39.07	593.0	Articles of materials of the kinds described in headings Nos. 39.01 to 39.06.

Chapter 40

Rubber, synthetic rubber, factice, and articles thereof.

Notes.

1. — Except where the context otherwise requires, throughout this Nomenclature the expression "rubber" means the following products, whether or not vulcanised or hardened: natural rubber, balata, guita-percha and similar natural gums, synthetic rubber, and factice derived from oils, and such substances reclaimed.
2. — This Chapter does not cover the following products of rubber and textiles, which fall generally within Section XI:
 - (a) Knitted or crocheted fabric or articles thereof, elastic or rubberised (other than transmission, conveyor and elevator belts or belting, of rubberised knitted or crocheted fabric, of heading No. 40.10); other elastic fabric or articles thereof;
 - (b) Textile hose-piping and similar textile tubing, internally coated or lined with rubber (heading No. 59.15);

(c) Woven textile fabrics (other than the goods of heading No. 40.10) impregnated, coated, covered or laminated with rubber:

(i) Weighing not more than 1,500 g/m²; or

(ii) Weighing more than 1,500 g/m² and containing more than 50 % by weight of textile material;

and articles of those fabrics;

(d) Felt impregnated or coated with rubber and containing more than 50 % by weight of textile material, and articles thereof;

(e) Bonded fibre fabrics and similar bonded yarn fabrics, impregnated or coated with rubber, or in which rubber forms the bonding substance, irrespective of their weight per square metre, and articles thereof;

(f) Fabrics composed of parallel textile yarns agglomerated with rubber, irrespective of their weight per square metre, and articles thereof.

However, plates, sheets and strip, of expanded, foam or sponge rubber, combined with textile fabric, and articles thereof, are to be classified in Chapter 40 provided that the textile fabric is present merely for reinforcing purposes.

3. — The following are also not covered by this Chapter:

(a) Footwear or parts thereof falling within Chapter 64;

(b) Headgear or parts thereof (including bathing caps) falling within Chapter 65;

(c) Mechanical or electrical appliances or parts thereof (including electrical goods of all kinds), of hardened rubber, falling within Section XVI;

(d) Articles falling within Chapter 90, 92, 94 or 96;

(e) Articles falling within Chapter 97 (other than sports gloves and goods falling within heading No. 40.11); or

(f) Buttons, combs, smoking pipe stems, pens or other articles falling within Chapter 98.

4. — In Note 1 to this Chapter and in headings Nos. 40.02, 40.05 and 40.06, the expression "synthetic rubber" is to be taken to apply to:

(a) Unsaturated synthetic substances which can be irreversibly transformed into non-thermoplastic substances by vulcanisation with sulphur and which, when so vulcanised as well as may be (without the addition of any substances such as plasticisers, fillers or reinforcing agents not necessary for the cross-linking), can produce substances which, at a temperature between 18° and 29° C, will not break on being extended to three times their original length and will return, after being extended to twice their original length, within a period of five minutes, to a length not greater than one and a half times their original length.

Such substances include *cis*-polyisoprene (IR), polybutadiene (BR), polychlorobutadiene (CR), polybutadiene-styrene (SBR), polychlorobutadiene-acrylonitrile (NCR), polybutadiene-acrylonitrile (NBR) and butyl rubber (IIR);

(b) Thioplasts (TM); and

(c) Natural rubber modified by grafting or mixing with artificial plastic material, depolymerised natural rubber, and mixtures of unsaturated synthetic substances with saturated synthetic high polymers, provided that all the above-mentioned products comply with the requirements concerning vulcanisation, elongation and recovery in (a) above.

5. — Headings Nos. 40.01 and 40.02 are to be taken not to apply to:

(a) Natural or synthetic rubber latex (including pre-vulcanised rubber latex) compounded with vulcanising agents or accelerators, fillers or reinforcing agents, plasticisers, colouring matter (other than colouring matter added solely for the purpose of identification), or with any other substance; however, latex merely stabilised or concentrated, and thermo-sensitive and electro-positive latex are to be classified in heading No. 40.01 or 40.02 as the case may be;

(b) Rubber which has been compounded with carbon black (with or without the addition of mineral oil) or with silica (with or without the addition of mineral oil) before coagulation or with any substance after coagulation; or

(c) Mixtures of any of the products specified in Note 1 to the present Chapter, whether or not compounded with any other substance.

6. — Thread wholly of vulcanised rubber, of any cross-section of which any dimension exceeds 5 mm, is to be classified as strip, rod or profile shape, falling within heading No. 40.08.
7. — Heading No. 40.10 is to be taken to include transmission, conveyor or elevator belts or belting of textile fabric impregnated, coated, covered or laminated with rubber or made from textile yarn or cord impregnated or coated with rubber.

8. — For the purpose of heading No. 40.06, pre-vulcanised rubber latex is to be deemed to be unvulcanised rubber latex.

For the purposes of headings Nos. 40.07 to 40.14, balata, gutta-percha and similar natural gums, and factice derived from oils, and such substances reclaimed, are to be deemed to be vulcanised rubber whether or not they have been vulcanised.

9. — In headings Nos. 40.05, 40.08 and 40.15, the expressions "plates", "sheets" and "strip" are to be taken to apply, and to apply only, to plates, sheets and strip, whether or not printed or otherwise surface-worked but not cut to shape or otherwise worked, and rectangular articles cut therefrom not further worked.

In heading No. 40.08 the expressions "rods" and "profile shapes" and in heading No. 40.15 the expressions "rods", "profile shapes" and "tubes" are to be taken to apply, and to apply only, to such products, whether or not cut to length or surface-worked but not otherwise worked.

I. — RAW RUBBER

- | | | |
|-------|-------|---|
| 40.01 | 231.1 | Natural rubber latex, whether or not with added synthetic rubber latex; pre-vulcanised natural rubber latex; natural rubber, balata, gutta-percha and similar natural gums. |
| 40.02 | 231.2 | Synthetic rubber latex; pre-vulcanised synthetic rubber latex; synthetic rubber; factice derived from oils. |
| 40.03 | 231.3 | Reclaimed rubber. |
| 40.04 | 231.4 | Waste and parings of unhardened rubber; scrap of unhardened rubber, fit only for the recovery of rubber; powder obtained from waste or scrap of unhardened rubber. |

II. — UNVULCANISED RUBBER

- | | | |
|-------|-----------|---|
| 40.05 | 621.6 (1) | Plates, sheets and strip, of unvulcanised natural or synthetic rubber, other than smoked sheets and crepe sheets of heading No. 40.01 or 40.02; granules of unvulcanised natural or synthetic rubber compounded ready for vulcanisation; unvulcanised natural or synthetic rubber, compounded before or after coagulation either with carbon black (with or without the addition of mineral oil) or with silica (with or without the addition of mineral oil), in any form, of a kind known as masterbatch. |
| 40.06 | 621.6 (2) | Unvulcanised natural or synthetic rubber, including rubber latex, in other forms or states (for example, rods, tubes and profile shapes, solutions and dispersions); articles of unvulcanised natural or synthetic rubber (for example, coated or impregnated textile thread; rings and discs). |

III. — ARTICLES OF UNHARDENED VULCANISED RUBBER

- | | | |
|-------|-----------|---|
| 40.07 | 621.6 (3) | Vulcanised rubber thread and cord, whether or not textile covered, and textile thread covered or impregnated with vulcanised rubber. |
| 40.08 | 621.6 (4) | Plates, sheets, strip, rods and profile shapes, of unhardened vulcanised rubber. |
| 40.09 | 621.6 (5) | Piping and tubing, of unhardened vulcanised rubber. |
| 40.10 | 629.4 | Transmission, conveyor or elevator belts or belting, of vulcanised rubber. |
| 40.11 | 629.1 | Rubber tyres, tyre cases, interchangeable tyre treads, inner tubes and tyre flaps, for wheels of all kinds. |
| 40.12 | 629.3 | Hygienic and pharmaceutical articles (including teats), of unhardened vulcanised rubber, with or without fittings of hardened rubber. |
| 40.13 | 641.6 | Articles of apparel and clothing accessories (including gloves), for all purposes, of unhardened vulcanised rubber. |
| 40.14 | 629.9 (6) | Other articles of unhardened vulcanised rubber. |
- IV. — HARDENED RUBBER (EBONITE AND VULCANITE); ARTICLES MADE THEREOF
- | | | |
|-------|-----------|--|
| 40.15 | 621.6 (6) | Hardened rubber (ebonite and vulcanite), in bulk, plates, sheets, strip, rods, profile shapes or tubes; scrap, waste and powder, of hardened rubber. |
| 40.16 | 629.9 (9) | Articles of hardened rubber (ebonite and vulcanite). |

Section VIII

RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF CUT (OTHER THAN SILK-WORM GUT)

Chapter 41

Raw hides and skins (other than furskins) and leather.

Notes.

1. — This Chapter does not cover :
- (a) Parings or similar waste, of raw hides or skins (heading No. 05.05 or 05.06);
 - (b) Birdskins or parts of birdskins, with their feathers or down, falling within heading No. 05.07 or 67.01; or
 - (c) Hides or skins, with the hair on, raw, tanned or dressed (Chapter 43); the following are, however, to be classified in heading No. 41.01, namely, raw hides or skins with the hair on, of bovine cattle (including buffalo), of equine animals, of sheep and lambs (except Persian, Astrakhan, Caracul and similar lambs, Indian, Chinese, Mongolian and Tibetan lambs), of goats and kids (except Yemen, Mongolian and Tibetan goats and kids), of swine (including peccary), of reindeer, of chamois, of gazelle, of deer, of elk, of roebucks or of dogs.

2. — Throughout the Nomenclature the expression "composition leather" is to be taken to mean only substances of the kind referred to in heading No. 41.10.

41.01		Raw hides and skins (fresh, salted, dried, pickled or limed), whether or not split, including sheepskins in the wool.
	211.1	A. Bovine and equine hides, other than calf skins.
	211.2	B. Calf skins.
	211.4	C. Goat skins and kid skins.
	211.6	D. Sheep and lamb skins with the wool on.
	211.7	E. Sheep and lamb skins without the wool.
	211.9	F. Other.
41.02		Bovine cattle leather (including buffalo leather) and equine leather, except leather falling within heading No. 41.06, 41.07 or 41.08.
	611.3	A. Calf leather.
	611.4	B. Other.
41.03	611.9 (1)	Sheep and lamb skin leather, except leather falling within heading No. 41.06, 41.07 or 41.08.
41.04	611.9 (2)	Goat and kid skin leather, except leather falling within heading No. 41.06, 41.07 or 41.08.
41.05	611.9 (9)	Other kinds of leather, except leather falling within heading No. 41.06, 41.07 or 41.08.
41.06	611.9 (3)	Chamois-dressed leather.
41.07	611.9 (4)	Parchment-dressed leather.
41.08	611.9 (5)	Patent leather and imitation patent leather; metallised leather.
41.09	211.8	Parings and other waste, of leather or of composition or parchment-dressed leather, not suitable for the manufacture of articles of leather; leather dust, powder and flour.
41.10	611.2	Composition leather with a basis of leather or leather fibre, in slabs, in sheets or in rolls.

Chapter 42

Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut).

Notes.

1. — This Chapter does not cover :
 - (a) Sterile surgical catgut and similar sterile suture materials (heading No. 30.05);
 - (b) Articles of apparel and clothing accessories (except gloves), lined with furskin or artificial fur or to which furskin or artificial fur is attached on the outside except as mere trimming (heading No. 43.03 or 43.04);
 - (c) String or net bags of Section XI;
 - (d) Articles falling within Chapter 64;
 - (e) Headgear or parts thereof falling within Chapter 65;
 - (f) Whips, riding-crops or other articles of heading No. 66.02;
 - (g) Strings, skins for drums and the like, and other parts of musical instruments (heading No. 92.09 or 92.10);
 - (h) Furniture or parts of furniture (Chapter 94);
 - (i) Articles falling within Chapter 97 (for example, toys, games and sports requisites); or
 - (k) Buttons, studs, cuff-links, press-fasteners, including snap-fasteners and press-studs, and blanks and parts of such articles, falling within heading No. 98.01 or Chapter 71.
2. — For the purposes of heading No. 42.03, the expression "articles of apparel and clothing accessories" is to be taken to apply, *inter alia*, to gloves (including sports gloves), aprons and other protective clothing, braces, belts, bandoliers and wrist straps, including watch straps.

42.01	612.2	Saddlery and harness, of any material (for example, saddles, harness, collars, traces, knee-pads and boots), for any kind of animal.
42.02	531.9	Travel goods (for example, trunks, suit-cases, hat-boxes, travelling-bags, rucksacks), shopping-bags, handbags, satchels, brief-cases, wallets, purses, toilet-cases, tool-cases, tobacco-pouches, sheaths, cases, boxes (for example, for arms, musical instruments, binoculars, jewellery, bottles, collars, footwear, brushes) and similar containers, of leather or of composition leather, of vulcanised fibre, of artificial plastic sheeting, of paperboard or of textile fabric.
42.03	641.3	Articles of apparel and clothing accessories, of leather or of composition leather.
42.04	612.1	Articles of leather or of composition leather of a kind used in machinery or mechanical appliances or for industrial purposes.
42.05	612.9	Other articles of leather or of composition leather.
42.06	299.9 (1)	Articles made from gut (other than silk-worm gut), from goldbeater's skin, from bladders or from tendons.

Chapter 43

Furskins and artificial fur; manufactures thereof.

Notes.

1. — Throughout the Nomenclature references to furskins, other than to raw furskins of heading No. 43.01, are to be taken to apply to hides or skins of all animals which have been tanned or dressed with the hair on.
2. — This Chapter does not cover :
 - (a) Birdskins or parts of birdskins, with their feathers or down, falling within heading No. 05.07 or 67.01;
 - (b) Raw hides or skins, with the hair on, of a kind falling within Chapter 41 (see Note 1 (c) to that Chapter);
 - (c) Gloves consisting of leather and furskin or of leather and artificial fur (heading No. 42.03);
 - (d) Articles falling within Chapter 64;
 - (e) Headgear or parts thereof falling within Chapter 65; or
 - (f) Articles falling within Chapter 97 (for example, toys, games and sports requisites).
3. — For the purposes of heading No. 43.02, the expression "plates, crosses and similar forms" means furskins or parts thereof (excluding "dropped" skins) sewn together in rectangles, crosses or trapeziums, without the addition of other materials. Other assembled skins ready for immediate use (or requiring only cutting to become ready for use), and skins or parts of skins sewn together in the form of garments or parts or accessories of garments or of other articles fall within heading No. 43.03.
4. — Articles of apparel and clothing accessories (except those excluded by Note 2) lined with furskin or artificial fur or to which furskin or artificial fur is attached on the outside except as mere trimming are to be classified under heading No. 43.03 or 43.04 as the case may be.
5. — Throughout the Nomenclature the expression "artificial fur" means any imitation of furskin consisting of wool, hair or other fibres gummed or sewn on to leather, woven fabric or other materials, but does not include imitation furskins obtained by weaving (heading No. 58.04, for example).

43.01	312.0	Raw furskins.
43.02	413.0	Furskins, tanned or dressed, including furskins assembled in plates, crosses and similar forms; pieces or cuttings, of furskin, tanned or dressed, including heads, paws, tails and the like (not being fabricated).
43.03	342.0 (1)	Articles of furskin.
43.04	342.0 (2)	Artificial fur and articles made thereof.

Section IX

WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL;
CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW,
OF ESPARTO AND OF OTHER PLAITING MATERIALS;
BASKETWARE AND WICKERWORK

Chapter 44

Wood and articles of wood; wood charcoal.

Notes.

1. — This Chapter does not cover :
 - (a) Wood of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purposes (heading No. 12.07);
 - (b) Wood of a kind used primarily in dyeing or in tanning (heading No. 13.01);
 - (c) Activated charcoal (heading No. 38.03);
 - (d) Articles falling within Chapter 46;
 - (e) Footwear or parts thereof falling within Chapter 64;
 - (f) Goods falling within Chapter 66 (for example, umbrellas and walking-sticks and parts thereof);
 - (g) Goods falling within heading No. 68.09;
 - (h) Imitation jewellery falling within heading No. 71.16;
 - (i) Goods falling within Section XVII (for example, wheelwrights' wares);
 - (k) Goods falling within Chapter 91 (for example, clocks and clock cases);
 - (l) Musical instruments or parts thereof (Chapter 92);
 - (m) Parts of firearms (heading No. 93.06);
 - (n) Furniture or parts thereof falling within Chapter 94;
 - (o) Articles falling within Chapter 97 (for example, toys, games and sports requisites); or
 - (p) Smoking pipes or the like or parts thereof, buttons, pencils or other articles falling within Chapter 98.
2. — In this Chapter, the expression "improved wood" means wood which has been subjected to chemical or physical treatment (being, in the case of layers bonded together, treatment in excess of that needed to ensure a good bond), and which has thereby acquired increased density or hardness together with improved mechanical strength or resistance to chemical or electrical agencies.
3. — Headings Nos. 44.19 to 44.28 are to be taken to apply to articles of the respective descriptions of plywood, cellular wood, "improved" wood or reconstituted wood as they apply to such articles of wood.
4. — Heading No. 44.25 shall be taken not to apply to tools in which metal parts form the blade, working edge, working surface or other working part.

44.01	241.1	Fuel wood, in logs, in billets, in twigs or in faggots; wood waste, including sawdust.
44.02	241.2	Wood charcoal (including shell and nut charcoal), agglomerated or not.

44.03		Wood in the rough, whether or not stripped of its bark or merely roughed down.
242.1		A. Pulp wood.
242.2 (1)		B. Sawlogs and veneer logs, of coniferous species.
242.3 (1)		C. Sawlogs and veneer logs, of non-coniferous species.
242.4		D. Pil-props.
242.9		E. Other.
44.04		Wood, roughly squared or half-squared, but not further manufactured.
242.2 (2)		A. Of coniferous species.
242.3 (2)		B. Other.
44.05		Wood sawn lengthwise, sliced or peeled, but not further prepared, of a thickness exceeding 5 mm.
242.2 (3)		A. Of coniferous species.
242.3 (3)		B. Other.
44.06	421.8 (1)	Wood paving blocks.
44.07	242.1	Railway or tramway sleepers of wood.
44.08	421.8 (2)	Riven staves of wood, not further prepared than sawn on one principal surface; sawn staves of wood, of which at least one principal surface has been cylindrically sawn, not further prepared than sawn.
44.09	421.8 (3)	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; chipwood; pulpwood in chips or particles; wood shavings of a kind suitable for use in the manufacture of vinegar or for the clarification of liquids.
44.10	421.8 (4)	Wooden sticks, roughly trimmed but not turned, bent nor otherwise worked, suitable for the manufacture of walking-sticks, whips, golf club shafts, umbrella handles, tool handles or the like.
44.11	421.8 (5)	Drawn wood; match splints; wooden pegs or pins for footwear.
44.12	421.8 (6)	Wood wool and wood flour.
44.13		Wood (including blocks, strips and friezes for parquet or wood block flooring, not assembled), planed, tongued, grooved, rebated, chamfered, V-jointed, centre V-jointed, beaded, centre-beaded or the like, but not further manufactured.
242.2 (2)		A. Of coniferous species.
242.3 (2)		B. Other.
44.14	421.1	Wood sawn lengthwise, sliced or peeled but not further prepared, of a thickness not exceeding 5 mm; veneer sheets and sheets for plywood, of a thickness not exceeding 5 mm.
44.15	421.2 (1)	Plywood, blockboard, laminboard, battenboard and similar laminated wood products (including veneered panels and sheets); inlaid wood and wood marquetry.

44.16	421.2 (2)	Cellular wood panels, whether or not faced with base metal.
44.17	421.4 (1)	"Improved" wood, in sheets, blocks or the like.
44.18	421.4 (2)	Reconstituted wood, being wood shavings, wood chips, sawdust, wood flour or other ligneous waste agglomerated with natural or artificial resins or other organic binding substances, in sheets, blocks or the like.
44.19	421.5 (7)	Wooden beadings and mouldings, including moulded skirting and other moulded boards.
44.20	421.7 (1)	Wooden picture frames, photograph frames, mirror frames and the like.
44.21	422.1	Complete wooden packing cases, boxes, crates, drums and similar packings.
44.22	422.2	Casks, barrels, vats, tubs, buckets and other coopers' products and parts thereof, of wood, other than staves falling within heading No. 44.05.
44.23	422.4	Builders' carpentry and joinery (including prefabricated and sectional buildings and assembled parquet flooring panels).
44.24	422.7 (2)	Household utensils of wood.
44.25	422.8 (1)	Wooden tools, tool bodies, tool handles, broom and brush bodies and handles; boot and shoe lasts and trees, of wood.
44.26	422.8 (3)	Spools, cops, bobbins, sewing thread reels and the like, of turned wood.
44.27	422.7 (3)	Standard lamps, table lamps and other lighting fittings, of wood; articles of furniture, of wood, not falling within Chapter 94; caskets, cigarette boxes, trays, fruit bowls, ornaments and other fancy articles, of wood; cases for cutlery, for drawing instruments or for violins, and similar receptacles, of wood; articles of wood for personal use or adornment, of a kind normally carried in the pocket, in the handbag or on the person; parts of the foregoing articles, of wood.
44.28	422.8 (6)	Other articles of wood.

Chapter 45

Cork and articles of cork.

Notes.

1. — This Chapter does not cover :
 - (a) Footwear or parts of footwear falling within Chapter 64;
 - (b) Headgear or parts of headgear falling within Chapter 65; or
 - (c) Articles falling within Chapter 97 (for example, toys, games and sports requisites).
2. — Natural cork roughly squared or deprived of the outer bark is to be taken to fall within heading No. 45.02 and not within heading No. 45.01.

45.01	244.9 (1)	Natural cork, unworked, crushed, granulated or ground; waste cork.
45.02	244.9 (2)	Natural cork in blocks, plates, sheets or strips (including cubes or square slabs, cut to size for corks or stoppers).
45.03	633.0 (1)	Articles of natural cork.
45.04	533.9 (2)	Agglomerated cork (being cork agglomerated with or without a binding substance) and articles of agglomerated cork.

Chapter 46

Manufactures of straw, of esparto and of other plaiting materials; basketware and wickerwork.

Notes.

1. — In this Chapter the expression "plaiting materials" includes straw, osier or willow, bamboos, rushes, reeds, strips of wood, strips of vegetable fibre or bark, unspun textile fibres, monofil and strip of artificial plastic materials or strips of paper, but not strips of leather, of composition leather or of felt, human hair, horsehair, textile rovings or yarns, or monofil or strip of Chapter 51.
2. — This Chapter does not cover :
 - (a) Twine, cordage, ropes or cables, plaited or not (heading No. 59.04);
 - (b) Footwear or headgear or parts thereof falling within Chapter 64 or 65;
 - (c) Vehicles and bodies for vehicles, of basketware (Chapter 87); or
 - (d) Furniture or parts thereof (Chapter 94).
3. — For the purposes of heading No. 46.02, "plaiting materials bound together in parallel strands" means "plaiting materials" placed side by side and bound together, in the form of sheets, whether the binding materials are of spun textile fibre or not.

46.01	899.2 (1)	Plaits and similar products of plaiting materials, for all uses, whether or not assembled into strips.
46.02	657.8	Plaiting materials bound together in parallel strands or woven, in sheet form, including matting, mats and screens; straw envelopes for bottles.
46.03	899.2 (2)	Basketwork, wickerwork and other articles of plaiting materials, made directly to shape; articles made up from goods falling within heading No. 46.01 or 46.02; articles of loofah.

Section X

PAPER-MAKING MATERIAL; PAPER AND PAPERBOARD AND ARTICLES THEREOF

Chapter 47

Paper-making material.

47.01		Pulp derived by mechanical or chemical means from any fibrous vegetable material.
	251.2	A. Mechanical wood pulp.
	251.5	B. Pulp other than wood pulp.
	251.6	C. Chemical wood pulp, dissolving grades.
	251.7 (1)	D. Soda wood pulp and sulphate wood pulp, unbleached.
	251.7 (2)	E. Soda wood pulp and sulphate wood pulp, bleached (other than dissolving grades).
	251.8 (1)	F. Sulphite wood pulp, unbleached.
	251.8 (2)	G. Sulphite wood pulp, bleached (other than dissolving grades).
	251.9	H. Semi-chemical wood pulp.
47.02	251.1	Waste paper and paperboard; scrap articles of paper or of paperboard, fit only for use in paper-making.

Chapter 48

Paper and paperboard; articles of paper pulp, of paper or of paperboard.

Notes.

1. — This Chapter does not cover :
 - (a) Stamping foils of heading No. 32.09;
 - (b) Perfume and cosmetic papers (heading No. 33.06);
 - (c) Soap papers (heading No. 34.01), paper impregnated or coated with detergent (heading No. 34.02) and cellulose wadding impregnated with polishes, creams or similar preparations (heading No. 34.03);
 - (d) Paper or paperboard, sensitised (heading No. 37.03);
 - (e) Paper-reinforced stratified artificial plastic sheeting (headings Nos. 39.01 to 39.06), or vulcanised fibre (heading No. 39.03), or articles of such materials (heading No. 39.07);
 - (f) Goods falling within heading No. 42.02 (for example, travel goods);
 - (g) Articles falling within any heading in Chapter 46 (manufactures of plaiting material);
 - (h) Paper yarn or textile articles of paper yarn (Section XI);
 - (i) Abrasive paper (heading No. 68.06) or paper-backed mica splittings (heading No. 68.15) (paper coated with mica powder is, however, to be classified in heading No. 48.07);
 - (k) Metal foil backed with paper or paperboard (Section XV);
 - (l) Perforated paper or paperboard for musical instruments (heading No. 92.10); or
 - (m) Goods falling within any heading in Chapter 97 (for example, toys, games and sports requisites) or Chapter 98 (for example, buttons).
2. — Subject to the provisions of Note 3, headings Nos. 48.01 and 48.02 are to be taken to include paper and paperboard which have been subjected to calendering, super-calendering, glazing or similar finishing, including false water-marking, and also to paper and paperboard coloured or marbled throughout the mass by any method. They do not apply to paper or paperboard which has been further processed, for example, by coating or impregnation.
3. — Paper or paperboard answering to a description in two or more of the headings Nos. 48.01 to 48.07 is to be classified under that one of such headings which occurs latest in the Nomenclature.
4. — Headings Nos. 48.01 to 48.07 are to be taken not to apply to paper, paperboard or cellulose wadding :
 - (a) In strips or rolls of a width not exceeding 15 cm; or
 - (b) In rectangular sheets (unfolded if necessary) of which no side exceeds 36 cm; or
 - (c) Cut into shapes other than rectangular shapes.

Except that hand-made paper in any size or shape as made directly and having all its edges deckled remains classified, subject to the provisions of Note 3, within heading No. 48.02.
5. — For the purposes of heading No. 48.11, "wallpaper and linocrusta" are to be taken to apply only to :
 - (a) Paper in rolls, suitable for wall or ceiling decoration, being :
 - (i) Paper with one or with two margins, with or without guide marks; or
 - (ii) Paper without margins, surface-coloured or design-printed, coated or embossed, of a width not exceeding 60 cm;
 - (b) Borders, friezes and corners of paper, of a kind used for wall or ceiling decoration.
6. — Heading No. 48.15 is to be taken to apply, *inter alia*, to paper wool, paper strip (whether or not folded or coated) of a kind used for plaiting, and to toilet paper in rolls or packets, but not to the articles mentioned in Note 7.

7. — Heading No. 48.21 is to be taken to apply, *inter alia*, to cards for statistical machines, perforated paper and paperboard cards for Jacquard and similar machines, paper lace, shelf edging, paper tablecloths, serviettes and handkerchiefs, paper gaskets, moulded or pressed goods of wood pulp, and dress patterns.
8. — Paper, paperboard and cellulose wadding, and articles thereof, printed with characters or pictures which are not merely incidental to the primary use of the goods are regarded as printed matter falling within Chapter 49.

I. — PAPER AND PAPERBOARD, IN ROLLS OR IN SHEETS

- | | |
|-----------|---|
| 48.01 | Paper and paperboard (including cellulose wadding), machine-made, in rolls or sheets. |
| 641.1 | A. Newsprint. |
| 641.2 (1) | B. Printing and writing paper. |
| 641.3 | C. Kraft paper and kraft paperboard. |
| 641.4 | D. Cigarette paper. |
| 641.5 | E. Other. |
| 48.02 | 641.7 Hand-made paper and paperboard. |
| 48.03 | 641.9 (1) Parchment or greaseproof paper and paperboard, and imitations thereof, and glazed transparent paper, in rolls or sheets. |
| 48.04 | 641.9 (2) Composite paper or paperboard (made by sticking flat layers together with an adhesive), not surface-coated or impregnated, whether or not internally reinforced, in rolls or sheets. |
| 48.05 | 641.9 (3) Paper and paperboard, corrugated (with or without flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets. |
| 48.06 | 641.9 (4) Paper and paperboard, ruled, lined or squared, but not otherwise printed, in rolls or sheets. |
| 48.07 | Paper and paperboard, impregnated, coated, surface-coloured, surface-decorated or printed (not being merely ruled, lined or squared and not constituting printed matter within Chapter 49), in rolls or sheets. |
| 641.2 (2) | A. Printing and writing paper. |
| 641.9 (5) | B. Other. |
| 48.08 | 641.9 (6) Filter blocks, slabs and plates, of paper pulp. |
| 48.09 | 641.6 Building board of wood pulp or of vegetable fibre, whether or not bonded with natural or artificial resins or with similar binders. |

II. — PAPER AND PAPERBOARD CUT TO SIZE OR SHAPE
AND ARTICLES OF PAPER OR PAPERBOARD

48.10	642.9 (1)	Cigarette paper, cut to size, whether or not in the form of booklets or tubes.
48.11	642.9 (7)	Wallpaper and linocrusta; window transparencies of paper.
48.12	647.4 (1)	Floor coverings prepared on a base of paper or of paperboard, whether or not cut to size, with or without a coating of linoleum compound.
48.13	642.9 (7)	Carbon and other copying papers (including duplicator stencils) and transfer papers, cut to size, whether or not put up in boxes.
48.14	642.3	Writing blocks, envelopes, letter cards, plain postcards, correspondence cards; boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing only an assortment of paper stationery.
48.15	642.9 (2)	Other paper and paperboard, cut to size or shape.
48.16	642.1 (1)	Boxes, bags and other packing containers, of paper or paperboard.
48.17	642.1 (7)	Box files, letter trays, storage boxes and similar articles, of paper or paperboard, of a kind commonly used in offices, shops and the like.
48.18	642.3	Registers, exercise books, note books, memorandum blocks, order books, receipt books, diaries, blotting-pads, binders (loose-leaf or other), file covers and other stationery of paper or paperboard; sample and other albums and book covers, of paper or paperboard.
48.19	892.9 (1)	Paper or paperboard labels, whether or not printed or gummed.
48.20	642.9 (4)	Bobbins, spools, cops and similar supports of paper pulp, paper or paperboard (whether or not perforated or hardened).
48.21	642.9 (9)	Other articles of paper pulp, paper, paperboard or cellulose wadding.

Chapter 49

Printed books, newspapers, pictures and other products
of the printing industry; manuscripts, typescripts and plans.

Notes.

1. — This Chapter does not cover :
 - (a) Paper, paperboard, or cellulose wadding, or articles thereof, in which printing is merely incidental to their primary use (Chapter 48);
 - (b) Playing cards or other goods falling within any heading in Chapter 97; or
 - (c) Original engravings, prints or lithographs (heading No. 99.02), postage, revenue or similar stamps falling within heading No. 99.04, antiques of an age exceeding one hundred years or other articles falling within any heading in Chapter 99.

2. — Newspapers, journals and periodicals which are bound otherwise than in paper, and sets of newspapers, journals or periodicals comprising more than one number under a single cover are to be treated as falling within heading No. 49.01 and not within heading No. 49.02.
3. — Heading No. 49.01 is to be extended to apply to :
 - (a) A collection of printed reproductions of, for example, works of art or drawings, with a relative text, put up with numbered pages in a form suitable for binding into one or more volumes;
 - (b) A pictorial supplement accompanying, and subsidiary to, a bound volume; and
 - (c) Printed parts of books or booklets, in the form of assembled or separate sheets or signatures, constituting the whole or a part of a complete work and designed for binding.
However, printed pictures or illustrations not bearing a text, whether in the form of signatures or separate sheets, fall in heading No. 49.11.
4. — Headings Nos. 49.01 and 49.02 are to be taken not to apply to publications issued for advertising purposes by or for an advertiser named therein, or to publications which are primarily devoted to advertising (including tourist propaganda). Such publications are to be taken as falling within heading No. 49.11.
5. — For the purposes of heading No. 49.03, the expression "children's picture books" means books for children in which the pictures form the principal interest and the text is subsidiary.
6. — For the purposes of heading No. 49.06, the expression "manuscripts and typescripts" is to be taken to extend to carbon copies or copies on sensitised paper of manuscripts and typescripts. References in this Chapter to printed matter of any kind include references to any matter of that kind which is reproduced by means of a duplicating machine.
7. — For the purposes of heading No. 49.09, the expression "picture postcards" means cards consisting essentially of an illustration and bearing printed indications of their use.

49.01	892.1 (1)	Printed books, booklets, brochures, pamphlets and leaflets.
49.02	892.2	Newspapers, journals and periodicals, whether or not illustrated.
49.03	892.1 (2)	Children's picture books and painting books.
49.04	892.3	Music, printed or in manuscript, whether or not bound or illustrated.
49.05	892.1 (3)	Maps and hydrographic and similar charts of all kinds, including atlases, wall maps and topographical plans, printed; printed globes (terrestrial or celestial).
49.06	892.9 (2)	Plans and drawings, for industrial, architectural, engineering, commercial or similar purposes, whether original or reproductions on sensitised paper; manuscripts and typescripts.
49.07	892.9 (3)	Unused postage, revenue and similar stamps of current or new issue in the country to which they are destined; stamp-impressed paper; banknotes, stock, share and bond certificates and similar documents of title; cheque books.
49.08	892.4 (1)	Transfers (Decalcomanias).
49.09	892.4 (2)	Picture postcards, Christmas and other picture greeting cards, printed by any process, with or without trimmings.

49.10 892.3 (4) Calendars of any kind, of paper or paperboard, including calendar blocks.

49.11 892.3 (9) Other printed matter, including printed pictures and photographs.

Section XI

TEXTILES AND TEXTILE ARTICLES

Notes.

1. — This Section does not cover :

- (a) Animal brush making bristles or hair (heading No. 05.02); horsehair or horsehair waste (heading No. 05.03);
- (b) Human hair or articles of human hair (heading No. 05.01, 67.03 or 67.04), except straining cloth of a kind commonly used in oil presses and the like (heading No. 59.17);
- (c) Vegetable materials falling within Chapter 14;
- (d) Asbestos of heading No. 25.24 or articles of asbestos and other products of heading No. 68.13 or 68.14;
- (e) Articles falling within heading No. 30.04 or 30.05 (for example, wadding, gauze, bandages and similar articles for medical or surgical purposes, sterile surgical suture materials);
- (f) Sensitised textile fabric (heading No. 37.03);
- (g) Monofil of which any cross-sectional dimension exceeds 1 mm and strip (artificial straw and the like) of a width exceeding 5 mm, of artificial plastic material (Chapter 39) or plaits or fabrics of such monofil or strip (Chapter 46);
- (h) Woven textile fabrics, felt, bonded fibre fabrics or similar bonded yarn fabrics, impregnated, coated, covered or laminated with rubber, and articles thereof, falling within Chapter 40;
- (i) Skins with their wool on (Chapter 41 or 43) or articles of furskin, artificial fur or articles thereof, falling within heading No. 43.03 or 43.04;
- (k) Articles of textile materials falling within heading No. 42.01 or 42.02;
- (l) Products and articles of Chapter 48 (for example, cellulose wadding);
- (m) Footwear or parts of footwear, gaiters or leggings or similar articles classified in Chapter 64;
- (n) Headgear or parts thereof falling within Chapter 65;
- (o) Hair nets (heading No. 65.05 or 67.04, as the case may be);
- (p) Goods falling within Chapter 67;
- (q) Abrasive-coated threads, cords or fabric (heading No. 68.06);
- (r) Glass fibre or articles of glass fibre, other than embroidery with glass thread on a visible ground of fabric (Chapter 70);
- (s) Articles falling within Chapter 94 (furniture and bedding); or
- (t) Articles falling within Chapter 97 (for example, toys, games and sports requisites).

2. — (A) Goods classifiable in any heading in Chapters 50 to 57 and of a mixture of two or more different textile materials are to be classified according to the following rules :

- (a) Goods containing more than 10 % by weight of silk, noil or other waste silk or any combination thereof are to be classified in Chapter 50, and, for the purposes of classification in that Chapter, as if consisting wholly of that one of those materials which predominates in weight;
- (b) All other goods are to be classified as if consisting wholly of that one textile material which predominates in weight over any other single textile material.

(B) For the purposes of the above rules :

- (a) Metallised yarn shall be treated as a single textile material and its weight shall be taken as the aggregate of the weight of the textile and metal components, and, for the classification of woven fabrics, metal thread is to be regarded as a textile material;
- (b) Where a heading in question refers to goods of different textile materials (for example, silk and waste silk or carded sheep's or lambs' wool and combed sheep's or lambs' wool), all those materials shall be treated as being one and the same;
- (c) Except as provided in (B) (a), the weight of constituents other than textile materials is not to be included in the weight of the goods.

(C) The provisions of paragraphs (A) and (B) above are to be applied also to the yarns referred to in Notes 3 and 4 below.

3. — (A) For the purposes of this Section, and subject to the exceptions in paragraph (B) below, yarns (single, multiple or cabled) of the following descriptions are to be treated as "twine, cordage, ropes and cables" :

- (a) Of silk, noil or other waste silk, of a weight exceeding 2 g/m (18,000 denier);
- (b) Of man-made fibres (including yarn of two or more monofil of Chapter 51), of a weight exceeding 1 g/m (9,000 denier);
- (c) Of true hemp or flax :
 - (i) Polished or glazed, of which the length per kilogram, multiplied by the number of constituent strands, is less than 7,000 m;
 - (ii) Not polished or glazed and of a weight exceeding 2 g/m;
- (d) Of coir, consisting of three or more plies;
- (e) Of other vegetable fibres, of a weight exceeding 2 g/m; or
- (f) Reinforced with metal.

(B) Exceptions :

- (a) Yarn of sheep's or lambs' wool or other animal hair and paper yarn, other than yarn reinforced with metal;
- (b) Continuous filament tow for the manufacture of man-made fibres (discontinuous), and multifilament yarn without twist or with a twist of less than 5 turns per metre;
- (c) Silk worm gut, imitation catgut of silk or of man-made fibres, and monofil of Chapter 51;
- (d) Metallised yarn, not being yarn reinforced with metal; and
- (e) Chenille yarn and gimped yarn.

4. — (A) For the purposes of Chapters 50, 51, 53, 54, 55 and 56, the expression "put up for retail sale" in relation to yarn means, subject to the exceptions in paragraph (B) below, yarn put up :

- (a) In balls or on cards, reels, tubes or similar supports, of a weight (including support) not exceeding :
 - (i) 200 g in the case of flax and ramie;
 - (ii) 85 g in the case of silk, noil or other waste silk, and man-made fibres (continuous); or
 - (iii) 125 g in other cases;
- (b) In hanks or skeins of a weight not exceeding :
 - (i) 85 g in the case of silk, noil or other waste silk, and man-made fibres (continuous); or
 - (ii) 125 g in other cases;
- (c) In hanks or skeins comprising several smaller hanks or skeins separated by dividing threads which render them independent one of the other, each of uniform weight not exceeding :
 - (i) 85 g in the case of silk, noil or other waste silk, and man-made fibres (continuous); or
 - (ii) 125 g in other cases.

(B) Exceptions :

- (a) Single yarn of any textile material, except :
- (i) Single yarn of sheep's or lambs' wool or of fine animal hair, unbleached; and
- (ii) Single yarn of sheep's or lambs' wool or of fine animal hair, bleached, dyed or printed, of a length less than 2,000 m/kg;
- (b) Multiple or cabled yarn, unbleached :
- (i) Of silk, noil or other waste silk, however put up; or
- (ii) Of other textile material except sheep's or lambs' wool or fine animal hair, in hanks or skeins;
- (c) Multiple or cabled yarn of silk, noil or other waste silk, bleached, dyed or printed, of a length not less than 75,000 m/kg, measured multiple; and
- (d) Single, multiple or cabled yarn of any textile material :
- (i) In cross-reeled hanks or skeins; or
- (ii) Put up on supports or in some other manner indicating its use in the textile industry (for example, on cops, twisting mill tubes, pins, conical bobbins or spindles, or reeled in the form of cocoons for embroidery looms).
5. — (a) For the purposes of heading No. 55.07, "gauze" means a fabric with a warp composed wholly or in part of standing or ground threads and crossing or doup threads which cross the standing or ground threads making a half turn, a complete turn or more to form loops through which weft threads pass.
- (b) For the purposes of heading No. 58.08, "plain" means consisting solely of a single series of regular meshes of the same shape or size without any pattern or filling-in of the meshes. In applying this definition no account is to be taken of any minor open spaces which are inherent in the formation of the meshes.
6. — For the purposes of this Section, the expression "made up" means :
- (a) Cut otherwise than into rectangles;
- (b) Made and finished by weaving and ready for use (or merely needing separation by cutting dividing threads) and not requiring sewing or further fabrication (for example, certain dusters, towels, table cloths, scarf squares and blankets);
- (c) Hemmed or with rolled edges (except fabrics in the piece which have been cut from wider pieces and hemmed or rolled merely to prevent unravelling), or with a knotted fringe at any of the edges;
- (d) Cut to size and having undergone a process of drawn thread work;
- (e) Assembled by sewing, gumming or otherwise (other than piece goods consisting of two or more lengths of identical material joined end to end and piece goods composed of two or more fabrics assembled in layers, whether or not padded).
7. — The headings of Chapters 50 to 57 and, except where the context otherwise requires, the headings of Chapters 58 to 60, are to be taken not to apply to goods made up within the meaning of Note 6 above. Chapters 50 to 57 are to be taken not to apply to goods falling within Chapter 58 or 59.

Chapter 50

Silk and waste silk.

50.01	261.1	Silk-worm cocoons suitable for reeling.
50.02	261.2	Raw silk (not thrown).
50.03	261.3	Silk waste (including cocoons unsuitable for reeling, silk noils and pulled or garnetted rags).

50.04	651.1 (1)	Silk yarn, other than yarn of noil or other waste silk, not put up for retail sale.
50.05	651.1 (2)	Yarn spun from silk waste other than noil, not put up for retail sale.
50.06	651.1 (3)	Yarn spun from noil silk, not put up for retail sale.
50.07	651.1 (4)	Silk yarn and yarn spun from noil or other waste silk, put up for retail sale.
50.08	651.1 (5)	Silk-worm gut; imitation catgut of silk.
50.09	652.1 (1)	Woven fabrics of silk or of waste silk other than noil.
50.10	652.1 (2)	Woven fabrics of noil silk.

Chapter 51

Man-made fibres (continuous).

Notes.

1. — Throughout the Nomenclature, the term "man-made fibres" means fibres or filaments of organic polymers produced by manufacturing processes, either :
- (a) By polymerisation or condensation of organic monomers, for example, polyamides, polyesters, polyurethanes and polyvinyl derivatives; or
- (b) By chemical transformation of natural organic polymers (such as cellulose, casein, proteins and algae), for example, viscose rayon, cuprammonium rayon (cupra), cellulose acetate and alginates.
2. — Heading No. 51.01 is to be taken not to apply to continuous filament tow of man-made fibres falling within Chapter 56.
3. — The expression "yarn of man-made fibres (continuous)" is to be taken not to apply to yarn (known as "ruptured filament yarn") of which the majority of the filaments have been ruptured by passage through rollers or other devices (Chapter 56).
4. — Monofil of man-made fibre materials of which no cross-sectional dimension exceeds 1 mm is to be classified in heading No. 51.01 when of a weight less than 6.6 mg/m (60 denier) and in heading No. 51.02 in other cases. Monofil of which any cross-sectional dimension exceeds 1 mm is to be classified in Chapter 39.
- Strip (artificial straw and the like) of man-made fibre materials is to be classified in heading No. 51.02 when of a width not exceeding 5 mm and in Chapter 39 in other cases.

51.01 | | Yarn of man-made fibres (continuous), not put up for retail sale.

- 651.5 (1) A. Of synthetic fibres.
- 651.7 (1) B. Of regenerated fibres.

51.02		Mogofil, strip (artificial straw and the like) and imitation catgut, of man-made fibre materials.
	451.6 (2)	A. Of synthetic fibre materials.
	451.7 (2)	B. Of regenerated fibre materials.
51.03		Yarn of man-made fibres (continuous), put up for retail sale.
	451.6 (2)	A. Of synthetic fibres.
	451.7 (2)	B. Of regenerated fibres.
51.04		Woven fabrics of man-made fibres (continuous), including woven fabrics of monofil or strip of heading No. 51.01 or 51.02.
	452.3 (1)	A. Of synthetic fibres.
	452.4 (1)	B. Of regenerated fibres.

Chapter 52

Metallised textiles.

52.01	451.9 (1)	Metallised yarn, being textile yarn spun with metal or covered with metal by any process.
52.02	453.8 (1)	Woven fabrics of metal thread or of metallised yarn, of a kind used in articles of apparel, as furnishing fabrics or the like.

Chapter 53

Wool and other animal hair.

Note.

The expression "fine animal hair" means hair of alpaca, llama, vicuna, yak, camel, Angora, Tibetan, Kashmir and similar goats (but not common goats), rabbit (including Angora rabbit), hare, beaver, nutria and musk rat.

53.01		Sheep's or lambs' wool, not carded or combed.
	242.1	A. Greasy or fleece-washed.
	242.2	B. Other.

53.02		Other animal hair (fine or coarse), not carded or combed.
	242.3	A. Fine hair.
	242.3 (8)	B. Coarse hair.
53.03	242.9	Waste of sheep's or lambs' wool or of other animal hair (fine or coarse), not pulled or garnetted.
53.04	242.6	Waste of sheep's or lambs' wool or of other animal hair (fine or coarse), pulled or garnetted (including pulled or garnetted rags).
53.05		Sheep's or lambs' wool or other animal hair (fine or coarse), carded or combed.
	242.7	A. Wool and other animal hair, carded or combed, other than wool tops.
	242.8	B. Wool tops.
53.06	441.2 (1)	Yarn of carded sheep's or lambs' wool (woollen yarn), not put up for retail sale.
53.07	441.2 (2)	Yarn of combed sheep's or lambs' wool (worsted yarn), not put up for retail sale.
53.08	441.2 (3)	Yarn of fine animal hair (carded or combed), not put up for retail sale.
53.09	441.2 (4)	Yarn of horsehair or of other coarse animal hair, not put up for retail sale.
53.10	451.2 (2)	Yarn of sheep's or lambs' wool, of horsehair or of other animal hair (fine or coarse), put up for retail sale.
53.11	453.2 (1)	Woven fabrics of sheep's or lambs' wool or of fine animal hair.
53.12	453.8 (2)	Woven fabrics of coarse animal hair other than horsehair.
53.13	453.8 (3)	Woven fabrics of horsehair.

Chapter 54

Flax and ramie.

54.01	245.1	Flax, raw or processed but not spun; flax tow and waste (including pulled or garnetted rags).
54.02	245.2	Ramie, raw or processed but not spun; ramie noils and waste (including pulled or garnetted rags).
54.03	451.5 (1)	Flax or ramie yarn, not put up for retail sale.
54.04	451.5 (2)	Flax or ramie yarn, put up for retail sale.
54.05	452.3 (1)	Woven fabrics of flax or of ramie.

Chapter 55

Cotton.

55.01	263.1	Cotton, not carded or combed.
55.02	263.2	Cotton linters.
55.03	263.3	Cotton waste (including pulled or garnetted rags), not carded or combed.
55.04	263.4	Cotton, carded or combed.
55.05		Cotton yarn, not put up for retail sale.
	651.3	A. Unbleached, not mercerised.
	651.4 (1)	B. Other.
55.06	651.4 (2)	Cotton yarn, put up for retail sale.
55.07		Cotton gauze.
	652.1 (1)	A. Unbleached, not mercerised.
	652.2 (1)	B. Other.
55.08		Terry towelling and similar terry fabrics, of cotton.
	652.1 (2)	A. Unbleached, not mercerised.
	652.2 (2)	B. Other.
55.09		Other woven fabrics of cotton.
	652.1 (3)	A. Unbleached, not mercerised.
	652.2 (3)	B. Other.

Chapter 56

Man-made fibres (discontinuous).

Note.

Heading No. 56.02 is to be taken to apply only to continuous filament tow of man-made fibres, consisting of parallel filaments of a uniform length equal to the length of the tow, meeting the following specification:

- Length of tow exceeding 2 m;
- Twist less than 5 turns per metre;
- Weight per filament less than 6.6 mg/m (60 denier);
- In the case of filaments described in Note 1 (a) to Chapter 51, the tow must be drawn, that is to say, be incapable of being stretched by more than 100 % of its length;
- Total weight of tow more than 2 g/m (18,000 denier).

Tow of a length not exceeding 2 m is to be classified in heading No. 56.01.

56.01		Man-made fibres (discontinuous), not carded, combed or otherwise prepared for spinning.
	266.2 (1)	A. Synthetic fibres.
	266.3 (1)	B. Regenerated fibres.
56.02		Continuous filament tow for the manufacture of man-made fibres (discontinuous).
	266.2 (2)	A. Of synthetic fibres.
	266.3 (2)	B. Of regenerated fibres.
56.03	266.4	Waste (including yarn waste and pulled or garnetted rags) of man-made fibres (continuous or discontinuous), not carded, combed or otherwise prepared for spinning.
56.04		Man-made fibres (discontinuous or waste), carded, combed or otherwise prepared for spinning.
	266.2 (3)	A. Synthetic fibres.
	266.3 (3)	B. Regenerated fibres.
56.05		Yarn of man-made fibres (discontinuous or waste), not put up for retail sale.
	651.4 (4)	A. Of synthetic fibres.
	651.7 (4)	B. Of regenerated fibres.
56.06		Yarn of man-made fibres (discontinuous or waste), put up for retail sale.
	651.4 (5)	A. Of synthetic fibres.
	651.7 (5)	B. Of regenerated fibres.
56.07		Woven fabrics of man-made fibres (discontinuous or waste).
	653.5 (2)	A. Of synthetic fibres.
	653.6 (2)	B. Of regenerated fibres.

Chapter 57

Other vegetable textile materials; paper yarn and woven fabrics of paper yarn.

57.01	265.2	True hemp ("Cannabis sativa"), raw or processed but not spun; tow and waste of true hemp (including pulled or garnetted rags or ropes).
57.02	265.5	Manila hemp (abaca) ("Musa textilis"), raw or processed but not spun; tow and waste of manila hemp (including pulled or garnetted rags or ropes).

57.03	264.0	Jute and other textile bast fibres not elsewhere specified or included, raw or processed but not spun; tow and waste thereof (including pulled or garnetted rags or ropes).
57.04		Other vegetable textile fibres, raw or processed but not spun; waste of such fibres (including pulled or garnetted rags or ropes).
	265.4	A. Sisal and other fibres of the agave family and waste of such fibres.
	265.8	B. Other.
57.05	651.5 (3)	Yarn of true hemp.
57.06	651.9 (2)	Yarn of jute or of other textile bast fibres of heading No. 57.03.
57.07	651.9 (3)	Yarn of other vegetable textile fibres.
57.08	651.9 (4)	Paper yarn.
57.09	653.3 (2)	Woven fabrics of true hemp.
57.10	653.4	Woven fabrics of jute or of other textile bast fibres of heading No. 57.03.
57.11	653.9 (4)	Woven fabrics of other vegetable textile fibres.
57.12	653.9 (5)	Woven fabrics of paper yarn.

Chapter 58

Carpets, mats, matting and tapestries; pile and chenille fabrics; narrow fabrics; trimmings; tulle and other net fabrics; lace; embroidery.

Notes.

1. — The headings of this Chapter are to be taken not to apply to coated or impregnated fabrics, elastic fabrics or elastic trimmings, machinery belting or other goods falling within Chapter 59. However, embroidery on any textile base falls within heading No. 58.10.
2. — In headings Nos. 58.01 and 58.02, the words "carpets" and "rugs" are to be taken to extend to similar articles having the characteristics of floor coverings but intended for use for other purposes. These headings are to be taken not to apply to felt carpets, which fall within Chapter 59.
3. — For the purposes of heading No. 58.05, the expression "narrow woven fabrics" means :
 - (a) Woven fabrics of a width not exceeding 30 cm, whether woven as such or cut from wider pieces, provided with selvages (woven, gummed or made otherwise) on both edges;
 - (b) Tubular woven fabrics of a flattened width not exceeding 30 cm; and
 - (c) Bias binding with folded edges, of a width when unfolded not exceeding 30 cm.
 Narrow woven fabrics in the form of fringes are to be treated as falling within heading No. 58.07.
4. — Heading No. 58.08 is to be taken not to apply to nets or netting in the piece made of twine, cordage or rope, which are to be taken as falling within heading No. 59.05.

5. — In heading No. 58.10, the expression "embroidery" means, *inter alia*, embroidery with metal or glass thread on a visible ground of textile fabric, and sewn appliqué work of sequins, beads or ornamental motifs of textile or other materials. The heading is to be taken not to apply to needlework tapestry (heading No. 58.03).

6. — The headings of this Chapter are to be taken to include goods of the descriptions specified therein when made of metal thread and of a kind used in apparel, as furnishings or the like.

58.01	657.5	Carpets, carpeting and rugs, knotted (made up or not).
58.02	657.6	Other carpets, carpeting, rugs, mats and matting, and "Kelem", "Schumacks" and "Karamanie" rugs and the like (made up or not).
58.03	657.7	Tapestries, hand-made, of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point and cross stitch) made in panels and the like by hand.
58.04		Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within heading No. 55.08 and fabrics falling within heading No. 58.05).
	652.2 (1)	A. Of cotton.
	653.1 (3)	B. Of silk.
	653.2 (2)	C. Of wool or of fine animal hair.
	653.5 (3)	D. Of synthetic fibres.
	653.6 (3)	E. Of regenerated fibres.
	653.9 (6)	F. Other.
58.05	654.0 (1)	Narrow woven fabrics, and narrow fabrics (bolduc) consisting of warp without weft assembled by means of an adhesive, other than goods falling within heading No. 58.06.
58.06	654.6 (2)	Woven labels, badges and the like, not embroidered, in the piece, in strips or cut to shape or size.
58.07	654.0 (3)	Chenille yarn (including flock chenille yarn), gimped yarn (other than metallised yarn of heading No. 52.01 and gimped horsehair yarn); braids and ornamental trimmings in the piece; tassels, pompons and the like.
58.08	654.0 (4)	Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), plain.
58.09	654.0 (5)	Tulle and other net fabrics (but not including woven, knitted or crocheted fabrics), figured; hand or mechanically made lace, in the piece, in strips or in motifs.
58.10	654.9 (6)	Embroidery, in the piece, in strips or in motifs.

Chapter 59

Wadding and felt; twine, cordage, ropes and cables; special fabrics; impregnated and coated fabrics; textile articles of a kind suitable for industrial use.

Notes.

1. — For the purposes of this Chapter, the expression "textile fabric" is to be taken to apply only to the textile fabrics of Chapters 50 to 57 and headings Nos. 58.04 and 58.05, the braids and trimmings in the piece of heading No. 58.07, the tulle and other net fabrics of headings Nos. 58.08 and 58.09, lace of heading No. 58.09 and the knitted and crocheted fabrics of heading No. 60.01.

2. — (A) Heading No. 59.08 is to be taken to apply to textile fabrics impregnated, coated, covered or laminated with preparations of cellulose derivatives or of other artificial plastic materials whatever the weight per square metre and whatever the nature of the plastic material (compact, foam, sponge or expanded).

It does not, however, cover:

- (a) Fabrics in which the impregnation, coating or covering cannot be seen with the naked eye (usually Chapters 50 to 58 and 60); for the purpose of this provision, no account should be taken of any resulting change of colour;
- (b) Products which cannot, without fracturing, be bent manually around a cylinder of a diameter of 7 mm, at a temperature between 15° and 30° C (usually Chapter 39); or
- (c) Products in which the textile fabric is either completely embedded in artificial plastic material or coated or covered on both sides with such material (Chapter 39).

(B) Heading No. 59.12 does not apply to:

- (a) Fabrics in which the impregnation or coating cannot be seen with the naked eye (usually Chapters 50 to 58 and 60); for the purpose of this provision, no account should be taken of any resulting change of colour;
- (b) Fabrics painted with designs (other than painted canvas being theatrical scenery, studio back-cloths or the like);
- (c) Fabrics covered with flock, dust, powdered cork or the like and bearing designs resulting from these treatments; or
- (d) Fabrics finished with normal dressings having a basis of amylaceous or similar substances.

3. — In heading No. 59.11 the expression "rubberised textile fabrics" means:

- (a) Textile fabrics impregnated, coated, covered or laminated with rubber:
 - (i) Weighing not more than 1,500 g/m²; or
 - (ii) Weighing more than 1,500 g/m² and containing more than 50 % by weight of textile material;
- (b) Fabrics composed of parallel textile yarns agglomerated with rubber, irrespective of their weight per square metre; and
- (c) Plates, sheets and strip, of expanded, foam or sponge rubber, combined with textile fabric, other than those falling in Chapter 40 by virtue of the last paragraph of Note 2 to that Chapter.

4. — Heading No. 59.16 is to be taken not to apply to:

- (a) Transmission, conveyor or elevator belting of a thickness of less than 3 mm; or
- (b) Transmission, conveyor or elevator belts or belting of textile fabric impregnated, coated, covered or laminated with rubber or made from textile yarn or cord impregnated or coated with rubber (heading No. 40.10).

5. — Heading No. 59.17 is to be taken to apply to the following goods which are to be taken as not falling within any other heading of Section XI:

- (a) Textile products (other than those having the character of the products of headings Nos. 59.14 to 59.16), the following only:
 - (i) Textile fabric, felt and felt-lined woven fabric, coated, covered or laminated with rubber, leather or other material, of a kind commonly used for card clothing, and similar fabric of a kind commonly used in machinery or plant;
 - (ii) Bolting cloth;
 - (iii) Straining cloth of a kind commonly used in oil presses and the like, of textile fibres or of human hair;
 - (iv) Woven textile felts, whether or not impregnated or coated, of a kind commonly used in paper-making or other machinery, tubular or endless with single or multiple warp and/or weft, or flat woven with multiple warp and/or weft;
 - (v) Textile fabrics reinforced with metal, of a kind commonly used in machinery or plant;
 - (vi) Textile fabrics of the metallised yarn falling within heading No. 52.01, of a kind commonly used in paper-making or other machinery;
 - (vii) Cords, braids and the like, whether or not coated, impregnated or reinforced with metal, of a kind commonly used in machinery or plant as packing or lubricating materials;
- (b) Textile articles (other than those of headings Nos. 59.14 to 59.16) of a kind commonly used in machinery or plant (for example, gaskets, washers, polishing discs and other machinery parts).

59.01	655.8 (1)	Wadding and articles of wadding; textile flock and dust and mill neps.
59.02	655.1	Felt and articles of felt, whether or not impregnated or coated.
59.03	655.4 (1)	Bonded fibre fabrics, similar bonded yarn fabrics, and articles of such fabrics, whether or not impregnated or coated.
59.04	655.6 (1)	Twine, cordage, ropes and cables, plaited or not.
59.05	655.6 (2)	Nets and netting made of twine, cordage or rope, and made up fishing nets of yarn, twine, cordage or rope.
59.06	655.6 (3)	Other articles made from yarn, twine, cordage, rope or cables, other than textile fabrics and articles made from such fabrics.
59.07	655.4 (2)	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books and the like; tracing cloth; prepared painting canvas; buckram and similar fabrics for hat foundations and similar uses.
59.08	655.4 (3)	Textile fabrics impregnated, coated, covered or laminated with preparations of cellulose derivatives or of other artificial plastic materials.
59.09	655.4 (4)	Textile fabrics coated or impregnated with oil or preparations with a basis of drying oil.

59.10	657.4 (2)	Linoleum and materials prepared on a textile base in a similar manner to linoleum, whether or not cut to shape or of a kind used as floor coverings; floor coverings consisting of a coating applied on a textile base, cut to shape or not.
59.11	655.4 (5)	Rubberised textile fabrics, other than rubberised knitted or crocheted goods.
59.12	655.4 (6)	Textile fabrics otherwise impregnated or coated; painted canvas being theatrical scenery, studio back-cloths or the like.
59.13	655.5	Elastic fabrics and trimmings (other than knitted or crocheted goods) consisting of textile materials combined with rubber threads.
59.14	655.8 (2)	Wicks, of woven, plaited or knitted textile materials, for lamps, stoves, lighters, candles and the like; tubular knitted gas-manile fabric and incandescent gas mantles.
59.15	655.9 (1)	Textile hose-piping and similar tubing, with or without lining, armour or accessories of other materials.
59.16	655.9 (2)	Transmission, conveyor or elevator belts or belting, of textile material, whether or not strengthened with metal or other material.
59.17	655.8 (3)	Textile fabrics and textile articles, of a kind commonly used in machinery or plant.

Chapter 60

Knitted and crocheted goods.

Notes.

- This Chapter does not cover :
 - Crochet lace of heading No. 58.09;
 - Knitted or crocheted goods falling within Chapter 59;
 - Corsets, corset-belts, suspender-belts, brassières, braces, suspenders, garters or the like (heading No. 61.09);
 - Old clothing or other articles falling within heading No. 63.01; or
 - Orthopaedic appliances, surgical belts, trusses or the like (heading No. 90.19).
- Headings Nos. 60.02 to 60.06 are to be taken to apply to knitted or crocheted articles and to parts thereof :
 - Knitted or crocheted directly to shape, whether imported as separate items or in the form of a number of items in the length;
 - Made up, by sewing or otherwise.
- For the purposes of heading No. 60.06, knitted or crocheted articles are not considered to be elastic articles only by reason of their containing rubber thread or elastic forming merely a supporting band.
- The headings of this Chapter are to be taken to include goods of the descriptions specified therein when made of metal thread and of a kind used in apparel, as furnishings or the like.

5. — For the purposes of this Chapter :

- "Elastic" means consisting of textile materials combined with rubber threads; and
- "Rubberised" means impregnated, coated, covered or laminated with rubber, or made with textile thread impregnated, coated or covered with rubber.

60.01	657.7	Knitted or crocheted fabric, not elastic nor rubberised.
60.02	841.4 (1)	Gloves, mittens and mitts, knitted or crocheted, not elastic nor rubberised.
60.03	841.4 (2)	Stockings, under stockings, socks, ankle-socks, sockettes and the like, knitted or crocheted, not elastic nor rubberised.
60.04	841.4 (3)	Under garments, knitted or crocheted, not elastic nor rubberised.
60.05	841.4 (4)	Outer garments and other articles, knitted or crocheted, not elastic nor rubberised.
60.06	841.4 (5)	Knitted or crocheted fabric and articles thereof, elastic or rubberised (including elastic knee-caps and elastic stockings).

Chapter 61

Articles of apparel and clothing accessories of textile fabric, other than knitted or crocheted goods.

Notes.

- The headings of this Chapter are to be taken to apply to articles of the kinds described therein only when made up of any textile fabric (including felt, bonded fibre fabric, braid or trimmings of heading No. 58.07, tulle or other net fabrics and lace) or of fabric of metal thread, but not including articles of knitted or crocheted material other than those falling within heading No. 61.09.
- The headings of this Chapter do not cover :
 - Old clothing or other articles falling within heading No. 63.01; or
 - Orthopaedic appliances, surgical belts, trusses or the like (heading No. 90.19).
- For the purposes of headings Nos. 61.01 to 61.04 :
 - Articles which cannot be identified as either men's or boys' garments or as women's or girls' garments are to be classified in heading No. 61.02 or 61.04 as the case may be;
 - The expression "infants' garments" is to be taken to apply to :
 - Garments for young children which are not identifiable as for wear exclusively by boys or by girls, and
 - Babies' napkins.
- Scarves and articles of the scarf type, square or approximately square, of which no side exceeds 60 cm are to be classified as handkerchiefs (heading No. 61.05).
Handkerchiefs of which any side exceeds 60 cm are to be classified in heading No. 61.06.
- The headings of this Chapter are to be taken to apply to textile fabrics (other than knitted or crocheted fabric) cut to shape for making articles of this Chapter.
Heading No. 61.09, however, also includes fabrics knitted or crocheted to shape for making articles classified in that heading, whether imported as separate items or in the form of a number of items in the length.

61.01	841.1 (1)	Men's and boys' outer garments.
61.02	841.1 (2)	Women's, girls' and infants' outer garments.
61.03	841.1 (3)	Men's and boys' under garments, including collars, shirt fronts and cuffs.
61.04	841.1 (4)	Women's, girls' and infants' under garments.
61.05	841.2 (1)	Handkerchiefs.
61.06	841.2 (2)	Shawls, scarves, mufflers, mantillas, veils and the like.
61.07	841.2 (3)	Ties, bow ties and cravats.
61.08	841.2 (4)	Collars, tuckers, fallals, bodice-fronts, jabois, cuffs, flounces, yokes and similar accessories and trimmings for women's and girls' garments.
61.09	841.2 (5)	Corsets, corset-belts, suspender-belts, brassières, braces, suspenders, garters and the like (including such articles of knitted or crocheted fabric), whether or not elastic.
61.10	841.2 (6)	Gloves, mittens, mitts, stockings, socks and sockettes, not being knitted or crocheted goods.
61.11	841.2 (9)	Made up accessories for articles of apparel (for example, dress shields, shoulder and other pads, belts, muffs, sleeve protectors, pockets).

Chapter 62

Other made up textile articles.

Notes.

1. — The headings of this Chapter are to be taken to apply to the articles of the kinds described therein only when made up of any textile fabric (other than felt and bonded fibre or similar bonded yarn fabrics) or of the braids or trimmings of heading No. 58.07, not being knitted or crocheted goods.
2. — The headings of this Chapter do not cover :
 - (a) Goods falling within Chapter 58, 59 or 61; or
 - (b) Old clothing or other articles falling within heading No. 63.01.

62.01 Travelling rugs and blankets.

656.6 (1)	A. Of wool or of fine animal hair.
656.6 (2)	B. Of cotton.
656.6 (3)	C. Other.

62.02	656.9 (1)	Bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles.
62.03	656.1	Sacks and bags, of a kind used for the packing of goods.
62.04	656.2	Tarpaulins, sails, awnings, sunblinds, tents and camping goods.
62.05	656.3 (2)	Other made up textile articles (including dress patterns).

Chapter 63

Old clothing and other textile articles: rags.

63.01	267.8 (1)	Clothing, clothing accessories, travelling rugs and blankets, household linen and furnishing articles (other than articles falling within heading No. 58.01, 58.02 or 58.03), of textile materials, footwear and headgear of any material, showing signs of appreciable wear and imported in bulk or in bales, sacks or similar bulk packings.
63.02	267.8 (2)	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables.

Section XII

FOOTWEAR, HEADGEAR, UMBRELLAS, SUNSHADES, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR; FANS

Chapter 64

Footwear, gaiters and the like; parts of such articles.

Notes.

1. — This Chapter does not cover :
 - (a) Footwear, without applied soles, knitted or crocheted (heading No. 60.03) or of other textile fabric (except felt or bonded fibre or similar bonded yarn fabrics) (heading No. 62.05);
 - (b) Old footwear falling within heading No. 63.01;
 - (c) Articles of asbestos (heading No. 68.13);
 - (d) Orthopaedic footwear or other orthopaedic appliances, or parts thereof (heading No. 90.19); or
 - (e) Toys and skating boots with skates attached (Chapter 97).

2. — For the purposes of headings Nos. 64.05 and 64.06, the expression "parts" is to be taken not to include pegs, boot protectors, eyelets, boot hooks, buckles, ornaments, braid, laces, pompons or other trimmings (which are to be classified in their appropriate headings) or buttons or other goods falling within heading No. 98.01.
3. — For the purposes of heading No. 64.01, the expression "rubber or artificial plastic material" is to be taken to include any textile fabric coated or covered externally with one or both of those materials.

64.01	851.9 (1)	Footwear with outer soles and uppers of rubber or artificial plastic material.
64.02	851.9 (2)	Footwear with outer soles of leather or composition leather; footwear (other than footwear falling within heading No. 64.01) with outer soles of rubber or artificial plastic material.
64.03	851.9 (3)	Footwear with outer soles of wood or cork.
64.04	851.9 (4)	Footwear with outer soles of other materials.
64.05	812.2	Parts of footwear (including uppers, in-soles and screw-on heels) of any material except metal.
64.06	851.9 (5)	Gaiters, spats, leggings, puttees, cricket pads, shin-guards and similar articles, and parts thereof.

Chapter 65

Headgear and parts thereof.

Notes.

1. — This Chapter does not cover :
- (a) Old headgear falling within heading No. 63.01;
- (b) Hair nets of human hair (heading No. 67.04);
- (c) Asbestos headgear (heading No. 68.13); or
- (d) Dolls' hats or other toy hats, or carnival articles of Chapter 97.
2. — Heading No. 65.02 is to be taken not to apply to hat-shapes made by sewing (other than hat-shapes made by the sewing in spirals of plaited or other strips).

65.01	655.7 (1)	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt.
65.02	655.7 (2)	Hat-shapes, plaited or made from plaited or other strips of any material, neither blocked to shape nor with made brims.

65.03	841.5 (1)	Felt hats and other felt headgear, being headgear made from the felt hoods and plateaux falling within heading No. 65.01, whether or not lined or trimmed.
65.04	841.5 (2)	Hats and other headgear, plaited or made from plaited or other strips of any material, whether or not lined or trimmed.
65.05	841.5 (3)	Hats and other headgear (including hair nets), knitted or crocheted, or made up from lace, felt or other textile fabric in the piece (but not from strips), whether or not lined or trimmed.
65.06	841.5 (9)	Other headgear, whether or not lined or trimmed.
65.07	841.5 (4)	Head-bands, linings, covers, hat foundations, hat frames (including spring frames for opera hats), peaks and chinstraps, for headgear.

Chapter 66

Umbrellas, sunshades, walking-sticks, whips, riding-crops and parts thereof.

Notes.

1. — This Chapter does not cover :
- (a) Measure walking-sticks or the like (heading No. 90.16);
- (b) Firearm-sticks, sword-sticks, loaded walking-sticks or the like (Chapter 93); or
- (c) Goods falling within Chapter 97 (for example, toy umbrellas and toy sunshades).
2. — Heading No. 66.03 is to be taken not to apply to parts, trimmings or accessories of textile material, nor to covers, tassels, thongs, umbrella cases or the like, of any material. Such goods imported with, but not fitted to, articles falling within heading No. 66.01 or 66.02 are to be classified separately and are not to be treated as forming part of those articles.

66.01	899.4 (1)	Umbrellas and sunshades (including walking-stick umbrellas, umbrella tents, and garden and similar umbrellas).
66.02	899.4 (2)	Walking-sticks (including climbing-sticks and seat-sticks), canes, whips, riding-crops and the like.
66.03	899.4 (3)	Parts, fittings, trimmings and accessories of articles falling within heading No. 66.01 or 66.02.

Chapter 67

Prepared feathers and down and articles made of feathers or of down;
artificial flowers; articles of human hair; fans.

Notes.

1. — This Chapter does not cover :
- (a) Straining cloth of human hair (heading No. 59.17);
 - (b) Floral motifs of lace, of embroidery or other textile fabric (Section XI);
 - (c) Footwear (Chapter 64);
 - (d) Headgear (Chapter 65);
 - (e) Feather dusters (heading No. 96.04), powder-puffs (heading No. 96.05) or hair sieves (heading No. 96.06); or
 - (f) Toys, sports requisites or carnival articles (Chapter 97).
2. — Heading No. 67.01 is to be taken not to apply to :
- (a) Goods (for example, bedding) in which feathers or down constitute only filling or padding;
 - (b) Articles of apparel and accessories thereto in which feathers or down constitute no more than mere trimming or padding;
 - (c) Artificial flowers or foliage or parts thereof or made up articles of heading No. 67.02; or
 - (d) Fans (heading No. 67.05).
3. — Heading No. 67.02 is to be taken not to apply to :
- (a) Articles of glass (Chapter 70);
 - (b) Artificial flowers, foliage or fruit of pottery, stone, metal, wood or other materials, obtained in one piece by moulding, forging, carving, stamping or other process, or consisting of parts assembled otherwise than by binding, gluing or similar methods.

67.01	899.9 (2)	Skins and other parts of birds with their feathers or down, feathers, parts of feathers, down, and articles thereof, (other than goods falling within heading No. 05.07 and worked quills and scapes).
67.02	899.9 (3)	Artificial flowers, foliage or fruit and parts thereof; articles made of artificial flowers, foliage or fruit.
67.03	899.9 (4)	Human hair, dressed, thinned, bleached or otherwise worked; wool or other animal hair prepared for use in making wigs and the like.
67.04	899.9 (5)	Wigs, false beards, hair pads, curls, switches and the like, of human or animal hair or of textiles; other articles of human hair (including hair nets).
67.05	899.9 (6)	Fans and hand screens, non-mechanical, of any material; frames and handles therefor and parts of such frames and handles, of any material.

Section XIII

ARTICLES OF STONE, OF PLASTER, OF CEMENT, OF ASBESTOS, OF MICA
AND OF SIMILAR MATERIALS; CERAMIC PRODUCTS;
GLASS AND GLASSWARE

Chapter 68

Articles of stone, of plaster, of cement, of asbestos, of mica
and of similar materials.

Notes.

1. — This Chapter does not cover :
- (a) Goods falling within Chapter 25;
 - (b) Coated or impregnated paper falling within heading No. 48.07 (for example, paper coated with mica powder or graphite, bituminised or asphalted paper);
 - (c) Coated or impregnated textile fabric falling within Chapter 59 (for example, mica-coated fabric, bituminised or asphalted fabric);
 - (d) Articles falling within Chapter 71;
 - (e) Tools or parts of tools, falling within Chapter 82;
 - (f) Lithographic stones of heading No. 84.34;
 - (g) Electrical insulators (heading No. 85.25) or fittings of insulating material falling within heading No. 85.36;
 - (h) Dental burrs (heading No. 90.17);
 - (i) Goods falling within Chapter 91 (for example, clocks and clock cases);
 - (k) Articles falling within heading No. 95.07;
 - (l) Articles falling within Chapter 97 (for example, toys, games and sports requisites);
 - (m) Goods falling within heading No. 98.01 (for example, buttons), No. 98.05 (for example, slate pencils) or No. 98.06 (for example, drawing slates); or
 - (n) Works of art, collectors' pieces or antiques (Chapter 99).
2. — In heading No. 68.02 the expression "worked monumental or building stone" is to be taken to apply not only to the varieties of stone referred to in headings Nos. 25.15 and 25.16 but also to all other natural stone (for example, quartzite, flint, dolomite and steatite) similarly worked; it is, however, to be taken not to apply to slate.

68.01	681.3 (1)	Road and paving setts, curbs and flagstones, of natural stone (except slate).
68.02	681.3 (2)	Worked monumental or building stone, and articles thereof (including mosaic cubes), other than goods falling within heading No. 68.01 or within Chapter 69.
68.03	681.3 (3)	Worked slate and articles of slate, including articles of agglomerated slate.

68.04	663.1 (1)	Millstones, grindstones, grinding wheels and the like (including grinding, sharpening, polishing, trueing and cutting wheels, heads, discs and points), of natural stone (agglomerated or not), of agglomerated natural or artificial abrasives, or of pottery, with or without cores, shanks, sockets, axles and the like of other materials, but without frameworks; segments and other finished parts of such stones and wheels, of natural stone (agglomerated or not), of agglomerated natural or artificial abrasives, or of pottery.
68.05	663.1 (2)	Hand polishing stones, whetstones, oilstones, hones and the like, of natural stone, of agglomerated natural or artificial abrasives, or of pottery.
68.06	663.2	Natural or artificial abrasive powder or grain, on a base of woven fabric, of paper, of paperboard or of other materials, whether or not cut to shape or sewn or otherwise made up.
68.07	663.5	Slag wool, rock wool and similar mineral wools; exfoliated vermiculite, expanded clays, foamed slag and similar expanded mineral materials; mixtures and articles of heat-insulating, sound-insulating, or sound-absorbing mineral materials, other than those falling in heading No. 68.12 or 68.13 or in Chapter 69.
68.08	661.8 (1)	Articles of asphalt or of similar material (for example, of petroleum bitumen or coal tar pitch).
68.09	661.8 (2)	Panels, boards, tiles, blocks and similar articles of vegetable fibre, of wood fibre, of straw, of wood shavings or of wood waste (including sawdust), agglomerated with cement, plaster or with other mineral binding substances.
68.10	663.6 (1)	Articles of plastering material.
68.11	663.6 (2)	Articles of cement (including slag cement), of concrete or of artificial stone (including granulated marble agglomerated with cement), reinforced or not.
68.12	661.8 (3)	Articles of asbestos-cement, of cellulose fibre-cement or the like.
68.13	662.8 (1)	Fabricated asbestos and articles thereof (for example, asbestos board, thread and fabric; asbestos clothing, asbestos jointing), reinforced or not, other than goods falling within heading No. 68.14; mixtures with a basis of asbestos and mixtures with a basis of asbestos and magnesium carbonate, and articles of such mixtures.
68.14	663.8 (2)	Friction material (segments, discs, washers, strips, sheets, plates, rolls and the like) of a kind suitable for brakes, for clutches or the like, with a basis of asbestos, other mineral substances or of cellulose, whether or not combined with textile or other materials.
68.15	662.4	Worked mica and articles of mica, including bonded mica splittings on a support of paper or fabric (for example, micanite and micafolium).
68.16	662.6 (3)	Articles of stone or of other mineral substances (including articles of peat), not elsewhere specified or included.

Chapter 69

Ceramic products.

Notes.

- The headings of this Chapter are to be taken to apply only to ceramic products which have been fired after shaping. Headings Nos. 69.04 to 69.14 are to be taken to apply only to such products other than heat-insulating goods and refractory goods.
- This Chapter does not cover :
 - Goods falling within Chapter 71 (for example, imitation jewellery);
 - Cermets falling within heading No. 81.04;
 - Electrical insulators (heading No. 85.25) or fittings of insulating material falling within heading No. 85.26;
 - Artificial teeth (heading No. 90.19);
 - Goods falling within Chapter 91 (for example, clocks and clock cases);
 - Articles falling within Chapter 97 (for example, toys, games and sports requisites);
 - Smoking pipes, buttons or other articles falling within Chapter 98; or
 - Original statuary, collectors' pieces or antiques (Chapter 99).

I. — HEAT-INSULATING AND REFRACTORY GOODS

69.01	662.3 (1)	Heat-insulating bricks, blocks, tiles and other heat-insulating goods of siliceous fossil meals or of similar siliceous earths (for example, kieselsguhr, tripolite or diatomite).
69.02	662.3 (2)	Refractory bricks, blocks, tiles and similar refractory constructional goods, other than goods falling within heading No. 69.01.
69.03	663.7	Other refractory goods (for example, retorts, crucibles, muffles, nozzles, plugs, supports, cupels, tubes, pipes, sheaths and rods), other than goods falling within heading No. 69.01.
II. — OTHER CERAMIC PRODUCTS		
69.04	662.4 (1)	Building bricks (including flooring blocks, support or filler tiles and the like).
69.05	662.4 (2)	Roofing tiles, chimney-pots, cowls, chimney-liners, cornices and other constructional goods, including architectural ornaments.
69.06	662.4 (3)	Piping, conduits and guttering (including angles, bends and similar fittings).
69.07	662.4 (4)	Unglazed setts, flags and paving, hearth and wall tiles.
69.08	662.4 (5)	Glazed setts, flags and paving, hearth and wall tiles.

69.09	663.9 (1)	Laboratory, chemical or industrial wares; troughs, tubs and similar receptacles of a kind used in agriculture; pots, jars and similar articles of a kind commonly used for the conveyance or packing of goods.
69.10	812.2	Sinks, wash basins, bidets, water closet pans, urinals, baths and like sanitary fixtures.
69.11	666.4	Tableware and other articles of a kind commonly used for domestic or toilet purposes, of porcelain or china (including biscuit porcelain and parian).
69.12	666.5	Tableware and other articles of a kind commonly used for domestic or toilet purposes, of other kinds of pottery.
69.13	666.6	Statuettes and other ornaments, and articles of personal adornment; articles of furniture.
69.14	663.9 (2)	Other articles.

Chapter 70

Glass and glassware.

Notes.

- This Chapter does not cover :
 - Ceramic enamels (heading No. 32.08);
 - Goods falling within Chapter 71 (for example, imitation jewellery);
 - Electrical insulators (heading No. 85.25) or fittings of insulating material falling within heading No. 85.26;
 - Hypodermic syringes, artificial eyes, thermometers, barometers, hydrometers, optically worked optical elements or other articles falling within Chapter 90;
 - Toys, games, sports requisites, Christmas tree ornaments or other articles falling within Chapter 97 (excluding glass eyes without mechanisms for dolls or for other articles of Chapter 97); or
 - Buttons, fitted vacuum flasks, scent or similar sprays or other articles falling within Chapter 98.
- The reference in heading No. 70.07 to "cast, rolled, drawn or blown glass (including flashed or wired glass) cut to shape other than rectangular shape, or bent or otherwise worked (for example, edge worked or engraved), whether or not surface ground or polished" is to be taken to apply to articles made from such glass, provided they are not framed or fitted with other materials.
- For the purposes of heading No. 70.20, the expression "wool" means :
 - Mineral wools with a silica (SiO_2) content not less than 60 % by weight;
 - Mineral wools with a silica (SiO_2) content less than 60 % but with an alkaline oxide (K_2O and/or Na_2O) content of more than 5 % by weight or a boric oxide (B_2O_3) content of more than 2 % by weight.
 Mineral wools which do not comply with the above specifications fall in heading No. 68.07.
- For the purposes of the Nomenclature, the expression "glass" is to be taken to extend to fused quartz and fused silica.

70.01	664.1 (1)	Waste glass (cullet); glass in the mass (excluding optical glass).
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70.02	664.1 (2)	Glass of the variety known as "enamel" glass, in the mass, rods and tubes.
70.03	664.1 (3)	Glass in balls, rods and tubes, unworked (not being optical glass).
70.04	664.5	Unworked cast or rolled glass (including flashed or wired glass), whether figured or not, in rectangles.
70.05	664.3	Unworked drawn or blown glass (including flashed glass), in rectangles.
70.06	664.4	Cast, rolled, drawn or blown glass (including flashed or wired glass), in rectangles, surface ground or polished, but not further worked.
70.07	664.9 (1)	Cast, rolled, drawn or blown glass (including flashed or wired glass) cut to shape other than rectangular shape, or bent or otherwise worked (for example, edge worked or engraved), whether or not surface ground or polished; multiple-walled insulating glass; leaded lights and the like.
70.08	664.7	Safety glass consisting of toughened or laminated glass, shaped or not.
70.09	664.5	Glass mirrors (including rear-view mirrors), unframed, framed or backed.
70.10	663.1 (1)	Carboys, bottles, jars, pots, tubular containers and similar containers, of glass, of a kind commonly used for the conveyance or packing of goods; stoppers and other closures, of glass.
70.11	664.9 (2)	Glass envelopes (including bulbs and tubes) for electric lamps, electronic valves or the like.
70.12	665.1 (2)	Glass inners for vacuum flasks or for other vacuum vessels.
70.13	663.2	Glassware (other than articles falling in heading No. 70.19) of a kind commonly used for table, kitchen, toilet or office purposes, for indoor decoration, or for similar uses.
70.14	812.4 (1)	Illuminating glassware, signalling glassware and optical elements of glass, not optically worked nor of optical glass.
70.15	664.9 (3)	Clock and watch glasses and similar glasses (including glass of a kind used for sunglasses but excluding glass suitable for corrective lenses), curved, bent, hollowed and the like; glass spheres and segments of spheres, of a kind used for the manufacture of clock and watch glasses and the like.
70.16	664.6	Bricks, tiles, slabs, paving blocks, squares and other articles of pressed or moulded glass, of a kind commonly used in building; multi-cellular glass in blocks, slabs, plates, panels and similar forms.
70.17	663.8 (1)	Laboratory, hygienic and pharmaceutical glassware, whether or not graduated or calibrated; glass ampoules.
70.18	664.2	Optical glass and elements of optical glass, other than optically worked elements; blanks for corrective spectacle lenses.

70.19	645.8 (2)	Glass beads, imitation pearls, imitation precious and semi-precious stones, fragments and chippings, and similar fancy or decorative glass smallwares, and articles of glassware made therefrom; glass cubes and small glass plates, whether or not on a backing, for mosaics and similar decorative purposes; artificial eyes of glass, including those for toys but excluding those for wear by humans; ornaments and other fancy articles of lamp-worked glass; glass grains (ballotini).
70.20		Glass fibre (including wool), yarns, fabrics, and articles made therefrom.
	651.8	A. Yarns.
	653.8	B. Fabrics.
	664.9 (4)	C. Other.
70.21	665.8 (9)	Other articles of glass.

Section XIV

PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES, PRECIOUS METALS, ROLLED PRECIOUS METALS, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN

Chapter 71

Pearls, precious and semi-precious stones, precious metals, rolled precious metals, and articles thereof; imitation jewellery.

Notes.

1. — Subject to Note 1 (a) to Section VI and except as provided below, all articles consisting wholly or partly :
 - (a) Of pearls or of precious or semi-precious stones (natural, synthetic or reconstructed), or
 - (b) Of precious metal or of rolled precious metal,
 are to be classified within this Chapter and not within any other Chapter.
2. — (a) Headings Nos. 71.12, 71.13 and 71.14 do not cover articles in which precious metal or rolled precious metal is present as minor constituents only, such as minor fittings or minor ornamentation (for example, monograms, ferrules and rims), and paragraph (b) of the foregoing Note does not apply to such articles (*).
 - (b) Heading No. 71.15 does not cover articles containing precious metal or rolled precious metal (other than as minor constituents).
3. — This Chapter does not cover :
 - (a) Amalgams of precious metal, and colloidal precious metal (heading No. 28.49);
 - (b) Sterile surgical suture materials, dental fillings and other goods falling in Chapter 30;
 - (c) Goods falling in Chapter 32 (for example, lustres);
 - (d) Handbags and other articles falling within heading No. 42.02 or 42.03;
 - (e) Goods of heading No. 43.03 or 43.04;
 - (f) Goods falling within Section XI (textiles and textile articles);

(* The underlined portion of this Note constitutes an optional text.

- (g) Footwear (Chapter 64) and headgear (Chapter 65);
- (h) Umbrellas, walking-sticks and other articles falling within Chapter 66;
- (i) Fans and hand screens of heading No. 67.05;
- (k) Coin (Chapter 72 or 99);
- (l) Abrasive goods falling within headings Nos. 68.04, 68.05, 68.06 or Chapter 82, containing dust or powder of precious or semi-precious stones (natural or synthetic); goods of Chapter 82 with a working part of precious or semi-precious stones (natural, synthetic or reconstructed) on a support of base metal; machinery, mechanical appliances and electrical goods, and parts thereof, falling within Section XVI, not being such articles wholly of precious or semi-precious stones (natural, synthetic or reconstructed);

- (m) Goods falling within Chapter 90, 91 or 92 (scientific instruments, clocks and watches, or musical instruments);
- (n) Arms or parts thereof (Chapter 93);
- (o) Articles covered by Note 2 to Chapter 97;
- (p) Articles falling within headings of Chapter 98 other than headings Nos. 98.01 and 98.12; or

- (q) Original sculptures and statuary (heading No. 99.03), collectors' pieces (heading No. 99.05) and antiques of an age exceeding one hundred years (heading No. 99.06), other than pearls or precious or semi-precious stones.

4. — (a) The expression "pearls" is to be taken to include cultured pearls.
- (b) The expression "precious metal" means silver, gold, platinum and other metals of the platinum group.
- (c) The expression "other metals of the platinum group" means iridium, osmium, palladium, rhodium and ruthenium.
5. — For the purposes of this Chapter, any alloy (including a sintered mixture) containing precious metal is to be treated as an alloy of precious metal if, and only if, any one precious metal constitutes as much as 2 %, by weight, of the alloy. Alloys of precious metal are to be classified according to the following rules :
 - (a) An alloy containing 2 % or more, by weight, of platinum is to be treated only as an alloy of platinum.
 - (b) An alloy containing 2 % or more, by weight, of gold but no platinum, or less than 2 %, by weight, of platinum, is to be treated only as an alloy of gold.
 - (c) Other alloys containing 2 % or more, by weight, of silver are to be treated as alloys of silver.

For the purposes of this Note, metals of the platinum group are to be regarded as one metal and are to be treated as though they were platinum.

6. — Except where the context otherwise requires, any reference in these Notes or elsewhere in the Nomenclature to precious metal or to any particular precious metal is to be taken to include a reference to alloys treated as alloys of precious metal or of the particular metal in accordance with the rules in Note 5 above, but not to rolled precious metal or to base metal or non-metals coated or plated with precious metal.
7. — The expression "rolled precious metal" means material made with a base of metal upon one or more surfaces of which there is affixed by soldering, brazing, welding, hot-rolling or similar mechanical means a covering of precious metal. The expression is also to be taken to cover base metal inlaid with precious metal.
8. — For the purposes of heading No. 71.12, the expression "articles of jewellery" means :
 - (a) Any small objects of personal adornment (gem-set or not) (for example, rings, bracelets, necklaces, brooches, ear-rings, watch-chains, fobs, pendants, tie-pins, cuff-links, dress-studs, religious or other medals and insignia); and
 - (b) Articles of personal use of a kind normally carried in the pocket, in the handbag or on the person (such as cigarette cases, powder boxes, chain purses, cachou boxes).
9. — For the purposes of heading No. 71.13, the expression "articles of goldsmiths' or silversmiths' wares" includes such articles as ornaments, tableware, toilet-ware, smokers' requisites and other articles of household, office or religious use.

10. — For the purposes of heading No. 71.16, the expression "imitation jewellery" means articles of jewellery within the meaning of paragraph (a) of Note 8 above (but not including buttons, studs, cuff-links or other articles of heading No. 98.01 or dress combs, hair-slides or the like of heading No. 98.12), not incorporating pearls, precious or semi-precious stones (natural, synthetic or reconstructed) nor (except as plating or as minor constituents) precious metal or rolled precious metal, and composed:

- (a) Wholly or partly of base metal, whether or not plated with precious metal; or
 (b) Of at least two materials (for example, wood and glass, bone and amber, mother of pearl and artificial plastic material), no account being taken of materials (for example, necklace string) used only for assembly.

11. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

L — PEARLS AND PRECIOUS AND SEMI-PRECIOUS STONES

71.01	667.1	Pearls, unworked or worked, but not mounted, set or strung (except ungraded pearls temporarily strung for convenience of transport).
71.02		Precious and semi-precious stones, unworked, cut or otherwise worked, but not mounted, set or strung (except ungraded stones temporarily strung for convenience of transport).
	275.1	A. Industrial diamonds.
	667.2	B. Diamonds other than industrial diamonds.
	667.3	C. Other.
71.03	667.4	Synthetic or reconstructed precious or semi-precious stones, unworked, cut or otherwise worked, but not mounted, set or strung (except ungraded stones temporarily strung for convenience of transport).
71.04	275.2 (1)	Dust and powder of natural or synthetic precious or semi-precious stones.
		II. — PRECIOUS METALS AND ROLLED PRECIOUS METALS, UNWROUGHT, UNWORKED OR SEMI-MANUFACTURED
71.05	681.1 (1)	Silver, including silver gilt and platinum-plated silver, unwrought or semi-manufactured.
71.06	681.1 (2)	Rolled silver, unworked or semi-manufactured.
71.07		Gold, including platinum-plated gold, unwrought or semi-manufactured.
	L.1.1	A. Gold bullion.
	L.1.3	B. Other.
71.08	L.1.4	Rolled gold on base metal or silver, unworked or semi-manufactured.
71.09	881.2 (1)	Platinum and other metals of the platinum group, unwrought or semi-manufactured.
71.10	881.2 (2)	Rolled platinum or other platinum group metals, on base metal or precious metal, unworked or semi-manufactured.

71.11 Goldsmiths', silversmiths' and jewellers' sweepings, residues, lemeis, and other waste and scrap, of precious metal.

- 285.9 (2) A. Of silver or of platinum or of other metals of the platinum group.
 L.1.5 B. Of gold.

III. — JEWELLERY, GOLDSMITHS' AND SILVERSMITHS' WARES AND OTHER ARTICLES

71.12 897.1 (1) Articles of jewellery and parts thereof, of precious metal or rolled precious metal.

71.13 897.1 (2) Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or rolled precious metal, other than goods falling within heading No. 71.12.

71.14 897.1 (3) Other articles of precious metal or rolled precious metal.

71.15 897.1 (4) Articles consisting of, or incorporating, pearls, precious or semi-precious stones (natural, synthetic or reconstructed).

71.16 897.2 Imitation jewellery.

Chapter 72

Coin.

Note.

This Chapter does not cover collectors' pieces (heading No. 99.05).

72.01 Coin.

- 961.9 A. Coin not being legal tender (other than gold coin).
 L.1.6 B. Gold coin.
 II. C. Other.

Section XV

BASE METALS AND ARTICLES OF BASE METAL

Notes.

1. — This Section does not cover :

- (a) Prepared paints, inks or other products with a basis of metallic flakes or powder falling within heading No. 32.08, 32.09, 32.10 or 32.13;
- (b) Ferro-cerium or other pyrophoric alloys (heading No. 36.07);
- (c) Headgear or parts thereof falling within heading No. 65.06 or 65.07;
- (d) Umbrella frames and other goods of heading No. 66.03;
- (e) Goods falling within Chapter 71 (for example, precious metal alloys, rolled precious metal and imitation jewellery);
- (f) Articles falling within Section XVI (machinery, mechanical appliances and electrical goods);
- (g) Assembled railway or tramway track (heading No. 86.10) or other articles falling within Section XVII (vehicles, ships and boats, aircraft);
- (h) Instruments or apparatus of base metal of a kind falling within Section XVIII, including clock and watch springs;
- (i) Lead shot prepared for ammunition (heading No. 93.07) or other articles falling within Section XIX (arms and ammunition);
- (k) Articles falling within Chapter 94 (furniture and mattress supports);
- (l) Hand sieves (heading No. 96.06);
- (m) Articles falling within Chapter 97 (for example, toys, games and sports requisites); or
- (n) Buttons, pens, pencil-holders, pen nibs or other articles falling within Chapter 98.

2. — Throughout the Nomenclature, the expression "parts of general use" means :

- (a) Goods described in headings Nos. 73.20, 73.25, 73.29, 73.31 and 73.32 and similar goods of other base metals;
 - (b) Springs and leaves for springs, of base metal, other than clock and watch springs (heading No. 91.11); and
 - (c) Goods described in headings Nos. 83.01, 83.02, 83.07, 83.09, 83.12 and 83.14.
- In Chapters 73 to 83 (but not in heading No. 73.29 or 74.13) references to parts of goods do not include references to parts of general use as defined above.

Subject to the preceding paragraph and to the Note to Chapter 83, the headings in Chapters 73 to 81 are to be taken not to apply to any goods falling within Chapter 82 or 83.

3. — Classification of alloys (other than ferro-alloys and master alloys as defined in Chapters 73 and 74) :

- (a) An alloy of base metals containing more than 10 %, by weight, of nickel is to be classified as an alloy of nickel, except in the case of an alloy in which iron predominates by weight over each of the other metals.
- (b) Any other alloy of base metals is to be classified as an alloy of the metal which predominates by weight over each of the other metals.
- (c) An alloy composed of base metals of this Section and of elements not falling within this Section is to be treated as an alloy of base metals of this Section if the total weight of such metals equals or exceeds the total weight of the other elements present.
- (d) In this Section the term "alloy" is to be taken to include sintered mixtures of metal powders and heterogeneous intimate mixtures obtained by melting (other than cermets).

4. — Unless the context otherwise requires, any reference in this Nomenclature to a base metal is to be taken to include a reference to alloys which, by virtue of Note 3 above, are to be classified as alloys of that metal.

5. — Classification of Composite Articles :

Except where the headings otherwise require, articles of base metal (including articles of mixed materials treated as articles of base metal under the Interpretative Rules) containing two or more base metals are to be treated as articles of the base metal predominating by weight. For this purpose :

- (a) Iron and steel, or different kinds of iron or steel, are regarded as one and the same metal,
- (b) An alloy is regarded as being entirely composed of that metal as an alloy of which, by virtue of Note 3, it is classified, and
- (c) A cermet of heading No. 81.04 is regarded as a single base metal.

6. — For the purposes of this Section, the expression "waste and scrap" means waste and scrap metal fit only for the recovery of metal or for use in the manufacture of chemicals.

Chapter 73

Iron and steel and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :

(a) Pig iron and cast iron (heading No. 73.01) :

A ferrous product containing, by weight, 1.9 % or more of carbon, and which may contain one or more of the following elements within the weight limits specified :

- less than 15 % phosphorus,
- not more than 8 % silicon,
- not more than 6 % manganese,
- not more than 30 % chromium,
- not more than 40 % tungsten, and
- an aggregate of not more than 10 % of other alloy elements (for example, nickel, copper, aluminium, titanium, vanadium, molybdenum).

However, the ferrous alloys known as "non-distorting tool steels", containing, by weight, 1.9 % or more of carbon and having the characteristics of steel, are to be classified as steels, under their appropriate headings.

(b) Spiegeleisen (heading No. 73.01) :

A ferrous product containing, by weight, more than 6 % but not more than 30 % of manganese and otherwise conforming to the specification at (a) above.

(c) Ferro-alloys (heading No. 73.02) :

Alloys of iron (other than master alloys as defined in Note 1 to Chapter 74) which are not usefully malleable and are commonly used as raw material in the manufacture of ferrous metals and which contain, by weight, separately or together :

- more than 8 % of silicon, or
- more than 30 % of manganese, or
- more than 30 % of chromium, or
- more than 40 % of tungsten, or
- a total of more than 10 % of other alloy elements (aluminium, titanium, vanadium, copper, molybdenum, niobium or other elements, subject to a maximum content of 10 % in the case of copper),

and which contain, by weight, not less than 4 % in the case of ferro-alloys containing silicon, not less than 8 % in the case of ferro-alloys containing manganese but no silicon or not less than 10 % in other cases, of the element iron.

(d) Alloy steel (heading No. 73.15) :

Steel containing, by weight, one or more elements in the following proportions :
more than 2 % of manganese and silicon, taken together, or
2.00 % or more of manganese, or
2.00 % or more of silicon, or
0.50 % or more of nickel, or
0.50 % or more of chromium, or
0.10 % or more of molybdenum, or
0.10 % or more of vanadium, or
0.30 % or more of tungsten, or
0.30 % or more of cobalt, or
0.30 % or more of aluminium, or
0.40 % or more of copper, or
0.10 % or more of lead, or
0.12 % or more of phosphorus, or
0.10 % or more of sulphur, or
0.20 % or more of phosphorus and sulphur, taken together, or
0.10 % or more of other elements, taken separately.

(e) High carbon steel (heading No. 73.15) :

Steel containing, by weight, not less than 0.60 % of carbon and having a content, by weight, less than 0.04 % of phosphorus and sulphur taken separately and less than 0.07 % of these elements taken together.

(f) Puddled bars and pilings (heading No. 73.06) :

Products for rolling, forging or re-melting obtained either :

(i) By shingling balls of puddled iron to remove the slag arising during puddling, or

(ii) By roughly welding together by means of hot-rolling, packets of scrap iron or steel or puddled iron.

(g) Ingots (heading No. 73.06) :

Products for rolling or forging obtained by casting into moulds.

(h) Blooms and billets (heading No. 73.07) :

Semi-finished products of rectangular section, of a cross-sectional area exceeding 1,225 mm² and of such dimensions that the thickness exceeds one quarter of the width.

(i) Slabs and sheet bars (including tinplate bars) (heading No. 73.07) :

Semi-finished products of rectangular section, of a thickness not less than 6 mm, of a width not less than 150 mm and of such dimensions that the thickness does not exceed one quarter of the width.

(k) Coils for re-rolling (heading No. 73.08) :

Coiled semi-finished hot-rolled products, of rectangular section, not less than 1.5 mm thick, of a width exceeding 500 mm and of a weight of not less than 500 kg per piece.

(l) Universal plates (heading No. 73.09) :

Products of rectangular section, hot-rolled lengthwise in a closed box or universal mill, of a thickness exceeding 5 mm but not exceeding 100 mm, and of a width exceeding 150 mm but not exceeding 1,200 mm.

(m) Hoop and strip (heading No. 73.12) :

Rolled products with sheared or unsheared edges, of rectangular section, of a thickness not exceeding 6 mm, of a width not exceeding 500 mm and of such dimensions that the thickness does not exceed one tenth of the width, in straight strips, coils or flattened coils.

(n) Sheets and plates (heading No. 73.13) :

Rolled products (other than coils for re-rolling as defined in paragraph (k) above) of any thickness and, if in rectangles, of a width exceeding 500 mm.

Heading No. 73.13 is to be taken to apply, *inter alia*, to sheets or plates which have been cut to non-rectangular shape, perforated, corrugated, channelled, ribbed, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.

(o) Wire (heading No. 73.14) :

Cold-drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 13 mm. In the case of headings Nos. 73.26 and 73.27, however, the term "wire" is deemed to include rolled products of the same dimensions.

(p) Bars and rods (including wire rod) (heading No. 73.10) :

Products of solid section which do not conform to the entirety of any of the definitions (h), (i), (k), (l), (m), (n) and (o) above, and which have cross-sections in the shape of circles, segments of circles, ovals, isosceles triangles, rectangles, hexagons, octagons or quadrilaterals with only two sides parallel and the other sides equal.

The expression also includes concrete reinforcing bars which apart from minor indentations, flanges, grooves or other deformations produced during the rolling process correspond to the above definition.

(q) Hollow mining drill steel (heading No. 73.10) :

Steel hollow bars of any cross-section, suitable for mining drills, of which the greatest external dimension exceeds 15 mm but does not exceed 50 mm, and of which the greatest internal dimension does not exceed one third of the greatest external dimension. Other steel hollow bars are to be treated as falling within heading No. 73.18.

(r) Angles, shapes and sections (heading No. 73.11) :

Products, other than those falling within heading No. 73.16, which do not conform to the entirety of any of the definitions (h), (i), (k), (l), (m), (n) and (o) above, and which do not have cross-sections in the form of circles, segments of circles, ovals, isosceles triangles, rectangles, hexagons, octagons or quadrilaterals with only two sides parallel and the other two sides equal, and which are not hollow.

2. — Headings Nos. 73.06 to 73.14 are to be taken not to apply to goods of alloy or high carbon steel (heading No. 73.15).

3. — Iron and steel products of the kind described in any of the headings Nos. 73.06 to 73.15 inclusive, clad with another ferrous metal, are to be classified as products of the ferrous metal predominating by weight.

4. — Iron obtained by electrolytic deposition is classified according to its form and dimensions with the corresponding products obtained by other processes.

5. — The expression "high-pressure hydro-electric conduits of steel" (heading No. 73.19) means riveted, welded or seamless circular steel tubes or pipes and bends therefor, of an internal diameter exceeding 400 mm and of a wall thickness exceeding 10.5 mm.

73.01

Pig iron, cast iron and spiegeleisen, in pigs, blocks, lumps and similar forms.

671.1

A. Spiegeleisen.

671.2

B. Other.

73.02

Ferro-alloys.

671.4

A. Ferro-manganese.

671.5

B. Other.

73.03

252.0

Waste and scrap metal of iron or steel.

73.04

671.3 (1)

Shot and angular grit, of iron or steel, whether or not graded; wire pellets of iron or steel.

73.05

Iron or steel powders; sponge iron or steel.

671.3 (2)

A. Iron or steel powders.

671.3 (3)

B. Sponge iron or steel.

73.06

Puddled bars and pilings; ingots, blocks, lumps and similar forms, of iron or steel.

672.1

A. Puddled bars and pilings; blocks, lumps and similar forms.

672.3 (1)

B. Ingots.

73.07	672.6 (1)	Blooms, billets, slabs and sheet bars (including tinplate bars), of iron or steel; pieces roughly shaped by forging, of iron or steel.	674.3 (2)	S. Sheets and plates, less than 3 mm in thickness, not plated, coated or clad, of high carbon steel.
73.08	672.7 (1)	Iron or steel coils for re-rolling.	674.4 (3)	T. Sheets and plates, less than 3 mm in thickness, not plated, coated or clad, of alloy steel.
73.09	674.1 (4)	Universal plates of iron or steel.	674.5 (2)	U. Sheets and plates, less than 3 mm in thickness, plated, coated or clad, of high carbon steel.
73.10		Bars and rods (including wire rod), of iron or steel, hot-rolled, forged, extruded, cold-formed or cold-finished (including precision-made); hollow mining drill steel.	674.6 (3)	V. Sheets and plates, less than 3 mm in thickness, plated, coated or clad, of alloy steel.
	672.1 (1)	A. Wire rod.	675.0 (2)	W. Hoop and strip, of high carbon steel.
	672.2 (1)	B. Other.	675.0 (3)	X. Hoop and strip, of alloy steel.
73.11		Angles, shapes and sections, of iron or steel, hot-rolled, forged, extruded, cold-formed or cold-finished; sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements.	677.0 (2)	Y. Wire of high carbon steel.
	672.4 (1)	A. Angles, shapes and sections, 80 mm or more; sheet piling.	677.0 (3)	Z. Wire of alloy steel.
	672.5 (1)	B. Other.		
73.12	673.0 (1)	Hoop and strip, of iron or steel, hot-rolled or cold-rolled.	73.16	Railway and tramway track construction material of iron or steel, the following: rails, check-rails, switch blades, crossings (or frogs), crossing pieces, point rods, rack rails, sleepers, fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for joining or fixing rails.
73.13		Sheets and plates, of iron or steel, hot-rolled or cold-rolled.	676.1	A. Rails.
	674.1 (1)	A. More than 4.75 mm in thickness, other than tinned plates and sheets.	676.2	B. Other.
	674.2 (1)	B. 3 mm or more but not more than 4.75 mm in thickness, other than tinned plates and sheets.	73.17	678.1 Tubes and pipes, of cast iron.
	674.3 (1)	C. Less than 3 mm in thickness, not plated, coated or clad.	73.18	Tubes and pipes and blanks therefor, of iron (other than of cast iron) or steel, excluding high-pressure hydro-electric conduits.
	674.7	D. Tinned plates and sheets.	672.9	A. Blanks for tubes and pipes.
	674.8 (1)	E. Less than 3 mm in thickness, plated, enameled or clad (other than tinned plates and sheets).	678.2	B. "Seamless" tubes and pipes.
			678.3	C. Other.
73.14	677.0 (1)	Iron or steel wire, whether or not coated, but not insulated.	73.19	678.4 High-pressure hydro-electric conduits of steel, whether or not reinforced.
73.15		Alloy steel and high carbon steel in the forms mentioned in headings Nos. 73.06 to 73.14.	73.20	678.5 Tube and pipe fittings (for example, joints, elbows, unions and flanges), of iron or steel.
	672.3 (2)	A. Ingots of high carbon steel.	73.21	691.1 Structures and parts of structures, (for example, hangars and other buildings, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frameworks, door and window frames, shutters, balustrades, pillars and columns), of iron or steel; plates, strip, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel.
	672.3 (3)	B. Ingots of alloy steel.	73.22	692.1 (1) Reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment.
	672.5 (2)	C. Blooms, billets, slabs, sheet bars and roughly forged pieces, of high carbon steel.	73.23	692.2 (1) Casks, drums, cans, boxes and similar containers, of sheet or plate iron or steel, of a description commonly used for the conveyance or packing of goods.
	672.5 (3)	D. Blooms, billets, slabs, sheet bars and roughly forged pieces, of alloy steel.	73.24	692.3 (1) Containers, of iron or steel, for compressed or liquefied gas.
	672.7 (2)	E. Coils for re-rolling, of high carbon steel.	73.25	693.1 (1) Stranded wire, cables, cordage, ropes, plaited bands, slings and the like, of iron or steel wire, but excluding insulated electric cables.
	672.7 (3)	F. Coils for re-rolling, of alloy steel.	73.26	693.2 Barbed iron or steel wire; twisted hoop or single flat wire, barbed or not, and loosely twisted double wire, of kinds used for fencing, of iron or steel.
	673.1 (2)	G. Wire rod of high carbon steel.		
	673.1 (3)	H. Wire rod of alloy steel.		
	673.2 (2)	I. Bars and rods (excluding wire rod) and hollow mining drill steel, of high carbon steel.		
	673.2 (3)	J. Bars and rods (excluding wire rod) and hollow mining drill steel, of alloy steel.		
	673.4 (2)	K. Angles, shapes and sections, 80 mm or more, and sheet piling, of high carbon steel.		
	673.4 (3)	L. Angles, shapes and sections, 80 mm or more, and sheet piling, of alloy steel.		
	673.5 (2)	M. Angles, shapes and sections, less than 80 mm, of high carbon steel.		
	673.5 (3)	N. Angles, shapes and sections, less than 80 mm, of alloy steel.		
	674.1 (2)	O. Sheets and plates, more than 4.75 mm in thickness, and universal plates, of high carbon steel.		
	674.1 (3)	P. Sheets and plates, more than 4.75 mm in thickness, and universal plates, of alloy steel.		
	674.2 (2)	Q. Sheets and plates, 3 mm or more but not more than 4.75 mm in thickness, of high carbon steel.		
	674.2 (3)	R. Sheets and plates, 3 mm or more but not more than 4.75 mm in thickness, of alloy steel.		

Copper and articles thereof.

Notes.

1. — For the purposes of heading No. 74.02, the expression "master alloys" means alloys (except copper phosphide (phosphor copper) containing more than 8 % by weight of phosphorus) containing with other alloy elements more than 10 % by weight of copper, not usefully malleable and commonly used as raw material in the manufacture of other alloys or as de-oxidants, de-sulphurising agents or for similar uses in the metallurgy of non-ferrous metals.
- (Copper phosphide (phosphor copper) containing more than 8 % by weight of phosphorus falls within heading No. 28.55 and not within this Chapter).

2. — In this Chapter the following expressions have the meanings hereby assigned to them :

(a) Wire (heading No. 74.03) :

Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.

(b) Wrought bars, rods, angles, shapes and sections (heading No. 74.03) :

Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently worked after production (otherwise than by simple trimming or de-scaling), provided that they have not thereby assumed the character of articles or products falling within other headings.

Wire-bars and billets with their ends tapered or otherwise worked simply to facilitate their entry into machines for converting them into, for example, wire-rod or tubes, are however to be taken to be unwrought copper of heading No. 74.01.

(c) Wrought plates, sheets and strip (heading No. 74.04) :

Flat-surfaced, wrought products (rolled or not), of which the maximum cross-sectional dimension exceeds 6 mm, and of which the thickness exceeds 0.15 mm but does not exceed one tenth of the width.

Heading No. 74.04 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.

3. — Heading No. 74.07 is to be taken to apply, *inter alia*, to tubes, pipes and hollow bars which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or flanged. Heading No. 74.08 is to be taken to apply, *inter alia*, to tube and pipe fittings which have been similarly treated.

74.01	Copper matte; unwrought copper (refined or not); copper waste and scrap.
288.1 (3)	A. Copper matte.
284.0 (3)	B. Copper waste and scrap.
682.1 (3)	C. Unrefined copper.
682.2 (2)	D. Refined copper.
74.02	682.1 (3) Master alloys.
74.03	682.2 (1) Wrought bars, rods, angles, shapes and sections, of copper; copper wire.
74.04	682.2 (2) Wrought plates, sheets and strip, of copper.

73.27	688.3 (1)	Gauze, cloth, grill, netting, fencing, reinforcing fabric and similar materials, of iron or steel wire.
73.28	688.4 (1)	Expanded metal, of iron or steel.
73.29	688.5	Chain and parts thereof, of iron or steel.
73.30	688.6	Anchors and grapnels and parts thereof, of iron or steel.
73.31	688.1 (1)	Nails, tacks, staples, hook-nails, corrugated nails, spiked cramps, studs, spikes and drawing pins, of iron or steel, whether or not with heads of other materials, but not including such articles with heads of copper.
73.32	688.2 (1)	Bolts and nuts (including bolt ends and screw studs), whether or not threaded or tapped, and screws (including screw hooks and screw rings), of iron or steel; rivets, cotters, cotter-pins, washers and spring washers, of iron or steel.
73.33	688.3 (1)	Needles for hand sewing (including embroidery), hand carpet needles and hand knitting needles, bodkins, crochet hooks, and the like, and embroidery stilettes, of iron or steel.
73.34	688.4 (2)	Pins (excluding hatpins and other ornamental pins and drawing pins), hairpins and curling grips, of iron or steel.
73.35	688.6 (1)	Springs and leaves for springs, of iron or steel.
73.36	697.1 (1)	Stoves (including stoves with subsidiary boilers for central heating), ranges, cookers, grates, fires and other space heaters, gas-rings, plate warmers with burners, wash boilers with grates or other heating elements, and similar equipment, of a kind used for domestic purposes, not electrically operated, and parts thereof, of iron or steel.
73.37	812.1	Boilers (excluding boilers of heading No. 84.01) and radiators, for central heating, not electrically heated, and parts thereof, of iron or steel; air heaters and hot air distributors (including those which can also distribute cool or conditioned air), not electrically heated, incorporating a motor-driven fan or blower, and parts thereof, of iron or steel.
73.38		Articles of a kind commonly used for domestic purposes, sanitary ware for indoor use, and parts of such articles and ware, of iron or steel.
	697.2 (1)	A. Domestic articles and parts thereof.
	812.2	B. Sanitary ware for indoor use and parts thereof.
73.39	697.8 (1)	Iron or steel wool; pot scourers and scouring and polishing pads, gloves and the like, of iron or steel.
73.40		Other articles of iron or steel.
	679.1	A. Iron castings in the rough state.
	679.2	B. Steel castings in the rough state.
	679.3	C. Steel and iron forgings (including drop forgings) in the rough state.
	688.8 (1)	D. Other.

74.05	682.2 (3)	Copper foil (whether or not embossed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a thickness (excluding any backing) not exceeding 0.15 mm.
74.06	682.2 (4)	Copper powders and flakes.
74.07	682.2 (3)	Tubes and pipes and blanks therefor, of copper; hollow bars of copper.
74.08	682.2 (6)	Tube and pipe fittings (for example, joints, elbows, sockets and flanges), of copper.
74.09	682.1 (2)	Reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of copper, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment.
74.10	682.1 (2)	Stranded wire, cables, cordage, ropes, plaited bands and the like, of copper wire, but excluding insulated electric wires and cables.
74.11	682.2 (2)	Gauze, cloth, grill, netting, fencing, reinforcing fabric and similar materials (including endless bands), of copper wire.
74.12	682.4 (2)	Expanded metal, of copper.
74.13	686.5 (1)	Chain and parts thereof, of copper.
74.14	684.1 (3)	Nails, tacks, staples, hook-nails, spiked cramps, studs, spikes and drawing pins, of copper, or of iron or steel with heads of copper.
74.15	684.2 (2)	Bolts and nuts (including bolt ends and screw studs), whether or not threaded or tapped, and screws (including screw hooks and screw rings), of copper; rivets, cotters, cotter-pins, washers and spring washers, of copper.
74.16	686.5 (2)	Springs, of copper.
74.17	687.1 (2)	Cooking and heating apparatus of a kind used for domestic purposes, not electrically operated, and parts thereof, of copper.
74.18	687.2 (2)	Other articles of a kind commonly used for domestic purposes, sanitary ware for indoor use, and parts of such articles and ware, of copper.
74.19	686.9 (2)	Other articles of copper.

Chapter 75

Nickel and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :
 - (a) Wire (heading No. 75.02) :
Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.
 - (b) Wrought bars, rods, angles, shapes and sections (heading No. 75.02) :
Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently machined (otherwise than by simple trimming or de-scaling).
 - (c) Wrought plates, sheets and strip (heading No. 75.03) :
Flat-surfaced, wrought products (coiled or not), of which the maximum cross-sectional dimension exceeds 6 mm, and of which the thickness does not exceed one tenth of the width.

Heading No. 75.03 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.
2. — Heading No. 75.04 is to be taken to apply, *inter alia*, to tubes, pipes, hollow bars and tube and pipe fittings which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or finned.

75.01		Nickel mattes, nickel speiss and other intermediate products of nickel metallurgy; unwrought nickel (excluding electro-plating anodes); nickel waste and scrap.
	282.2 (2)	A. Nickel mattes, nickel speiss and other intermediate products of nickel metallurgy.
	284.9 (3)	B. Nickel waste and scrap.
	682.1	C. Unwrought nickel.
75.02	682.2 (1)	Wrought bars, rods, angles, shapes and sections, of nickel; nickel wire.
75.03	682.2 (2)	Wrought plates, sheets and strip, of nickel; nickel foil; nickel powders and flakes.
75.04	682.2 (3)	Tubes and pipes and blanks therefor, of nickel; hollow bars, and tube and pipe fittings (for example, joints, elbows, sockets and flanges), of nickel.
75.05	682.2 (4)	Electro-plating anodes, of nickel, wrought or unwrought, including those produced by electrolysis.
75.06	686.9 (2)	Other articles of nickel.

Chapter 76

Aluminium and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :
- (a) Wire (heading No. 76.02) :
Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.
- (b) Wrought bars, rods, angles, shapes and sections (heading No. 76.02) :
Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently machined (otherwise than by simple trimming or de-scaling).
- (c) Wrought plates, sheets and strip (heading No. 76.03) :
Flat-surfaced, wrought products (coiled or not), of which the maximum cross-sectional dimension exceeds 6 mm, and of which the thickness exceeds 0.20 mm but does not exceed one tenth of the width.
Heading No. 76.03 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.
2. — Heading No. 76.06 is to be taken to apply, *inter alia*, to tubes, pipes and hollow bars which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or finned. Heading No. 76.07 is to be taken to apply, *inter alia*, to tube and pipe fittings which have been similarly treated.

76.01		Unwrought aluminium; aluminium waste and scrap.
	284.0 (4)	A. Aluminium waste and scrap.
	684.1	B. Unwrought aluminium.
76.02	684.2 (1)	Wrought bars, rods, angles, shapes and sections, of aluminium; aluminium wire.
76.03	684.2 (2)	Wrought plates, sheets and strip, of aluminium.
76.04	684.2 (3)	Aluminium foil (whether or not embossed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a thickness (excluding any backing) not exceeding 0.20 mm.
76.05	684.2 (4)	Aluminium powders and flakes.
76.06	684.2 (5)	Tubes and pipes and blanks therefor, of aluminium; hollow bars of aluminium.
76.07	684.2 (6)	Tube and pipe fittings (for example, joints, elbows, sockets and flanges), of aluminium.

76.08	691.2	Structures and parts of structures, (for example, hangars and other buildings, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, door and window frames, balustrades, pillars and columns), of aluminium; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of aluminium.
76.09	692.1 (8)	Reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of aluminium, of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment.
76.10	692.2 (2)	Casks, drums, cans, boxes and similar containers (including rigid and collapsible tubular containers), of aluminium, of a description commonly used for the conveyance or packing of goods.
76.11	692.3 (2)	Containers, of aluminium, for compressed or liquefied gas.
76.12	693.1 (3)	Stranded wire, cables, cordage, ropes, plaited bands and the like, of aluminium wire, but excluding insulated electric wires and cables.
76.13	693.3 (3)	Gauze, cloth, grill, netting, reinforcing fabric and similar materials, of aluminium wire.
76.14	693.4 (3)	Expanded metal, of aluminium.
76.15	693.2 (3)	Articles of a kind commonly used for domestic purposes, sanitary ware for indoor use, and parts of such articles and ware, of aluminium.
76.16	693.9 (4)	Other articles of aluminium.

Chapter 77

Magnesium and beryllium and articles thereof.

77.01		Unwrought magnesium; magnesium waste (excluding shavings of uniform size) and scrap.
	384.0 (5)	A. Magnesium waste and scrap.
	689.3 (1)	B. Unwrought magnesium.
77.02	689.3 (2)	Wrought bars, rods, angles, shapes and sections, of magnesium; magnesium wire; wrought plates, sheets and strip, of magnesium; magnesium foil; raspings and shavings of uniform size, powders and flakes, of magnesium; tubes and pipes and blanks therefor, of magnesium; hollow bars of magnesium.
77.03	698.9 (5)	Other articles of magnesium.
77.04	689.3 (3)	Beryllium, unwrought or wrought, and articles of beryllium.

Chapter 78

Lead and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :

(a) Wire (heading No. 78.02) :

Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.

(b) Wrought bars, rods, angles, shapes and sections (heading No. 78.02) :

Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently machined (otherwise than by simple trimming or de-scaling).

(c) Wrought plates, sheets and strip (heading No. 78.03) :

Flat-surfaced, wrought products (coiled or not), of which the maximum cross-sectional dimension exceeds 6 mm, of which the thickness does not exceed one tenth of the width, and which are of a weight exceeding 1,700 g/m².

Heading No. 78.03 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.

2. — Heading No. 78.05 is to be taken to apply, *inter alia*, to tubes, pipes, hollow bars and tube and pipe fittings which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or flanged.

78.01		Unwrought lead (including argentiferous lead); lead waste and scrap.
	284.9 (8) 685.1	A. Lead waste and scrap. B. Unwrought lead.
78.02	685.2 (1)	Wrought bars, rods, angles, shapes and sections, of lead; lead wire.
78.03	685.2 (2)	Wrought plates, sheets and strip, of lead.
78.04	685.2 (3)	Lead foil (whether or not embossed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a weight (excluding any backing) not exceeding 1,700 g/m ² ; lead powders and flakes.
78.05	685.2 (4)	Tubes and pipes and blanks therefor, of lead; hollow bars, and tube and pipe fittings (for example, joints, elbows, sockets, flanges and S-bends), of lead.
78.06	685.8 (6)	Other articles of lead.

Chapter 79

Zinc and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :

(a) Wire (heading No. 79.02) :

Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.

(b) Wrought bars, rods, angles, shapes and sections (heading No. 79.02) :

Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently machined (otherwise than by simple trimming or de-scaling).

(c) Wrought plates, sheets and strip (heading No. 79.03) :

Flat-surfaced, wrought products (coiled or not), of which the maximum cross-sectional dimension exceeds 6 mm, and of which the thickness does not exceed one tenth of the width.

Heading No. 79.03 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.

2. — Heading No. 79.04 is to be taken to apply, *inter alia*, to tubes, pipes, hollow bars and tube and pipe fittings which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or flanged.

79.01		Unwrought zinc; zinc waste and scrap.
	284.9 (7) 686.1	A. Zinc waste and scrap. B. Unwrought zinc.
79.02	686.2 (1)	Wrought bars, rods, angles, shapes and sections, of zinc; zinc wire.
79.03		Wrought plates, sheets and strip, of zinc; zinc foil; zinc powders and flakes.
	284.9 (8) 686.2 (2)	A. Zinc dust (blue powder). B. Other.
79.04	686.2 (3)	Tubes and pipes and blanks therefor, of zinc; hollow bars, and tube and pipe fittings (for example, joints, elbows, sockets and flanges), of zinc.
79.05	691.3	Gutters, roof capping, skylight frames, and other fabricated building components, of zinc.
79.06	686.8 (7)	Other articles of zinc.

Chapter 80

Tin and articles thereof.

Notes.

1. — In this Chapter the following expressions have the meanings hereby assigned to them :

(a) Wire (heading No. 80.02) :

Rolled, extruded or drawn products of solid section of any cross-sectional shape, of which no cross-sectional dimension exceeds 6 mm.

(b) Wrought bars, rods, angles, shapes and sections (heading No. 80.02) :

Rolled, extruded, drawn or forged products of solid section, of which the maximum cross-sectional dimension exceeds 6 mm and which, if they are flat, have a thickness exceeding one tenth of the width. Also cast or sintered products, of the same forms and dimensions, which have been subsequently machined (otherwise than by simple trimming or de-scaling).

(c) Wrought plates, sheets and strip (heading No. 80.03) :

Flat-surfaced, wrought products (coiled or not), of which the maximum cross-sectional dimension exceeds 6 mm, of which the thickness does not exceed one tenth of the width, and which are of a weight exceeding 1 kg/m².

Heading No. 80.03 is to be taken to apply, *inter alia*, to such products, whether or not cut to shape, perforated, corrugated, ribbed, channelled, polished or coated, provided that they do not thereby assume the character of articles or of products falling within other headings.

2. — Heading No. 80.05 is to be taken to apply, *inter alia*, to tubes, pipes, hollow bars and tube and pipe fittings which have been polished or coated, or which have been shaped or worked, such as bent, coiled, threaded, drilled, waisted, cone-shaped or flinned.

80.01		Unwrought tin; tin waste and scrap.
	284.9 (9) 687.1	A. Tin waste and scrap. B. Unwrought tin.
80.02	687.2 (1)	Wrought bars, rods, angles, shapes and sections, of tin; tin wire.
80.03	687.2 (2)	Wrought plates, sheets and strip, of tin.
80.04	687.2 (3)	Tin foil (whether or not embossed, cut to shape, perforated, coated, printed, or backed with paper or other reinforcing material), of a weight (excluding any backing) not exceeding 1 kg/m ² ; tin powders and flakes.
80.05	687.2 (4)	Tubes and pipes and blanks therefor, of tin; hollow bars, and tube and pipe fittings (for example, joints, elbows, sockets and flanges), of tin.
80.06	689.9 (3)	Other articles of tin.

Chapter 81

Other base metals employed in metallurgy and articles thereof.

Note.

Heading No. 81.04 is to be taken to apply only to the following base metals : bismuth, cadmium, cobalt, chromium, gallium, germanium, hafnium, indium, manganese, niobium (columbium), rhenium, antimony, titanium, thorium, thallium, uranium depleted in U 235, vanadium, zirconium. The heading also covers cobalt mattes, cobalt speiss and other intermediate products of cobalt metallurgy, and cermet.

81.01	689.4 (1)	Tungsten (wolfram), unwrought or wrought, and articles thereof.
81.02	689.4 (2)	Molybdenum, unwrought or wrought, and articles thereof.
81.03	689.4 (3)	Tantalum, unwrought or wrought, and articles thereof.
81.04		Other base metals, unwrought or wrought, and articles thereof; cermet, unwrought or wrought, and articles thereof.
	688.9 689.5	A. Uranium depleted in U 235 and thorium. B. Other.

Chapter 82

Tools, implements, cutlery, spoons and forks, of base metal; parts thereof.

Notes.

1. — Apart from blow lamps, portable forges, grinding wheels with frameworks, manicure and chiropody sets, and goods classified in headings Nos. 82.07 and 82.15, the present Chapter covers only articles with a blade, working edge, working surface or other working part of :

- Base metal;
- Metal carbides;
- Precious or semi-precious stones (natural, synthetic or reconstructed) on a support of base metal; or
- Abrasive materials on a support of base metal, provided that the articles have cutting teeth, flutes, grooves, or the like, of base metal, which retain their identity and function after the application of the abrasive.

2. — Parts of base metal of the articles falling in the headings of this Chapter are to be classified with the articles of which they are parts, except parts separately specified as such and tool-holders for hand tools (heading No. 84.48). However, parts of general use as defined in Note 2 to Section XV are in all cases excluded from this Chapter.

Cutting plates for electric hair clippers are to be classified in heading No. 82.13 and blades and heads for electric shavers are to be classified in heading No. 82.11.

3. — Sets (other than manicure or chiropody sets (heading No. 82.13)) comprising an assortment of tools, cutlery, spoons, forks or other articles of a kind falling within the different headings of this Chapter, fitted in cabinets, boxes, cases or the like, are to be classified as that one of the constituent articles which is chargeable with the highest rate of duty.

4. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

82.01	804.1	Hand tools, the following : spades, shovels, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; scythes, sickles, hay knives, grass shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry.
82.02	805.2 (1)	Saws (non-mechanical) and blades for hand or machine saws (including toothless saw blades).
82.03	805.3 (3)	Hand tools, the following : pliers (including cutting pliers), pincers, tweezers, tinmen's snips, bolt croppers and the like; perforating punches; pipe cutters; spanners and wrenches (but not including tap wrenches); files and rasps.
82.04	805.3 (8)	Hand tools, including glaziers' diamonds, not falling within any other heading of this Chapter; blow lamps, anvils; vices and clamps, other than accessories for, and parts of, machine tools; portable forges; grinding wheels with frameworks (hand or pedal operated).
82.05	805.3 (4)	Interchangeable tools for hand tools, for machine tools or for power-operated hand tools (for example, for pressing, stamping, drilling, tapping, threading, boring, broaching, milling, cutting, turning, dressing, morticing or screw driving), including dies for wire drawing, extrusion dies for metal, and rock drilling bits.
82.06	805.3 (5)	Knives and cutting blades, for machines or for mechanical appliances.
82.07	805.3 (6)	Tool-tips and plates, sticks and the like for tool-tips, unmounted, of sintered metal carbides (for example, carbides of tungsten, molybdenum or vanadium).
82.08	719.4 (1)	Coffee-mills, mincers, juice-extractors and other mechanical appliances, of a weight not exceeding 10 kg and of a kind used for domestic purposes in the preparation, serving or conditioning of food or drink.
82.09	804.8 (1)	Knives with cutting blades, serrated or not (including pruning knives), other than knives falling within heading No. 82.06.
82.10	804.8 (3)	Knife blades.
82.11	804.8 (2)	Razors and razor blades (including razor blade blanks, whether or not in strips).
82.12	804.8 (4)	Scissors (including tailors' shears), and blades therefor.
82.13	804.8 (5)	Other articles of cutlery (for example, secateurs, hair clippers, butchers' cleavers, paper knives); manicure and chiropody sets and appliances (including nail files).

82.14 804.8 (6) Spoons, forks, fish-eaters, butter-knives, ladles, and similar kitchen or tableware.

82.15 804.8 (7) Handles of base metal for articles falling within heading No. 82.09, 82.13 or 82.14.

Chapter 83

Miscellaneous articles of base metal.

Note.

In this Chapter a reference to parts of articles is in no case to be taken as applying to cables, chains, nails, bolts, nuts, screws, springs or other articles of iron or steel of a kind described in heading No. 73.25, 73.29, 73.31, 73.33 or 73.35, nor to similar articles of other base metals (Chapters 74 to 81 inclusive).

83.01	804.1 (1)	Locks and padlocks (key, combination or electrically operated), and parts thereof, of base metal; frames incorporating locks, for handbags, trunks or the like, and parts of such frames, of base metal; keys for any of the foregoing articles, of base metal.
83.02	804.1 (2)	Base metal fittings and mountings of a kind suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, caskets and the like (including automatic door closers); base metal hat-racks, hat-pegs, brackets and the like.
83.03	804.2	Safes, strong-boxes, armoured or reinforced strong-rooms, strong-room linings and strong-room doors, and cash and deed boxes and the like, of base metal.
83.04	804.1 (1)	Filing cabinets, racks, sorting boxes, paper trays, paper rests and similar office equipment, of base metal, other than office furniture falling within heading No. 94.03.
83.05	804.1 (2)	Fittings for loose-leaf binders, for files or for stationery books, of base metal; letter clips, paper clips, staples, indexing tags, and similar stationery goods, of base metal.
83.06	807.3 (2)	Statuettes and other ornaments of a kind used indoors, of base metal.
83.07	812.4 (2)	Lamps and lighting fittings, of base metal, and parts thereof, of base metal (excluding switches, electric lamp holders, electric lamps for vehicles, electric battery or magneto lamps, and other articles falling within Chapter 85 except heading No. 85.22).
83.08	804.8 (7)	Flexible tubing and piping, of base metal.

83.09	693.2 (2)	Clasps, frames with clasps for handbags and the like, buckles, buckle-clasps, hooks, eyes, eyelets, and the like, of base metal, of a kind commonly used for clothing, travel goods, handbags, or other textile or leather goods; tubular rivets and bifurcated rivets, of base metal.
83.10	693.3 (3)	Beads and spangles, of base metal.
83.11	693.4 (4)	Bells and gongs, non-electric, of base metal, and parts thereof of base metal.
83.12	697.9 (3)	Photograph, picture and similar frames, of base metal; mirrors of base metal.
83.13	693.3 (3)	Stoppers, crown corks, bottle caps, capsules, bung covers, seals and plombs, case corner protectors and other packing accessories, of base metal.
83.14	693.4 (4)	Sign-plates, name-plates, numbers, letters and other signs, of base metal.
83.15	695.6 (7)	Wire, rods, tubes, plates, electrodes and similar products, of base metal or of metal carbides, coated or cored with flux material, of a kind used for soldering, brazing, welding or deposition of metal or of metal carbides; wire and rods, of agglomerated base metal powder, used for metal spraying.

Section XVI

MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF

Notes.

1. — This Section does not cover :
- Transmission, conveyor or elevator belts or belting, of artificial plastic material of Chapter 39, or of vulcanised rubber (heading No. 40.10); or other articles of a kind used on machinery, mechanical or electrical appliances, of unhardened vulcanised rubber (for example, washers) (heading No. 40.14);
 - Articles of leather or of composition leather (heading No. 42.04) or of furskin (heading No. 43.03), of a kind used in machinery or mechanical appliances or for industrial purposes;
 - Bobbins, spools, cops, cones, cores, reels and similar supports, of any material (for example, Chapter 39, 40, 44 or 48 or Section XV);
 - Perforated cards of paper or paperboard for Jacquard or similar machines, falling within heading No. 48.21;
 - Transmission, conveyor or elevator belts of textile material (heading No. 59.16) or other articles of textile material of a kind commonly used in machinery or plant (heading No. 59.17);
 - Precious or semi-precious stones (natural, synthetic or reconstructed) of heading No. 71.02 or 71.03, or articles wholly of such stones of heading No. 71.15;
 - Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
 - Endless belts of metal wire or strip (Section XV);
 - Articles falling within Chapter 82 or 83;
 - Vehicles, aircraft, ships or boats, of Section XVII;

- Articles falling within Chapter 90;
- Clocks, watches and other articles falling within Chapter 91;
- Interchangeable tools of heading No. 82.65 and brushes of a kind used as parts of machines of heading No. 95.02; similar interchangeable tools are to be classified according to the constituent material of their working part (for example, in Chapter 40, 42, 43, 45 or 59, or heading No. 88.04 or 69.09); or
- Articles falling within Chapter 97.

2. — Subject to Note 1 to this Section, Note 1 to Chapter 84 and to Note 1 to Chapter 85, parts of machines (not being parts of the articles described in headings Nos. 84.64, 85.23, 85.34, 85.35 and 85.27) are to be classified according to the following rules :

- Goods of a kind described in any of the headings of Chapters 84 and 85 (other than headings Nos. 84.65 and 85.28) are in all cases to be classified in their respective headings.
- Other parts, if suitable for use solely or principally with a particular kind of machine, or with a number of machines falling within the same heading (including a machine falling within heading No. 84.59 or 85.22) are to be classified with the machines of that kind. However, goods which are equally suitable for use principally with the goods of headings Nos. 85.13 and 85.15 are to be classified in heading No. 85.13.
- All other parts are to be classified in heading No. 84.65 or 85.28.

3. — Unless the headings otherwise require, composite machines consisting of two or more machines fitted together to form a whole and other machines adapted for the purpose of performing two or more complementary or alternative functions are to be classified as if consisting only of that component or as being that machine which performs the principal function.

4. — Motors and transmission, conveyor or elevator belts, for machinery or appliances to which they are fitted, or, if packed separately for convenience of transport, which are clearly intended to be fitted to or mounted on a common base with the machine or appliance with which they are imported, are to be classified under the same heading as such machinery or appliances.

5. — For the purposes of these Notes, the expression "machine" means any machine, apparatus or appliance of a kind falling within Section XVI.

Chapter 84

Boilers, machinery and mechanical appliances; parts thereof.

Notes.

1. — This Chapter does not cover :
- Millstones, grindstones and other articles falling within Chapter 68;
 - Appliances and machinery (for example, pumps) and parts thereof, of ceramic material (Chapter 69);
 - Laboratory glassware of heading No. 70.17; machinery and appliances and parts thereof, of glass (heading No. 70.30 or 70.21);
 - Articles falling within heading No. 73.36 or 73.37 and similar articles of other base metals (Chapters 74 to 81); or
 - Tools for working in the hand of heading No. 85.05 or electro-mechanical domestic appliances of heading No. 85.06.
2. — Subject to the operation of Notes 3 and 4 to Section XVI, a machine or appliance which answers to a description in one or more of the headings Nos. 84.01 to 84.21 and at the same time to a description in one or other of the headings Nos. 84.22 to 84.60, is to be classified under the appropriate heading of the former group and not the latter.

Heading No. 84.17 is, however, to be taken not to apply to :

- Germination plant, incubators and brooders (heading No. 84.28);

		(b) Grain dampening machines (heading No. 84.29);	84.04	711.3 (1)	Steam engines (including mobile engines, but not steam tractors falling within heading No. 87.01 or mechanically propelled road rollers) with self-contained boilers.
		(c) Diffusing apparatus for sugar juice extraction (heading No. 84.30);			
		(d) Machinery for the heat-treatment of textile yarns, fabrics or made up textile articles (heading No. 84.40); or	84.05	711.3 (2)	Steam and other vapour power units, not incorporating boilers.
		(e) Machinery or plant, designed for a mechanical operation, in which a change of temperature, even if necessary, is subsidiary.			
		Heading No. 84.19 is to be taken not to apply to :	84.06		Internal combustion piston engines.
		(a) Sewing machines for closing bags or similar containers (heading No. 84.41); or	711.4 (1)		A. Aircraft engines.
		(b) Office machinery of heading No. 84.54.	711.5		B. Other.
3.	(A)	For the purposes of heading No. 84.53, the expression "automatic data processing machines" means :	84.07	711.8 (1)	Hydraulic engines and motors (including water wheels and water turbines).
		(a) Digital machines having storages capable of storing not only the processing program or programs and the data to be processed but also a program for translating the formal programming language in which the programs are written into machine language. These machines must have a main storage which is directly accessible for the execution of a program and which has a capacity at least sufficient to store those parts of the processing and translating programs and the data immediately necessary for the current processing run. They must also be able themselves, on the basis of the instructions contained in the initial program, to modify, by logical decision, its execution during the processing run;	84.08		Other engines and motors.
		(b) Analogue machines capable of simulating mathematical models and comprising at least : analogue elements, control elements and programming elements;	711.4 (2)		A. Aircraft engines.
		(c) Hybrid machines consisting of either a digital machine with analogue elements or an analogue machine with digital elements.	711.6		B. Gas turbines other than for aircraft.
	(B)	Automatic data processing machines may be in the form of systems consisting of a variable number of separately-housed units. A unit is to be regarded as being a part of the complete system if it meets all the following conditions :	711.8 (2)		C. Other.
		(a) it is connectable to the central processing unit either directly or through one or more other units;	84.09	718.4 (1)	Mechanically propelled road rollers.
		(b) it is specifically designed as part of such a system (it must, in particular, unless it is a power supply unit, be able to accept or deliver data in a form (code or signals) which can be used by the system).	84.10	719.2 (1)	Pumps (including motor pumps and turbo pumps) for liquids, whether or not fitted with measuring devices; liquid elevators of bucket, chain, screw, band and similar kinds.
		Such units imported separately are also to be classified in heading No. 84.53.	84.11	719.2 (2)	Air pumps, vacuum pumps and air or gas compressors (including motor and turbo pumps and compressors, and free-piston generators for gas turbines); fans, blowers and the like.
4.		Heading No. 84.62 is to be taken to apply, <i>inter alia</i> , to polished steel balls, the maximum and minimum diameters of which do not differ from the nominal diameter by more than 1 % or by more than 0.05 mm, whichever is less. Other steel balls are to be classified under heading No. 73.40.	84.12	719.1 (2)	Air conditioning machines, self-contained, comprising a motor-driven fan and elements for changing the temperature and humidity of air.
5.		A machine which is used for more than one purpose is, for the purposes of classification, to be treated as if its principal purpose were its sole purpose.	84.13	719.1 (3)	Furnace burners for liquid fuel (atomisers), for pulverised solid fuel or for gas; mechanical stokers, mechanical grates, mechanical ash dischargers and similar appliances.
		Subject to Note 2 to this Chapter and Note 3 to Section XVI, a machine whose principal purpose is not described in any heading or for which no one purpose is the principal purpose is, unless the context otherwise requires, to be classified in heading No. 84.59. Heading No. 84.59 is also to be taken to cover machines for making rope or cable (for example, stranding, twisting or cabling machines) from metal wire, textile yarn or any other material or from a combination of such materials.	84.14	719.1 (4)	Industrial and laboratory furnaces and ovens, non-electric.
84.01	711.1	Steam and other vapour generating boilers (excluding central heating hot water boilers capable also of producing low pressure steam); superheated water boilers.	84.15		Refrigerators and refrigerating equipment (electrical and other).
84.02	711.2	Auxiliary plant for use with boilers of heading No. 84.01 (for example, economisers, superheaters, soot removers, gas recoverers and the like); condensers for vapour engines and power units.	719.1 (5)		A. Refrigerators and refrigerating equipment, other than domestic refrigerators.
84.03	719.1 (1)	Producer gas and water gas generators, with or without purifiers; acetylene gas generators (water process) and similar gas generators, with or without purifiers.	719.4 (2)		B. Domestic refrigerators, non-electrical.
			725.0 (1)		C. Domestic refrigerators, electrical.
			84.16	719.6 (1)	Calendering and similar rolling machines (other than metal-working and metal-rolling machines and glass-working machines) and cylinders therefor.
			84.17		Machinery, plant and similar laboratory equipment, whether or not electrically heated, for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilising, pasteurising, steaming, drying, evaporating, vapourising, condensing or cooling, not being machinery or plant of a kind used for domestic purposes; instantaneous or storage water heaters, non-electrical.

	719.1 (9) 719.4 (3)	A. Machinery, plant and equipment (other than that falling in sub-heading B). B. Domestic instantaneous or storage water heaters, non-electrical.			
84.18		Centrifuges; filtering and purifying machinery and apparatus (other than filter funnels, milk strainers and the like), for liquids or gases.		84.30	718.3 (9) Machinery, not falling within any other heading of this Chapter, of a kind used in the following food or drink industries: bakery, confectionery, chocolate manufacture, macaroni, ravioli or similar cereal food manufacture, the preparation of meat, fish, fruit or vegetables (including mincing or slicing machines), sugar manufacture or brewing.
	712.3 (1) 719.2 (3)	A. Cream separators. B. Other.		84.31	718.1 (1) Machinery for making or finishing cellulosic pulp, paper or paperboard.
84.19	719.6 (2)	Machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing, capsuling or labelling bottles, cans, boxes, bags or other containers; other packing or wrapping machinery; machinery for aerating beverages; dish washing machines.		84.32	718.3 (1) Book-binding machinery, including book-sewing machines.
84.20	719.6 (3)	Weighing machinery (excluding balances of a sensitivity of 5 cg or better), including weight-operated counting and checking machines; weighing machine weights of all kinds.		84.33	718.1 (2) Paper or paperboard cutting machines of all kinds; other machinery for making up paper pulp, paper or paperboard.
84.21	719.6 (4)	Mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders; fire extinguishers (charged or not); spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines.		84.34	718.3 (2) Machinery, apparatus and accessories for type-founding or type-setting; machinery, other than the machine-tools of heading No. 84.45, 84.46 or 84.47, for preparing or working printing blocks, plates or cylinders; printing type, impressed slugs and matrices, printing blocks, plates and cylinders; blocks, plates, cylinders and lithographic stones, prepared for printing purposes (for example, planed, grained or polished).
84.22	719.3 (1)	Lifting, handling, loading or unloading machinery, telfers and conveyors (for example, lifts, hoists, winches, cranes, transporter cranes, jacks, pulley tackle, belt conveyors and teleferics), not being machinery falling within heading No. 84.23.		84.35	718.2 (9) Other printing machinery; machines for uses ancillary to printing.
84.23	718.4 (2)	Excavating, levelling, tamping, boring and extracting machinery, stationary or mobile, for earth, minerals or ores (for example, mechanical shovels, coal-cutters, excavators, scrapers, levellers and bulldozers); pile-drivers; snow-ploughs, not self-propelled (including snow-plough attachments).		84.36	717.1 (1) Machines for extruding man-made textiles; machines of a kind used for processing natural or man-made textile fibres; textile spinning and twisting machines; textile doubling, throwing and reeling (including weft-winding) machines.
84.24	712.1	Agricultural and horticultural machinery for soil preparation or cultivation (for example, ploughs, harrows, cultivators, seed and fertiliser distributors); lawn and sports ground rollers.		84.37	717.1 (2) Weaving machines, knitting machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net; machines for preparing yarns for use on such machines, including warping and warp sizing machines.
84.25	712.2	Harvesting and threshing machinery; straw and fodder presses; hay or grass mowers; winnowing and similar cleaning machines for seed, grain or leguminous vegetables and egg-grading and other grading machines for agricultural produce (other than those of a kind used in the bread grain milling industry falling within heading No. 84.29).		84.38	717.1 (3) Auxiliary machinery for use with machines of heading No. 84.37 (for example, dobbies, Jacquards, automatic stop motions and shuttle changing mechanisms); parts and accessories suitable for use solely or principally with the machines of the present heading or with machines falling within heading No. 84.36 or 84.37 (for example, spindles and spindle flyers, card clothing, combs, extruding nipples, shuttles, healds and heald-lifters and hosiery needles).
84.26	712.5 (9)	Dairy machinery (including milking machines).		84.39	717.1 (4) Machinery for the manufacture or finishing of felt in the piece or in shapes, including felt-hat making machines and hat-making blocks.
84.27	712.9 (1)	Presses, crushers and other machinery, of a kind used in wine-making, cider-making, fruit juice preparation or the like.		84.40	Machinery for washing, cleaning, drying, bleaching, dyeing, dressing, finishing or coating textile yarns, fabrics or made-up textile articles (including laundry and dry-cleaning machinery); fabric folding, reeling or cutting machines; machines of a kind used in the manufacture of linoleum or other floor coverings for applying the paste to the base fabric or other support; machines of a type used for printing a repetitive design, repetitive words or overall colour on textiles, leather, wallpaper, wrapping paper, linoleum or other materials, and engraved or etched plates, blocks or rollers therefor.
84.28	712.9 (9)	Other agricultural, horticultural, poultry-keeping and bee-keeping machinery; germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.			
84.29	718.3 (1)	Machinery of a kind used in the bread grain milling industry, and other machinery (other than farm type machinery) for the working of cereals or dried leguminous vegetables.			
				717.1 (5) 725.4 (2)	A. Machinery and machines, other than those falling in sub-heading B. B. Domestic washing machines.

84.41	717.3	Sewing machines; furniture specially designed for sewing machines; sewing machine needles.	84.56	718.5 (1)	Machinery for sorting, screening, separating, washing, crushing, grinding or mixing earth, stone, ores or other mineral substances, in solid (including powder and paste) form; machinery for agglomerating, moulding or shaping solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products in powder or paste form; machines for forming foundry moulds of sand.
84.42	717.2	Machinery (other than sewing machines) for preparing, tanning or working hides, skins or leather (including boot and shoe machinery).	84.57	718.5 (2)	Glass-working machines (other than machines for working glass in the cold); machines for assembling electric filament and discharge lamps and electronic and similar tubes and valves.
84.43	715.2 (1)	Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy and in metal foundries.	84.58	718.6 (3)	Automatic vending machines (for example, stamp, cigarette, chocolate and food machines), not being games of skill or chance.
84.44	715.2 (2)	Rolling mills and rolls therefor.	84.59		Machines and mechanical appliances, having individual functions, not falling within any other heading of this Chapter.
84.45	715.1	Machine-tools for working metal or metal carbides, not being machines falling within heading No. 84.49 or 84.50.	711.7		A. Nuclear reactors.
84.46	719.5 (1)	Machine-tools for working stone, ceramics, concrete, asbestos-cement and like mineral materials or for working glass in the cold, other than machines falling within heading No. 84.49.	719.6		B. Other.
84.47	719.5 (2)	Machine-tools for working wood, cork, bone, ebonite (vulcanite), hard artificial plastic materials or other hard carving materials, other than machines falling within heading No. 84.49.	84.60	719.9 (1)	Moulding boxes for metal foundry; moulds of a type used for metal (other than ingot moulds), for metal carbides, for glass, for mineral materials (for example, ceramic pastes, concrete or cement) or for rubber or artificial plastic materials.
84.48	719.5 (4)	Accessories and parts suitable for use solely or principally with the machines falling within headings Nos. 84.45 to 84.47, including work and tool holders, self-opening dieheads, dividing heads and other appliances for machine-tools; tool holders for any type of tool or machine-tool for working in the hand.	84.61	719.5 (2)	Taps, cocks, valves and similar appliances, for pipes, boiler shells, tanks, vats and the like, including pressure reducing valves and thermostatically controlled valves.
84.49	719.5 (3)	Tools for working in the hand, pneumatic or with self-contained non-electric motor.	84.62	719.7	Ball, roller or needle roller bearings.
84.50	719.2 (3)	Gas-operated welding, brazing, cutting and surface tempering appliances.	84.63	719.5 (3)	Transmission shafts, cranks, bearing housings, plain shaft bearings, gears and gearing (including friction gears and gear-boxes and other variable speed gears), flywheels, pulleys and pulley blocks, clutches and shaft couplings.
84.51	714.1	Typewriters, other than typewriters incorporating calculating mechanisms; cheque-writing machines.	84.64	719.9 (4)	Gaskets and similar joints of metal sheeting combined with other material (for example, asbestos, felt and paperboard) or of laminated metal foil; sets or assortments of gaskets and similar joints, dissimilar in composition, for engines, pipes, tubes and the like, put up in pouches, envelopes or similar packings.
84.52	714.2	Calculating machines; accounting machines, cash registers, postage-franking machines, ticket-issuing machines and similar machines, incorporating a calculating device.	84.65	719.9 (9)	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features and not falling within any other heading in this Chapter.
84.53	714.3	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.			
84.54	714.9 (1)	Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, coin-sorting machines, coin-counting and wrapping machines, pencil-sharpening machines, perforating and stapling machines).			
84.55	714.9 (2)	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of a kind falling within heading No. 84.51, 84.52, 84.53 or 84.54.			

Electrical machinery and equipment; parts thereof.

Notes.

1. — This Chapter does not cover :
- Electrically warmed blankets, bed pads, foot-muffs and the like; electrically warmed clothing, footwear and ear pads and other electrically warmed articles worn on or about the person;
 - Articles of glass of heading No. 70.11; or
 - Electrically heated furniture of Chapter 94.
2. — Heading No. 85.01 is to be taken not to apply to goods described in heading No. 85.08, 85.09 or 85.21, other than metal tank mercury arc rectifiers which remain classified in heading No. 85.01.
3. — Heading No. 85.06 is to be taken to apply only to the following electro-mechanical machines of types commonly used for domestic purposes :
- Vacuum cleaners, floor polishers, food grinders and mixers, fruit juice extractors and fans, of any weight;
 - Other machines provided the weight of such other machines does not exceed 20 kg.
- The heading does not, however, apply to dish washing machines (heading No. 84.19), centrifugal and other clothes washing machines (heading No. 84.18 or 84.40), roller and other ironing machines (heading No. 84.16 or 84.40), sewing machines (heading No. 84.41) or to electro-thermic appliances (heading No. 85.12).
4. — For the purposes of heading No. 85.19, "printed circuits" are to be taken to be circuits obtained by forming on an insulating base, by any printing process (for example, embossing, plating-up, etching) or by the "film circuit" technique, conductor elements, contacts or other printed components (for example, inductances, resistors, capacitors) alone or interconnected according to a pre-established pattern, other than elements which can produce, rectify, modulate or amplify an electrical signal (for example, semi-conductor elements).
- The term "printed circuits" does not cover circuits combined with elements other than those obtained during the printing process. Printed circuits may, however, be fitted with non-printed connecting elements.
- Thin- or thick-film circuits comprising passive and active elements obtained during the same technological process are to be classified in heading No. 85.21.
5. — For the purposes of heading No. 85.21 :
- "Diodes, transistors and similar semi-conductor devices" are to be taken to be those devices the operation of which depends on variations in resistivity on the application of an electric field;
 - "Electronic microcircuits" are to be taken to be :
 - Microassemblies of the "fagot" module, moulded module, micromodule and similar types, consisting of discrete, active or both active and passive miniaturised components which are combined and interconnected;
 - Monolithic integrated circuits in which the circuit elements (diodes, transistors, resistors, capacitors, interconnections, etc.) are created in the mass (essentially) and on the surface of a semi-conductor material (doped silicon, for example) and are inseparably associated;
 - Hybrid integrated circuits in which passive and active elements, some obtained by thin- or thick-film technology (resistors, capacitors, interconnections, etc.), others by semi-conductor technology (diodes, transistors, monolithic integrated circuits, etc.), are combined, to all intents and purposes indivisibly, on a single insulating substrate (glass, ceramic, etc.). These circuits may also include miniaturised discrete components.
- For the classification of the articles defined in this Note, heading No. 85.21 shall take precedence over any other heading in the Nomenclature which might cover them by reference to, in particular, their function.

85.01	722.1	Electrical goods of the following descriptions: generators, motors, converters (rotary or static), transformers, rectifiers and rectifying apparatus, inductors.
85.02	729.9 (1)	Electro-magnets; permanent magnets and articles of special materials for permanent magnets, being blanks of such magnets; electro-magnetic and permanent magnet chucks, clamps, vices and similar work holders; electro-magnetic clutches and couplings; electro-magnetic brakes; electro-magnetic lifting heads.
85.03	729.1 (1)	Primary cells and primary batteries.
85.04	729.1 (2)	Electric accumulators.
85.05	729.6	Tools for working in the hand, with self-contained electric motor.
85.06	725.9 (3)	Electro-mechanical domestic appliances, with self-contained electric motor.
85.07	725.9 (4)	Shavers and hair clippers, with self-contained electric motor.
85.08	729.4 (1)	Electrical starting and ignition equipment for internal combustion engines (including ignition magnetos, magneto-dynamos, ignition coils, starter motors, sparking plugs and glow plugs); generators (dynamos and alternators) and cut-outs for use in conjunction with such engines.
85.09	729.4 (2)	Electrical lighting and signalling equipment and electrical windscreen wipers, defrosters and demisters, for cycles or motor vehicles.
85.10	812.4 (3)	Portable electric battery and magneto lamps, other than lamps falling within heading No. 85.09.
85.11	729.9 (2)	Industrial and laboratory electric furnaces, ovens and induction and dielectric heating equipment; electric welding, brazing and soldering machines and apparatus and similar electric machines and apparatus for cutting.
85.12	725.9 (5)	Electric instantaneous or storage water heaters and immersion heaters; electric soil heating apparatus and electric space heating apparatus; electric hair dressing appliances (for example, hair dryers, hair curlers, curling tong heaters) and electric smoothing irons; electro-thermic domestic appliances; electric heating resistors, other than those of carbon.
85.13	724.9 (1)	Electrical line telephonic and telegraphic apparatus (including such apparatus for carrier-current line systems).
85.14	724.9 (2)	Microphones and stands therefor; loudspeakers; audio-frequency electric amplifiers.

85.15		Radiotelegraphic and radiotelephonic transmission and reception apparatus; radio-broadcasting and television transmission and reception apparatus (including receivers incorporating sound recorders or reproducers) and television cameras; radio navigational aid apparatus, radar apparatus and radio remote control apparatus.
	724.1	A. Television broadcast receivers, whether or not combined with gramophones or radio.
	724.2	B. Radio broadcast receivers, whether or not combined with gramophones.
	724.9 (9)	C. Other.
85.16	729.9 (3)	Electric traffic control equipment for railways, roads or inland waterways and equipment used for similar purposes in port installations or upon airfields.
85.17	729.9 (4)	Electric sound or visual signalling apparatus (such as bells, sirens, indicator panels, burglar and fire alarms), other than those of heading No. 85.09 or 85.16.
85.18	729.9 (5)	Electrical capacitors, fixed or variable.
85.19	722.2	Electrical apparatus for making and breaking electrical circuits, for the protection of electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, lightning arresters, surge suppressors, plugs, lampholders and junction boxes); resistors, fixed or variable (including potentiometers), other than heating resistors; printed circuits; switchboards (other than telephone switchboards) and control panels.
85.20	729.2	Electric filament lamps and electric discharge lamps (including infra-red and ultra-violet lamps); arc-lamps; electrically ignited photographic flashbulbs.
85.21	729.3	Thermionic, cold cathode and photo-cathode valves and tubes (including vapour or gas filled valves and tubes, cathode-ray tubes, television camera tubes and mercury arc rectifying valves and tubes); photocells; mounted piezo-electric crystals; diodes, transistors and similar semiconductor devices; electronic microcircuits.
85.22		Electrical appliances and apparatus, having individual functions, not falling within any other heading of this Chapter.
	729.7	A. Particle accelerators.
	729.8 (9)	B. Other.
85.23	723.1	Insulated (including enamelled or anodised) electric wire, cable, bars, strip and the like (including co-axial cable), whether or not fitted with connectors.

85.24	729.9 (6)	Carbon brushes, arc-lamp carbons, battery carbons, carbon electrodes and other carbon articles of a kind used for electrical purposes.
85.25	723.2 (1)	Insulators of any material.
85.26	723.2 (2)	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal incorporated during moulding solely for purposes of assembly, but not including insulators falling within heading No. 85.25.
85.27	723.2 (3)	Electrical conduit tubing and joints therefor, of base metal lined with insulating material.
85.28	729.9 (5)	Electrical parts of machinery and apparatus, not being goods falling within any of the preceding headings of this Chapter.

Section XVII

VEHICLES, AIRCRAFT, AND PARTS THEREOF; VESSELS AND CERTAIN ASSOCIATED TRANSPORT EQUIPMENT

Notes.

- This Section does not cover articles falling within heading No. 97.01, 97.03 or 97.06, or bobslights, toboggans and the like falling within heading No. 97.06.
- Throughout this Section the expressions "parts" and "parts and accessories" are to be taken not to apply to the following articles, whether or not they are identifiable as for the goods of this Section:
 - Joints, washers and the like (classified according to their constituent material or in heading No. 84.64);
 - Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
 - Articles falling within Chapter 82 (tools);
 - Articles falling within heading No. 83.11;
 - Machines and mechanical appliances and other articles falling within headings Nos. 84.01 to 84.59, 84.61 or 84.62 and parts of engines and motors falling within heading No. 84.63;
 - Electrical machinery and equipment (Chapter 85);
 - Articles falling within Chapter 90;
 - Clocks (Chapter 91);
 - Arms (Chapter 93);
 - Brushes of a kind used as parts of vehicles (heading No. 96.02).
- References in Chapters 86 to 88 to parts or accessories are to be taken not to apply to parts or accessories which are not suitable for use solely or principally with the articles of those Chapters. A part or accessory which answers to a description in two or more of the headings of those Chapters is to be classified under that heading which corresponds to the principal use of that part or accessory.
- Flying machines specially constructed so that they can also be used as road vehicles are classified as flying machines. Amphibious motor vehicles are classified as motor vehicles.

5. — Air-cushion vehicles are to be classified within this Section with the vehicles to which they are most akin as follows :

- (a) In Chapter 86 if designed to travel on a guide-track (hovertrains);
- (b) In Chapter 87 if designed to travel over land or over both land and water;
- (c) In Chapter 89 if designed to travel over water, whether or not able to land on beaches or landing-stages or also able to travel over ice.

Parts and accessories of air-cushion vehicles are to be classified in the same way as those of vehicles falling within the heading in which the air-cushion vehicles are classified under the above provisions.

Hovertrain track fixtures and fittings are to be classified as railway track fixtures and fittings, and traffic control equipment for hovertrain transport systems as traffic control equipment for railways.

Chapter 86

Railway and tramway locomotives, rolling-stock and parts thereof; railway and tramway track fixtures and fittings; traffic signalling equipment of all kinds (not electrically powered).

Notes.

1. — This Chapter does not cover :
 - (a) Railway or tramway sleepers of wood or of concrete, or concrete guide-track sections for hovertrains (heading No. 44.07 or 68.11);
 - (b) Railway or tramway track construction material of iron or steel falling within heading No. 73.16; or
 - (c) Electrically powered signalling apparatus falling within heading No. 85.16.
2. — Heading No. 86.09 is to be taken to apply, *inter alia*, to :
 - (a) Axles, wheels, metal tyres, hoops and hubs and other parts of wheels;
 - (b) Frames, underframes and bogies;
 - (c) Axle boxes; brake gear;
 - (d) Buffers for rolling-stock; coupling gear and corridor connections;
 - (e) Coachwork.
3. — Subject to the provisions of Note 1 above, heading No. 86.10 is to be taken to apply, *inter alia*, to :
 - (a) Assembled track, turntables, platform buffers, loading gauges;
 - (b) Semaphores, mechanical signal discs, level crossing control gear, signal and point controls, whether or not they are fitted for electric lighting.

86.01	731.1	Steam rail locomotives and tenders.
86.02	731.2	Electric rail locomotives, battery operated or powered from an external source of electricity.
86.03	731.3	Other rail locomotives.
86.04	731.4	Mechanically propelled railway and tramway coaches, vans and trucks, and mechanically propelled track inspection trolleys.
86.05	731.5	Railway and tramway passenger coaches and luggage vans; hospital coaches, prison coaches, testing coaches, travelling post office coaches and other special purpose railway coaches.

86.06	731.6 (1)	Railway and tramway rolling-stock, the following : workshops, cranes and other service vehicles.
86.07	731.6 (2)	Railway and tramway goods vans, goods wagons and trucks.
86.08	731.6 (3)	Containers specially designed and equipped for carriage by one or more modes of transport.
86.09	731.7	Parts of railway and tramway locomotives and rolling-stock.
86.10	719.6 (6)	Railway and tramway track fixtures and fittings; mechanical equipment, not electrically powered, for signalling to or controlling road, rail or other vehicles, ships or aircraft; parts of the foregoing fixtures, fittings or equipment.

Chapter 87

Vehicles, other than railway or tramway rolling-stock, and parts thereof.

Notes.

English text only : The headings of this Chapter are to be taken not to apply to railway or tramway rolling-stock designed solely for running on rails.

1. — For the purposes of this Chapter, tractors are deemed to be vehicles constructed essentially for hauling or pushing another vehicle, appliance or load, whether or not they contain subsidiary provision for the transport, in connection with the main use of the tractor, of tools, seeds, fertilisers or other goods.
2. — Motor chassis fitted with cabs are to be treated as falling within heading No. 87.02 and not within heading No. 87.04.
3. — Headings Nos. 87.10 and 87.14 are to be taken not to apply to children's cycles which are not fitted with ball bearings nor to children's cycles which, though fitted with ball bearings, are not constructed in the normal form of adults' cycles. Such children's cycles are to be treated as falling within heading No. 97.01.

87.01		Tractors (other than those falling within heading No. 87.07), whether or not fitted with power take-offs, winches or pulleys.
	712.5	A. Tractors other than those of sub-heading B.
	722.5	B. Road tractors for semi-trailers.
87.02		Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those of heading No. 87.09).
	732.1	A. Motor cars not including public-service type vehicles.
	732.2	B. Public-service type passenger vehicles (for example, motor buses, coaches).
	732.3	C. Other.
87.03	732.4	Special purpose motor lorries and vans (such as breakdown lorries, fire-engines, fire-escapes, road sweeper lorries, snow-ploughs, spraying lorries, crane lorries, searchlight lorries, mobile workshops and mobile radiological units), but not including the motor vehicles of heading No. 87.02.

87.04		Chassis fitted with engines, for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03.
	732.6 732.7	A. Chassis of the kind used for the vehicles of heading No. 87.02, sub-heading A. B. Other.
87.05	732.8 (1)	Bodies (including cabs), for the motor vehicles falling within heading No. 87.01, 87.02 or 87.03.
87.06	732.8 (9)	Parts and accessories of the motor vehicles falling within heading No. 87.01, 87.02 or 87.03.
87.07	719.3 (2)	Works trucks, mechanically propelled, of the types used in factories, warehouses, dock areas or airports for short distance transport or handling of goods (for example, platform trucks, fork-lift trucks and straddle carriers); tractors of the type used on railway station platforms; parts of the foregoing vehicles.
87.08	951.0 (1)	Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons, and parts of such vehicles.
87.09	732.9 (1)	Motor-cycles, auto-cycles and cycles fitted with an auxiliary motor, with or without side-cars; side-cars of all kinds.
87.10	733.1 (1)	Cycles (including delivery tricycles), not motorised.
87.11	733.4	Invalid carriages, fitted with means of mechanical propulsion (motorised or not).
87.12		Parts and accessories of articles falling within heading No. 87.09, 87.10 or 87.11.
	732.9 (2) 733.1 (2)	A. Suitable for use solely with the articles falling within heading No. 87.09. B. Other.
87.13	994.1	Baby carriages and invalid carriages (other than motorised or otherwise mechanically propelled) and parts thereof.
87.14	732.3	Other vehicles (including trailers), not mechanically propelled, and parts thereof.

Chapter 88

Aircraft and parts thereof; parachutes; catapults
and similar aircraft launching gear; ground flying trainers.

88.01	734.9 (1)	Balloons and airships.
88.02	734.1	Flying machines, gliders and kites; rotochutes.

88.03	734.9 (2)	Parts of goods falling in heading No. 88.01 or 88.02.
88.04	899.9 (8)	Parachutes and parts thereof and accessories thereto.
88.05	899.9 (9)	Catapults and similar aircraft launching gear; ground flying trainers; parts of any of the foregoing articles.

Chapter 89

Ships, boats and floating structures.

Note.

A hull, unfinished or incomplete vessel, assembled, unassembled or disassembled, or a complete vessel unassembled or disassembled, is to be classified within heading No. 89.01 if it does not have the essential character of a vessel of a particular kind.

89.01		Ships, boats and other vessels not falling within any of the following headings of this Chapter.
	735.1 735.2	A. Warships of all kinds. B. Other.
89.02	735.9 (1)	Vessels specially designed for towing (tugs) or pushing other vessels.
89.03	735.9 (2)	Light-vessels, fire-floats, dredgers of all kinds, floating cranes, and other vessels the navigability of which is subsidiary to their main function; floating docks.
89.04	735.8	Ships, boats and other vessels for breaking up.
89.05	735.9 (3)	Floating structures other than vessels (for example, coffer-dams, landing stages, buoys and beacons).

Section XVIII

**OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING,
CHECKING, PRECISION, MEDICAL AND SURGICAL INSTRUMENTS
AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS;
SOUND RECORDERS AND REPRODUCERS; TELEVISION IMAGE
AND SOUND RECORDERS AND REPRODUCERS, MAGNETIC;
PARTS THEREOF**

Chapter 90

**Optical, photographic, cinematographic, measuring, checking, precision,
medical and surgical instruments and apparatus; parts thereof.**

Notes.

1. — This Chapter does not cover :

- (a) Articles of a kind used in machines, appliances, instruments or apparatus, of unhardened vulcanised rubber, falling within heading No. 40.14, of leather or of composition leather, falling within heading No. 42.04, or of textile material (heading No. 59.17);
- (b) Refractory goods of heading No. 69.03; laboratory, chemical or industrial wares of heading No. 69.09;
- (c) Glass mirrors, not optically worked, falling within heading No. 70.09, and mirrors of base metal or of precious metal, not being optical elements, falling within heading No. 83.12 or Chapter 71;
- (d) Goods falling within heading No. 70.07, 70.11, 70.14, 70.15, 70.17 or 70.18;
- (e) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV) or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
- (f) Pumps incorporating measuring devices, of heading No. 84.10; weight-operated counting and checking machinery, and separately imported weights for balances (heading No. 84.20); lifting and handling machinery of heading No. 84.22; fittings for adjusting work or tools on machine-tools, of heading No. 84.48, including fittings with optical devices for reading the scale (for example, "optical" dividing heads) but not those which are in themselves essentially optical instruments (for example, alignment telescopes); valves and other appliances of heading No. 84.61;
- (g) Searchlights and spotlights, of a kind used on motor vehicles, of heading No. 85.09, and radio navigational aid or radar apparatus of heading No. 85.15;
- (h) Cinematographic sound recorders, reproducers and re-recorders, operating solely by a magnetic process (heading No. 92.11); magnetic sound-heads (heading No. 92.13);
- (i) Articles of Chapter 97;
- (k) Capacity measures, which are to be classified according to the material of which they are made; or
- (l) Spools, reels or similar supports (which are to be classified according to their constituent material, for example, in heading No. 39.07 or Section XV).

2. — Subject to Note 1 above, parts or accessories which are suitable for use solely or principally with machines, appliances, instruments or apparatus falling within any heading of this Chapter are to be classified as follows :

- (a) Parts or accessories constituting in themselves machines, appliances, instruments or apparatus (including optical elements of heading No. 90.01 or 90.02) of any particular heading of the present Chapter or of Chapter 84, 85 or 91 (other than headings Nos. 84.65 and 85.28) are to be classified in that heading;

- (b) Other parts or accessories are to be classified in heading No. 90.29 if they answer to the terms of that heading; otherwise they are to be classified in the heading appropriate to the machine, appliance, instrument or apparatus itself.
3. — Heading No. 90.05 is to be taken not to apply to astronomical telescopes of a kind unsuitable for terrestrial observation (heading No. 90.06), or to telescopic sights for fitting to firearms, periscopic telescopes for fitting to submarines or tanks, or to telescopes for machines, appliances, instruments or apparatus of this Chapter; such telescopic sights and telescopes are to be classified in heading No. 90.13.
4. — Measuring or checking optical instruments, appliances or machines which, but for this Note, could be classified both in heading No. 90.13 and in heading No. 90.16, are to be classified in heading No. 90.16.
5. — Heading No. 90.28 is to be taken to apply, and apply only, to :
- (a) Instruments or apparatus for measuring or checking electrical quantities;
 - (b) Machines, appliances, instruments or apparatus of a kind described in heading No. 90.14, 90.15, 90.16, 90.22, 90.23, 90.24, 90.25 or 90.27 (other than stroboscopes), the operation of which depends on an electrical phenomenon which varies according to the factor to be ascertained or automatically controlled;
 - (c) Instruments or apparatus for measuring or detecting alpha, beta, gamma, X-ray, cosmic or similar radiations; and
 - (d) Automatic regulators of electrical quantities, and instruments or apparatus for automatically controlling non-electrical quantities the operation of which depends on an electrical phenomenon varying according to the factor to be controlled.
6. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

90.01	861.3 (1)	Lenses, prisms, mirrors and other optical elements, of any material, unmounted, other than such elements of glass not optically worked; sheets or plates, of polarising material.
90.02	861.1 (2)	Lenses, prisms, mirrors and other optical elements, of any material, mounted, being parts of or fittings for instruments or apparatus, other than such elements of glass not optically worked.
90.03	861.2 (1)	Frames and mountings, and parts thereof, for spectacles, pince-nez, lorgnettes, goggles and the like.
90.04	861.2 (2)	Spectacles, pince-nez, lorgnettes, goggles and the like, corrective, protective or other.
90.05	861.3 (1)	Refracting telescopes (monocular and binocular), prismatic or not.
90.06	861.3 (2)	Astronomical instruments (for example, reflecting telescopes, transit instruments and equatorial telescopes), and mountings therefor, but not including instruments for radio-astronomy.
90.07	861.4	Photographic cameras; photographic flashlight apparatus.
90.08	861.5	Cinematographic cameras, projectors, sound recorders and sound reproducers; any combination of these articles.

90.09	861.6 (1)	Image projectors (other than cinematographic projectors); photographic (except cinematographic) enlargers and reducers.
90.10	861.6 (9)	Apparatus and equipment of a kind used in photographic or cinematographic laboratories, not falling within any other heading in this Chapter; photo-copying apparatus (whether incorporating an optical system or of the contact type) and thermo-copying apparatus; screens for projectors.
90.11	861.2 (3)	Microscopes and diffraction apparatus, electron and proton.
90.12	861.2 (4)	Compound optical microscopes, whether or not provided with means for photographing or projecting the image.
90.13	861.5 (9)	Optical appliances and instruments (but not including lighting appliances other than searchlights or spotlights), not falling within any other heading of this Chapter.
90.14	861.5 (1)	Surveying (including photogrammetrical surveying), hydrographic, navigational, meteorological, hydrological and geophysical instruments; compasses; rangefinders.
90.15	861.5 (2)	Balances of a sensitivity of 5 cg or better, with or without their weights.
90.16	861.5 (3)	Drawing, marking-out and mathematical calculating instruments, drafting machines, pantographs, slide rules, disc calculators and the like; measuring or checking instruments, appliances and machines, not falling within any other heading of this Chapter (for example, micrometers, callipers, gauges, measuring rods, balancing machines); profile projectors.
90.17		Medical, dental, surgical and veterinary instruments and appliances (including electro-medical apparatus and ophthalmic instruments).
	726.1	A. Electro-medical apparatus.
	861.7 (1)	B. Other.
90.18	861.7 (2)	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; artificial respiration, ozone therapy, oxygen therapy, aerosol therapy or similar apparatus; breathing appliances (including gas masks and similar respirators).
90.19		Orthopaedic appliances, surgical belts, trusses and the like; splints and other fracture appliances; artificial limbs, eyes, teeth and other artificial parts of the body; hearing aids and other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability.
	899.4 (1)	A. Hearing aids.
	899.4 (2)	B. Other.

90.20	726.2	Apparatus based on the use of X-rays or of the radiations from radioactive substances (including radiography and radiotherapy apparatus); X-ray generators; X-ray tubes; X-ray screens; X-ray high tension generators; X-ray control panels and desks; X-ray examination or treatment tables, chairs and the like.
90.21	861.5 (4)	Instruments, apparatus or models, designed solely for demonstrational purposes (for example, in education or exhibition), unsuitable for other uses.
90.22	861.5 (5)	Machines and appliances for testing mechanically the hardness, strength, compressibility, elasticity and the like properties of industrial materials (for example, metals, wood, textiles, paper or plastics).
90.23	861.5 (6)	Hydrometers and similar instruments; thermometers, pyrometers, barometers, hygrometers, psychrometers, recording or not; any combination of these instruments.
90.24	861.5 (7)	Instruments and apparatus for measuring, checking or automatically controlling the flow, depth, pressure or other variables of liquids or gases, or for automatically controlling temperature, (for example, pressure gauges, thermostats, level gauges, flow meters, heat meters, automatic oven-draught regulators), not being articles falling within heading No. 90.14.
90.25	861.5 (8)	Instruments and apparatus for physical or chemical analysis (such as polarimeters, refractometers, spectrometers, gas analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like (such as viscometers, porosimeters, expansion meters); instruments and apparatus for measuring or checking quantities of heat, light or sound (such as photometers (including exposure meters), calorimeters); microtomes.
90.26		Gas, liquid and electricity supply or production meters; calibrating meters therefor.
	729.5 (1)	A. Electricity supply meters.
	861.5 (1)	B. Other.
90.27	861.5 (1)	Revolution counters, production counters, taximeters, mileometers, pedometers and the like, speed indicators (including magnetic speed indicators) and tachometers (other than articles falling within heading No. 90.14); stroboscopes.
90.28	729.5 (2)	Electrical measuring, checking, analysing or automatically controlling instruments and apparatus.
90.29	861.5 (9)	Parts or accessories suitable for use solely or principally with one or more of the articles falling within heading No. 90.23, 90.24, 90.26, 90.27 or 90.28.

Chapter 91

Clocks and watches and parts thereof.

Notes.

1. — For the purposes of headings Nos. 91.02 and 91.07, the expression "watch movements" means movements regulated by a balance-wheel and hairspring or by any other system capable of determining intervals of time, not exceeding 12 mm in thickness when measured with the plate, the bridges and any additional outer plates.
2. — Headings Nos. 91.07 and 91.08 are to be taken not to apply to spring-operated or weight-operated motors not fitted, nor adapted to be fitted, with escapements (heading No. 84.08).
3. — This Chapter does not cover parts of general use as defined in Note 2 to Section XV, of base metal (Section XV), nor similar goods of artificial plastic materials (which are generally classified in heading No. 39.07). The Chapter also excludes weights, clock or watch glasses, watch chains or straps, parts of electrical equipment, ball bearings or bearing balls. Clock and watch springs are to be classified as clock or watch parts (heading No. 91.11).
4. — Except as provided in Notes 2 and 3, movements and other parts suitable for use both in clocks or watches and in other articles (for example, precision instruments) are to be taken as falling within this Chapter and not within any other Chapter.
5. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

91.01	864.1 (1)	Pocket-watches, wrist-watches and other watches, including stop-watches.
91.02	864.1 (2)	Clocks with watch movements (excluding clocks of heading No. 91.03).
91.03	864.2 (1)	Instrument panel clocks and clocks of a similar type, for vehicles, aircraft or vessels.
91.04	864.2 (2)	Other clocks.
91.05	864.2 (3)	Time of day recording apparatus; apparatus with clock or watch movement (including secondary movement) or with synchronous motor, for measuring, recording or otherwise indicating intervals of time.
91.06	864.2 (4)	Time switches with clock or watch movement (including secondary movement) or with synchronous motor.
91.07	864.1 (3)	Watch movements (including stop-watch movements), assembled.
91.08	864.2 (5)	Clock movements, assembled.
91.09	864.1 (4)	Watch cases and parts of watch cases.
91.10	864.2 (6)	Clock cases and cases of a similar type for other goods of this Chapter, and parts thereof.
91.11	864.2 (9)	Other clock and watch parts.

Chapter 92

Musical instruments; sound recorders and reproducers; television image and sound recorders and reproducers, magnetic; parts and accessories of such articles.

Notes.

1. — This Chapter does not cover :
 - (a) Film wholly or partly sensitised for photographic or photo-electric recording or such film exposed, whether or not developed (Chapter 37);
 - (b) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
 - (c) Microphones, amplifiers, loud-speakers, head-phones, switches, stroboscopes and other accessory instruments, apparatus or equipment falling within Chapter 85 or 90, for use with but not incorporated in or housed in the same cabinet as instruments of the present Chapter; sound recorders or reproducers combined with a radio or television receiver (heading No. 85.15);
 - (d) Brushes (for cleaning musical instruments) falling within heading No. 96.02;
 - (e) Toy instruments (heading No. 97.03);
 - (f) Collectors' pieces or antiques (heading No. 99.05 or 99.06); or
 - (g) Spools, reels or similar supports (which are to be classified according to their constituent material, for example, in heading No. 39.07 or Section XV).
2. — Bows and sticks and similar devices used in playing the musical instruments of headings Nos. 92.02 and 92.06 imported with such instruments in numbers normal thereto and clearly intended for use therewith, are to be classified in the same heading as the relative instruments. Perforated music rolls (heading No. 92.10) and gramophone records and the like (heading No. 92.12) imported with an instrument are to be treated as separate articles and not as forming a part of such instrument.
3. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

92.01	891.4 (1)	Pianos (including automatic pianos, whether or not with keyboards); harpsichords and other keyboard stringed instruments; harps but not including aeolian harps.
92.02	891.4 (2)	Other string musical instruments.
92.03	891.5 (1)	Pipe and reed organs, including harmoniums and the like.
92.04	891.8 (2)	Accordions, concertinas and similar musical instruments; mouth organs.
92.05	891.8 (3)	Other wind musical instruments.
92.06	891.8 (4)	Percussion musical instruments (for example, drums, xylophones, cymbals, castanets).

92.07	891.8 (3)	Electro-magnetic, electrostatic, electronic and similar musical instruments (for example, pianos, organs, accordions).
92.08	891.8 (9)	Musical instruments not falling within any other heading of this Chapter (for example, fairground organs, mechanical street organs, musical boxes, musical saws); mechanical singing birds; decoy calls and effects of all kinds; mouth-blown sound signalling instruments (for example, whistles and boatswains' pipes).
92.09	891.4 (3)	Musical instrument strings.
92.10	891.8	Parts and accessories of musical instruments (other than strings), including perforated music rolls and mechanisms for musical boxes; metronomes, tuning forks and pitch pipes of all kinds.
92.11	891.1 (1)	Gramophones, dictating machines and other sound recorders and reproducers, including record-players and tape decks, with or without sound-heads; television image and sound recorders and reproducers, magnetic.
92.12	891.2	Gramophone records and other sound or similar recordings; matrices for the production of records, prepared record blanks, film for mechanical sound recording, prepared tapes, wires, strips and like articles of a kind commonly used for sound or similar recording.
92.13	891.1 (2)	Other parts and accessories of apparatus falling within heading No. 92.11.

Section XIX

ARMS AND AMMUNITION; PARTS THEREOF

Chapter 93

Arms and ammunition; parts thereof.

Notes.

1. — This Chapter does not cover :
 - (a) Goods falling within Chapter 36 (for example, percussion caps, detonators, signalling flares);
 - (b) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
 - (c) Armoured fighting vehicles (heading No. 87.08);
 - (d) Telescopic sights and other optical devices suitable for use with arms, unless mounted on a firearm or imported with the firearm on which they are designed to be mounted (Chapter 90);
 - (e) Bows, arrows, fencing foils or toys falling within Chapter 97; or
 - (f) Collectors' pieces or antiques (heading No. 99.05 or 99.06).
2. — In heading No. 93.07, the reference to "parts thereof" is to be taken not to include radio or radar apparatus of heading No. 85.15.

3. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

93.01	891.8 (4)	Side-arms (for example, swords, cutlasses and bayonets) and parts thereof and scabbards and sheaths therefor.
93.02	891.8 (5)	Revolvers and pistols, being firearms.
93.03	891.8 (2)	Artillery weapons, machine-guns, sub-machine-guns and other military firearms and projectors (other than revolvers and pistols).
93.04	894.3 (1)	Other firearms, including Very light pistols, pistols and revolvers for firing blank ammunition only, line-throwing guns and the like.
93.05	894.3 (2)	Arms of other descriptions, including air, spring and similar pistols, rifles and guns.
93.06		Parts of arms, including gun barrel blanks, but not including parts of side-arms.
	894.3 (3)	A. Parts of arms falling within heading No. 93.04 or 93.05.
	891.8 (3)	B. Other.
93.07		Bombs, grenades, torpedoes, mines, guided weapons and missiles and similar munitions of war, and parts thereof; ammunition and parts thereof, including cartridge wads; lead shot prepared for ammunition.
	871.4	A. Sporting ammunition.
	891.8 (6)	B. Other.

Section XX

MISCELLANEOUS MANUFACTURED ARTICLES

Chapter 94

Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings.

Notes.

1. — This Chapter does not cover :

- (a) Pneumatic or water mattresses, pillows or cushions, falling within Chapter 39, 40 or 62;
- (b) Standard lamps, table lamps, wall lamp brackets and other lighting fittings; these are classified according to the constituent material (for example, in heading No. 44.27, 70.14 or 83.07);
- (c) Articles of stone, ceramic or any other material referred to in Chapter 68 or 69, used as seats, tables or columns, of the kind used in parks, gardens or vestibules (Chapter 68 or 69);
- (d) Mirrors designed for placing on the floor or ground (for example, cheval-glasses (swing-mirrors)) falling within heading No. 70.09;
- (e) Parts of general use as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07); and safes falling within heading No. 83.03;
- (f) Furniture specially designed as parts of refrigerators of heading No. 84.15; furniture specially designed for sewing machines (heading No. 84.41);
- (g) Furniture specially designed as parts of radio-gramophones, wireless sets or television sets (heading No. 85.15);
- (h) Dentists' spittoons falling within heading No. 90.17;
- (i) Goods falling within Chapter 91 (for example, clocks and clock cases);
- (j) Furniture specially designed as parts of gramophones, of dictating machines or of other sound reproducers or recorders, falling within heading No. 92.13; or
- (l) Toy furniture (heading No. 97.03), billiard tables and other furniture specially constructed for games (heading No. 97.04) or for conjuring tricks (heading No. 97.05).

2. — The articles (other than parts) referred to in headings Nos. 94.01, 94.02 and 94.03 are to be classified in those headings only if they are designed for placing on the floor or ground.

This provision is, however, to be taken not to apply to the following which are still to be classified in the above-mentioned headings even if they are designed to be hung, to be fixed to the wall or to stand one on the other :

- (a) Kitchen cabinets and similar cupboards;
- (b) Seats and beds;
- (c) Unit bookcases and similar unit furniture.

3. — (a) In this Chapter references to parts of goods do not include references to sheets (whether or not cut to shape but not combined with other parts) of glass (including mirrors) or of marble or other stone.

(b) Goods described in heading No. 94.04, imported separately, are not to be classified in heading No. 94.01, 94.02 or 94.03 as parts of goods.

94.01	821.0 (1)	Chairs and other seats (other than those falling within heading No. 94.02), whether or not convertible into beds, and parts thereof.
94.02	821.0 (2)	Medical, dental, surgical or veterinary furniture (for example, operating tables, hospital beds with mechanical fittings); dentists' and similar chairs with mechanical elevating, rotating or reclining movements; parts of the foregoing articles.

94.03	821.0 (9)	Other furniture and parts thereof.
94.04	821.0 (3)	Mattress supports; articles of bedding or similar furnishing fitted with springs or stuffed or internally fitted with any material or of expanded, foam or sponge rubber or expanded, foam or sponge artificial plastic material, whether or not covered (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows).

Chapter 95

Articles and manufactures of carving or moulding material.

Note.

This Chapter does not cover :

- (a) Articles falling within Chapter 66 (for example, parts of umbrellas, walking-sticks);
- (b) Fans or hand screens, non-mechanical (heading No. 67.05);
- (c) Articles falling within Chapter 71 (for example, imitation jewellery);
- (d) Cutlery or other articles falling within Chapter 82 with handles or other parts of carving or moulding materials; the headings of the present Chapter apply, however, to separately imported handles or other parts of such articles;
- (e) Articles falling within Chapter 90 (for example, spectacle frames);
- (f) Articles falling within Chapter 91 (for example, clock or watch cases);
- (g) Articles falling within Chapter 92 (for example, musical instruments and parts thereof);
- (h) Articles falling within Chapter 93 (arms and parts thereof);
- (i) Articles falling within Chapter 94 (furniture and parts thereof);
- (k) Brushes, powder puffs or other articles falling within Chapter 96;
- (l) Articles falling within Chapter 97 (toys, games and sports requisites);
- (m) Articles falling within Chapter 98 (for example, buttons, cuff-links, smoking pipes, combs); or
- (n) Collectors' pieces or antiques (Chapter 99).

95.01	899.1 (1)	Worked tortoise-shell and articles of tortoise-shell.
95.02	899.1 (2)	Worked mother of pearl and articles of mother of pearl.
95.03	899.1 (3)	Worked ivory and articles of ivory.
95.04	899.1 (4)	Worked bone (excluding whalebone) and articles of bone (excluding whalebone).
95.05	899.1 (5)	Worked horn, coral (natural or agglomerated) and other animal carving material, and articles of horn, coral (natural or agglomerated) or of other animal carving material.
95.06	899.1 (6)	Worked vegetable carving material (for example, corozo) and articles of vegetable carving material.

95.07	899.1 (7)	Worked jet (and mineral substitutes for jet), amber, meerschaum, agglomerated amber and agglomerated meerschaum, and articles of those substances.
95.08	899.1 (8)	Moulded or carved articles of wax, of stearin, of natural gums or natural resins (for example, copal or rosin) or of modelling pastes, and other moulded or carved articles not elsewhere specified or included; worked, unhardened gelatin (except gelatin falling within heading No. 35.03) and articles of unhardened gelatin.

Chapter 96

Brooms, brushes, feather dusters, powder-puffs and sieves.

Notes.

1. — This Chapter does not cover :
 - (a) Articles falling within Chapter 71;
 - (b) Brushes of a kind specialised for use in dentistry or for medical, surgical or veterinary purposes, falling within heading No. 90.17; or
 - (c) Toys (Chapter 97).
2. — In heading No. 96.03, the expression "prepared knots and tufts for broom or brush making" is to be taken to apply only to unmounted knots and tufts of animal hair, vegetable fibre or other material, which are ready for incorporation without division in brooms or brushes, or which require only such further minor processes as glueing or coating the butts, or trimming to shape at the top, to render them ready for such incorporation.

96.01	899.2 (3)	Brooms and brushes, consisting of twigs or other vegetable materials merely bound together and not mounted in a head (for example, besoms and whisks), with or without handles.
96.02	899.2 (4)	Other brooms and brushes (including brushes of a kind used as parts of machines); paint rollers; squeegees (other than roller squeegees) and mops.
96.03	899.2 (5)	Prepared knots and tufts for broom or brush making.
96.04	899.2 (6)	Feather dusters.
96.05	899.2 (11)	Powder-puffs and pads for applying cosmetics or toilet preparations, of any material.
96.06	899.2 (7)	Hand sieves and hand riddles, of any material.

Chapter 97

Toys, games and sports requisites; parts thereof.

Notes.

1. — This Chapter does not cover :
 - (a) Christmas tree candles (heading No. 34.06);
 - (b) Fireworks or other pyrotechnic articles falling within heading No. 36.05;
 - (c) Yarns, monofil, cords or gut and the like for fishing, cut to length but not made up into fishing lines, falling within Chapter 39, heading No. 42.06 or Section XI;
 - (d) Sports bags or other containers of heading No. 42.02 or 43.03;
 - (e) Sports clothing or fancy dress, of textiles, falling within Chapter 60 or 61;
 - (f) Textile flags or bunting, or sails for boats or land craft, falling within Chapter 62;
 - (g) Sports footwear (other than skating boots with skates attached), cricket pads, shin-guards or the like, falling within Chapter 64, or sports headgear falling within Chapter 65;
 - (h) Climbing sticks, whips, riding crops or the like (heading No. 66.02), or parts thereof (heading No. 66.03);
 - (i) Unmounted glass eyes for dolls or other toys, falling within heading No. 70.19;
 - (k) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
 - (l) Articles falling within heading No. 83.11;
 - (m) Sports vehicles (other than bobsleighs, toboggans and the like) falling within Section XVII;
 - (n) Children's cycles fitted with ball bearings and in the normal form of adults' cycles (heading No. 87.10);
 - (o) Sports craft such as canoes and skiffs (Chapter 89), or their means of propulsion (Chapter 44 for such articles made of wood);
 - (p) Spectacles, goggles and the like, for sports and outdoor games (heading No. 90.04);
 - (q) Decoy calls and whistles (heading No. 92.08);
 - (r) Arms or other articles of Chapter 93; or
 - (s) Racket strings, tents or other camping goods, or gloves (classified, in general, according to the material of which they are made).
2. — The headings of this Chapter are to be taken to include articles in which pearls, precious or semi-precious stones (natural, synthetic or reconstructed), precious metals or rolled precious metals constitute only minor constituents.
3. — In heading No. 97.02 the term "dolls" is to be taken to apply only to such articles as are representations of human beings.
4. — Subject to Note 1 above, parts and accessories which are suitable for use solely or principally with articles falling within any heading of this Chapter are to be classified with those articles.

97.01	894.2 (1)	Wheeled toys designed to be ridden by children (for example, toy bicycles and tricycles and pedal motor cars); dolls' prams and dolls' push chairs.
97.02	894.2 (2)	Dolls.
97.03	894.2 (3)	Other toys; working models of a kind used for recreational purposes.

97.04	894.2 (1)	Equipment for parlour, table and funfair games for adults or children (including billiard tables and pintables and table-tennis requisites).
97.05	894.3 (5)	Carnival articles; entertainment articles (for example, conjuring tricks and novelty jokes); Christmas tree decorations and similar articles for Christmas festivities (for example, artificial Christmas trees, Christmas stockings, imitation yule logs, Nativity scenes and figures therefor).
97.06	894.4 (2)	Appliances, apparatus, accessories and requisites for gymnastics or athletics, or for sports and outdoor games (other than articles falling within heading No. 97.04).
97.07	894.4 (1)	Fish-hooks, line fishing rods and tackle; fish landing nets and butterfly nets; decoy "birds", lark mirrors and similar hunting or shooting requisites.
97.08	894.5	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses, travelling menageries and travelling theatres.

Chapter 98

Miscellaneous manufactured articles.

Notes.

1. — This Chapter does not cover :

- (a) Eyebrow and other cosmetic pencils (heading No. 33.06);
- (b) Buttons, studs, cuff-links or other articles of a kind described in heading No. 98.01 or 98.12, if made wholly or partly of precious metal or rolled precious metal (subject to the provisions of Note 2 (a) to Chapter 71) or if containing pearls or precious or semi-precious stones (natural, synthetic or reconstructed) (Chapter 71);
- (c) Parts of general use, as defined in Note 2 to Section XV, of base metal (Section XV), or similar goods of artificial plastic materials (which are generally classified in heading No. 39.07);
- (d) Mathematical drawing pens (heading No. 90.16); or
- (e) Toys falling within Chapter 97.

2. — Subject to Note 1 above, the headings in this Chapter are to be taken to apply to goods of the kind described whether, or not composed wholly or partly of precious metal or rolled precious metal or of pearls or precious or semi-precious stones (natural, synthetic or reconstructed).

3. — Cases, boxes and similar containers imported with articles of this Chapter are to be classified with such articles if they are of a kind normally sold therewith. Cases, boxes and similar containers imported separately are to be classified under their appropriate headings.

98.01	899.5 (2)	Buttons and button moulds, studs, cuff-links, and press-fasteners, including snap-fasteners and press-studs; blanks and parts of such articles.
98.02	899.5 (3)	Slide fasteners and parts thereof.
98.03	895.2 (1)	Fountain pens, stylograph pens and pencils (including ball point pens and pencils) and other pens, pen-holders, pencil-holders and similar holders, propelling pencils and sliding pencils; parts and fittings thereof, other than those falling within heading No. 98.04 or 98.05.

98.04	895.2 (2)	Pen nibs and nib points.
98.05	895.2 (3)	Pencils (other than pencils of heading No. 98.03), pencil leads, slate pencils, crayons and pastels, drawing charcoals and writing and drawing chalks; tailors' and billiards chalks.
98.06	895.9 (2)	Slates and boards, with writing or drawing surfaces, whether framed or not.
98.07	895.9 (3)	Date, sealing or numbering stamps, and the like (including devices for printing or embossing labels), designed for operating in the hand; hand-operated composing sticks and hand printing sets incorporating such composing sticks.
98.08	895.9 (4)	Typewriter and similar ribbons, whether or not on spools; ink-pads, with or without boxes.
98.09	895.9 (5)	Sealing wax (including bottle-sealing wax) in sticks, cakes or similar forms; copying pastes with a basis of gelatin, whether or not on a paper or textile backing.
98.10	899.2 (4)	Mechanical lighters and similar lighters, including chemical and electrical lighters, and parts thereof, excluding flints and wicks.
98.11	899.2 (5)	Smoking pipes; pipe bowls, stems and other parts of smoking pipes (including roughly shaped blocks of wood or root); cigar and cigarette holders and parts thereof.
98.12	899.5 (4)	Combs, hair-slides and the like.
98.13	899.5 (5)	Corset busks and similar supports for articles of apparel or clothing accessories.
98.14	899.5 (6)	Scent and similar sprays of a kind used for toilet purposes, and mounts and heads therefor.
98.15	899.9 (7)	Vacuum flasks and other vacuum vessels, complete with cases; parts thereof, other than glass inners.
98.16	899.5 (7)	Tailors' dummies and other lay figures; automata and other animated displays of a kind used for shop window dressing.

Section XXI

WORKS OF ART, COLLECTORS' PIECES, AND ANTIQUES

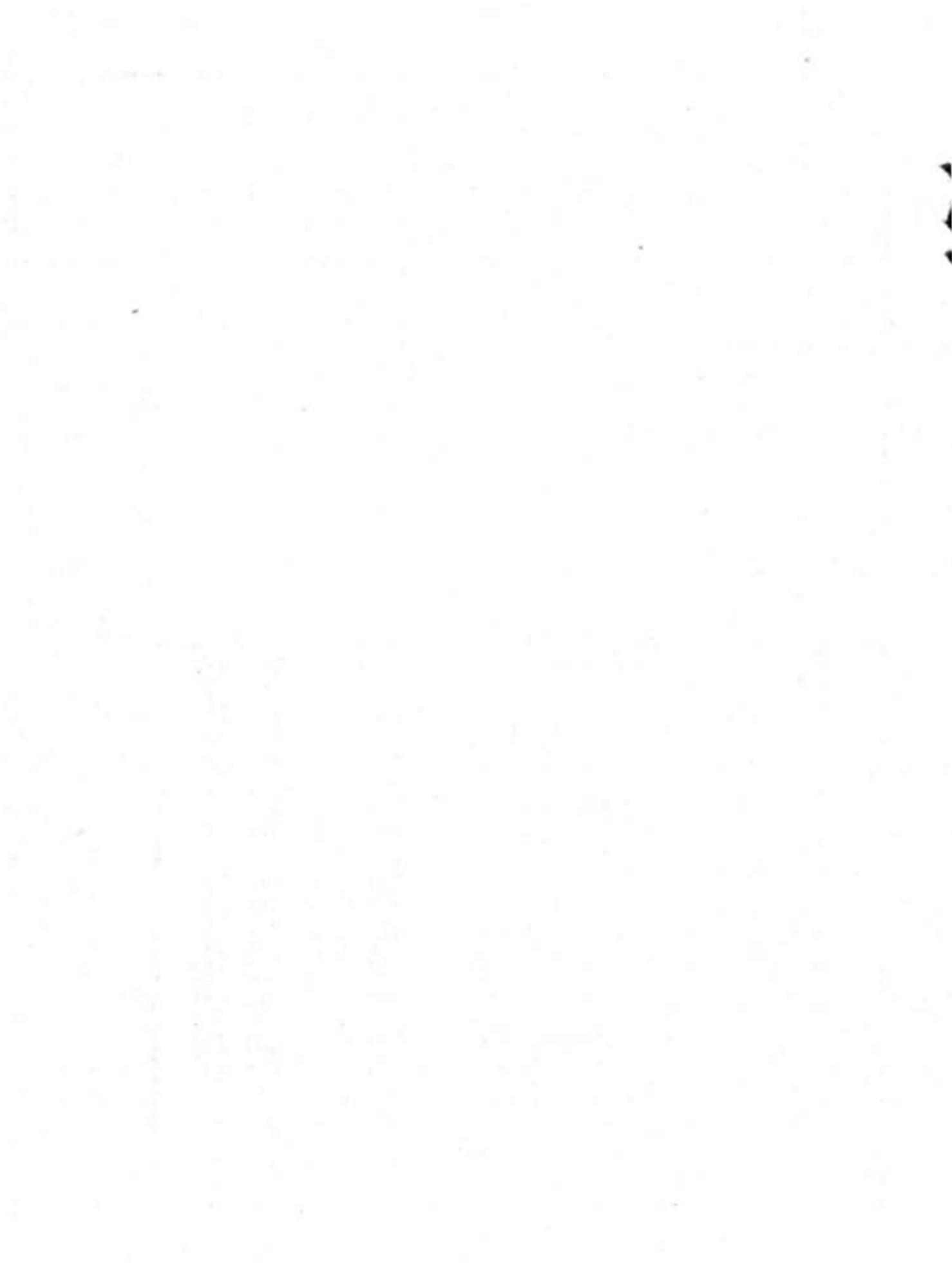
Chapter 99

Works of art, collectors' pieces, and antiques.

Notes.

1. — This Chapter does not cover :
 - (a) Unused postage, revenue or similar stamps of current or new issue in the country to which they are destined (heading No. 49.07);
 - (b) Theatrical scenery, studio back-cloths or the like, of painted canvas (heading No. 59.12); or
 - (c) Pearls or precious or semi-precious stones (heading No. 71.01 or 71.02).
2. — For the purposes of heading No. 99.02, the expression "original engravings, prints and lithographs" means impressions produced directly, in black and white or in colour, of one or of several plates wholly executed by hand by the artist, irrespective of the process or of the material employed by him, but not including any mechanical or photomechanical process.
3. — Heading No. 99.03, is to be taken not to apply to mass-produced reproductions or works of conventional craftsmanship of a commercial character.
4. — (a) Subject to Notes 1 to 3 above articles falling within headings of this Chapter are to be classified in whichever of those headings is appropriate and not in any other heading of the Nomenclature.
(b) Heading No. 99.06 is to be taken not to apply to articles falling within any of the preceding headings of this Chapter.
5. — Frames around paintings, drawings, pastels, engravings, prints or lithographs are to be treated as forming part of those articles, provided they are of a kind and of a value normal to those articles.

99.01	896.0 (1)	Paintings, drawings and pastels, executed entirely by hand, (other than industrial drawings falling within heading No. 49.06 and other than hand-painted or hand-decorated manufactured articles).
99.02	896.0 (2)	Original engravings, prints and lithographs.
99.03	896.0 (3)	Original sculptures and statuary, in any material.
99.04	896.0 (4)	Postage, revenue and similar stamps (including stamp-postmarks and franked envelopes, letter-cards and the like), used, or if unused not of current or new issue in the country to which they are destined.
99.05	896.0 (5)	Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, paleontological, ethnographic or numismatic interest.
99.06	896.0 (6)	Antiques of an age exceeding one hundred years.



UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 8 OF 11

PART III. PRODUCT SECTORS: TARIFFS AND OTHER
TRADE BARRIERS

CHAPTER XIV. INDUSTRIAL PRODUCT SECTORS

- I-1. Nonelectrical machinery
- I-2. Transport equipment
- I-3. Ores, metals and metal manufactures
- I-4. Chemicals



TC Publication 665
Washington, D. C.
April, 1974

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Chapter XIV

INDUSTRIAL PRODUCT SECTORS

Introduction

Industrial products are defined in this report as all products provided for in chapters 25 through 99 of the Brussels Tariff Nomenclature. ^{1/} The industrial products have been grouped into 23 sectors for the purpose of discussing in detail the applicable tariffs, nontariff trade barriers, and the direction of major trade flows.

The format followed for the presentation for each sector includes an examination of MFN tariffs of the United States, Canada, Japan, the European Community (of six), and the United Kingdom, the sector's trade importance and trade network, the trade composition, trade-agreement concessions which have taken place, and an account of the complaints submitted to the Commission concerning trade barriers affecting products in the sector. Tariff and trade data for the most significant subsectors in each sector are discussed in the same way.

The industrial sectors are numbered according to the order of their importance in total OECD export trade in industrial products in 1969, as follows:

- I-1. Nonelectrical machinery
- I-2. Transport equipment
- I-3. Ores, metals and metal manufactures
- I-4. Chemicals
- I-5. Textiles
- I-6. Electrical machinery
- I-7. Pulp, paper and paperboard, and manufactures
- I-8. Coal, petroleum, natural gas and certain derived products
- I-9. Mineral products and fertilizers

^{1/} See the appendix to chapter XIII.

- I-10. Professional, scientific and controlling instruments, clocks, and watches
- I-11. Wood and cork and manufactures
- I-12. Precious stones, precious metals and manufactures
- I-13. Rubber and rubber manufactures
- I-14. Raw hides and skins, leather and furskins, and manufactures
- I-15. Footwear and travel goods
- I-16. Musical instruments, sound recording or reproduction apparatus
- I-17. Firearms, ammunition, tanks and other armored fighting vehicles
- I-18. Furniture
- I-19. Toys and sporting goods
- I-20. Photographic and cinematographic supplies
- I-21. Works of art and collectors' pieces
- I-22. Office and stationery supplies
- I-23. Manufactured articles not elsewhere specified

Sectors I-1 through I-4 are found in volume 8, sectors I-5 through I-10 in volume 9, and sectors I-11 through I-23 in volume 10. A comparison of tariffs among sectors is found in chapter IV.

Some general observations on the interpretation of the data presented in the sectors is found in chapter XIII.

NONELECTRICAL MACHINERY

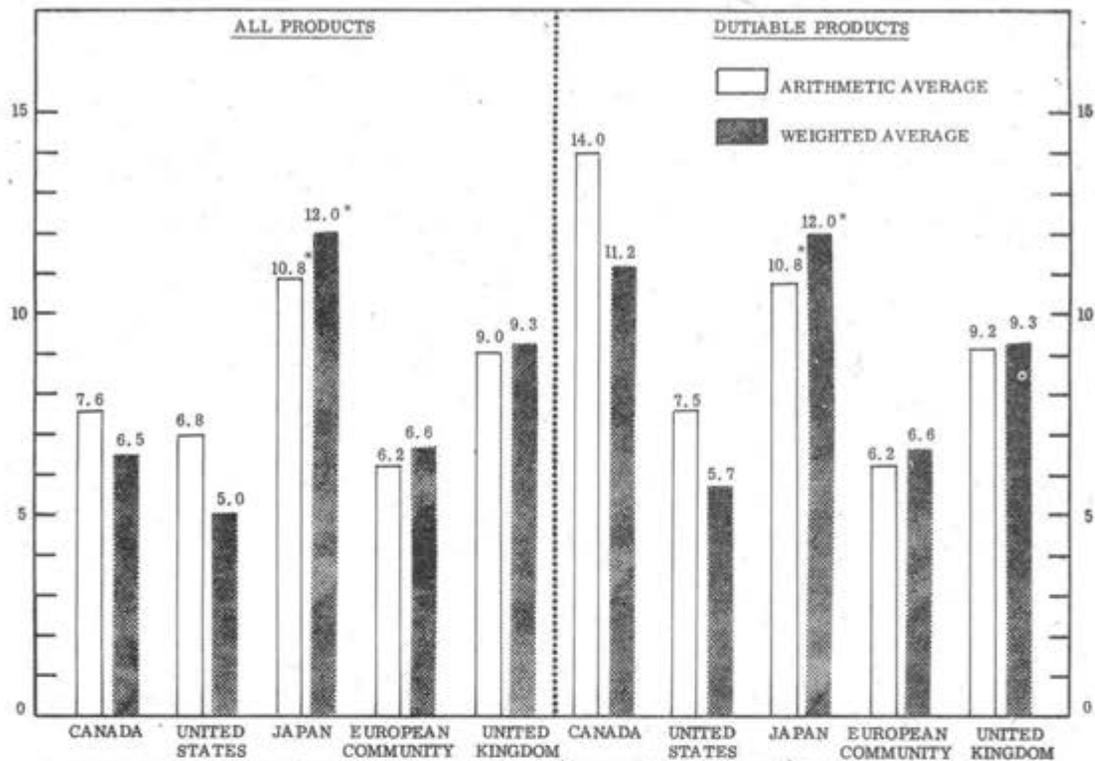
Nonelectrical machinery includes all machinery not directly powered by electricity. The principal types are machinery for generating power, for construction and mining, for offices, for producing textiles, for heating and cooling, for metalworking, and for agriculture. The sector does not include appliances and machinery of ceramics or glass, nor does it cover transport equipment.^{1/}

MFN tariffs

World MFN imports of nonelectrical machinery face average tariffs not significantly at variance with those for industrial products taken as a whole (see chart I-1-A). The arithmetic averages range from 6.2 to 14 percent ad valorem; the weighted averages from 5 to 12 percent. For all products (combined free and dutiable), the European Community has the lowest arithmetic average tariff (6.2 percent) and Japan the highest (10.8 percent). The lowest weighted average is held by the United States (5 percent), followed by Canada (6.5 percent); and Japan again has the highest average (12 percent). For dutiable products only, Canada has the highest arithmetic average (14 percent) and the second highest weighted average (11.2 percent). The substantial importation of MFN duty-free goods into Canada causes Canada's averages on all products to be significantly below her averages for dutiable imports alone.

^{1/} For the specific coverage of this sector, see BTN headings 84.01-.65; 73.36-.37; 86.10 and 87.07. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-1-A. -- Average MFN tariff rates on nonelectrical machinery
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of tariff provisions by duty level is shown in table I-1-A. The largest portion of rate provisions are in the bracket of 5.1-10 percent ad valorem for all countries except Canada, where 46

Table I-1-A.--Distribution, by duty level, of MFN tariff provisions for nonelectrical machinery

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	45.8	9.2	-	-	2.0
0.1-5.0 percent----	1.3	33.8	2.1	32.4	4.0
5.1-10.0 percent---	17.9	46.7	56.3	62.9	74.3
10.1-15.0 percent---	12.2	5.8	39.0	4.8	14.9
15.1-20.0 percent--	22.7	2.1	.6	-	4.1
20.1-25.0 percent--	-	1.7	1.5	-	1.0
25.1-30.0 percent--	.2	.4	.6	-	-
30.1-40.0 percent--	-	.4	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

percent of the rate provisions are free. Tariffs of the United States, Canada and the United Kingdom contain MFN duty-free provisions for non-electrical machinery; those of Japan and the European Community do not. The rates of Canada and Japan range into the 25.1-30 percent ad valorem bracket; the United States has one item with an ad valorem equivalent of 30.5 percent. The Community has no rates above 15 percent.

Imports of nonelectrical machinery receiving preferential tariff treatment are significant for most of the major countries. Such treatment is accorded 20 percent of entries into the United Kingdom, 11 percent into the United States, 4.3 percent into Canada, and intra-EC shipments greatly exceed imports from outside countries. The bulk of MFN imports by all the major countries enter at rates of less than 10 percent; Japan and the United Kingdom are the only countries with a significant portion of their imports dutiable at higher rates (table I-1-B). Only Canada and the United States have duty-free MFN imports, a substantial 42 percent and 12 percent of total imports, respectively.

Table I-1-B.--Distribution, by duty level, of MFN imports of nonelectrical machinery

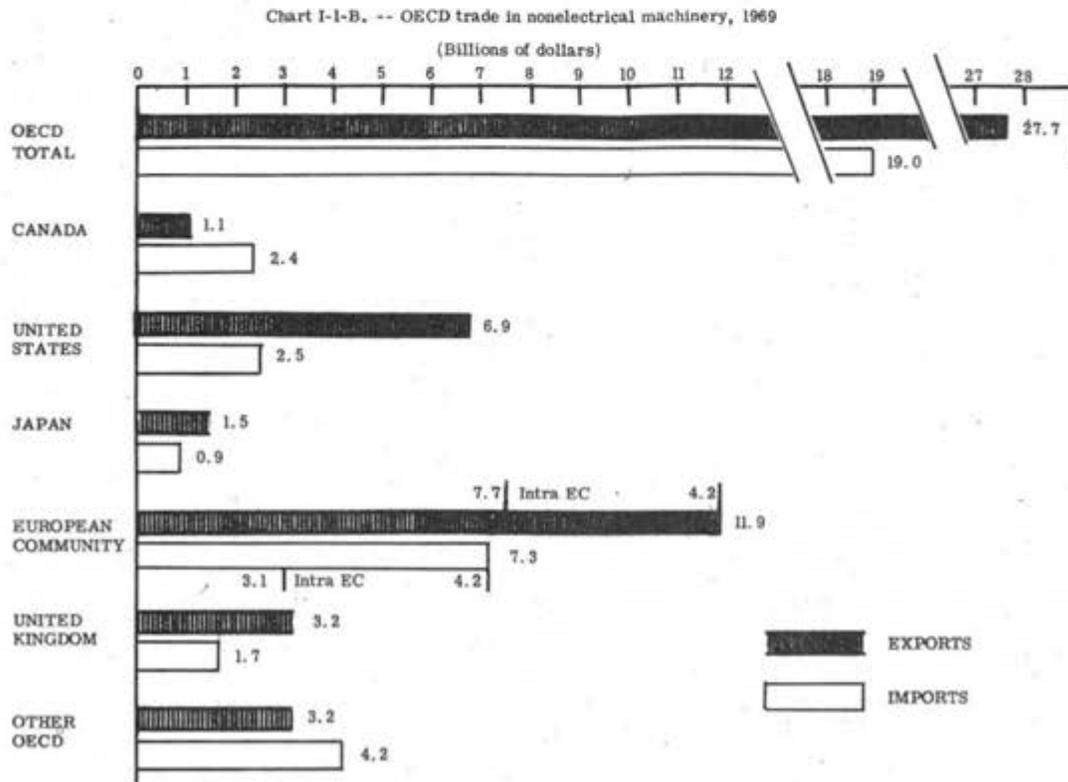
Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	42.0	11.8	-	-	-
0.1-5.0 percent----	.2	51.7	0.8	26.8	1.3
5.1-10.0 percent---	43.3	35.0	55.2	63.2	72.8
10.1-15.0 percent--	6.0	1.3	31.5	10.2	25.7
15.1-20.0 percent--	8.4	.2	2.5	-	.1
20.1-25.0 percent--	-	-	10.0	-	-
25.1-30.0 percent--	-	-	.1	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canada has the most detailed tariff schedule for nonelectrical machinery with 638 tariff lines, while the United Kingdom has the least, with 94 lines. Japan has 337 lines; the United States, 235 lines; and the European Community, 211 lines. However, the multiple dispersion of U.S. and Canadian tariff items into the BTN format overstates the detail of the tariff schedules of these two countries. An adjustment for this problem yields a more accurate item count of 180 items for the United States and 244 items for Canada.

Trade importance

Nonelectrical machinery is one of the most important industrial sectors, ranking first in OECD exports and third in imports. The sector accounts for about 11 percent of OECD industrial exports and 12 percent of industrial imports. For the United States, the sector is the second



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

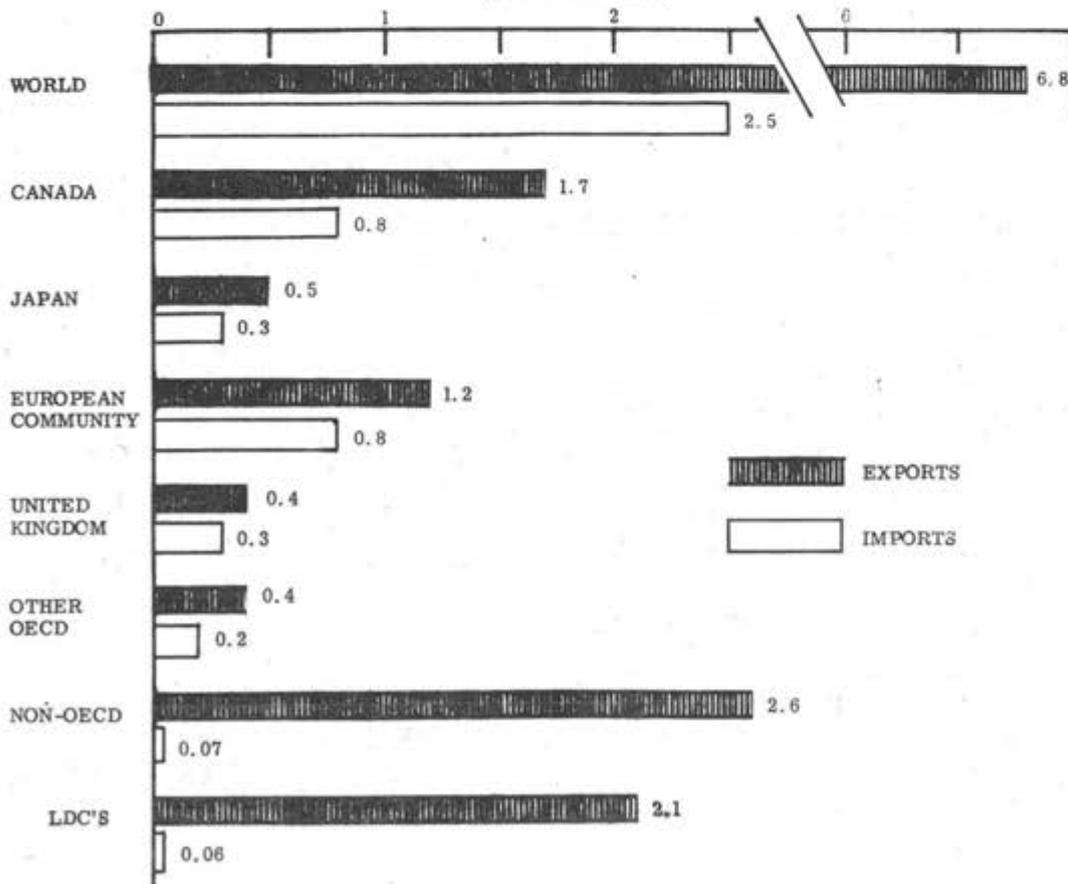
most important in exports. It ranked fourth in 1969 U.S. imports, but rose to third in 1970.

Imports by the GATT tariff study countries were valued at \$10.7 billion in 1967, and \$16.9 billion in 1970. Intra-EC shipments were an additional \$3.1 billion in 1967 and \$5.3 billion in 1970. OECD 1969 imports were \$19 billion (including \$4.2 billion of intra-EC shipments) and exports were \$27.7 billion (see chart I-1-B).

Trade network

The five major countries account for almost 90 percent of OECD exports and about 80 percent of imports. Half of OECD exports go to the five major

Chart I-1-C. -- United States trade in nonelectrical machinery, 1969
(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

countries; one-fourth to LDC's. Over 85 percent of OECD imports are supplied by the five major countries.

One-third of U.S. exports go to less developed countries (chart I-1-C), where substantially higher tariffs and other trade barriers generally are encountered. Canada is the principal developed market for U.S. products, followed by the European Community. The United States takes most of Canada's exports. Japan ships half of its exports to LDC's, 20 percent to the United States, and only 8 percent to the Community. Intra-EC exports are equal to more than half of the Community's shipments to outside markets. LDC's take about one-third of the EC's outside exports; 10 percent go to the United States, and about 8 percent to the United Kingdom. The United Kingdom ships over 40 percent of its products

Table I-1-C.--OECD exports of nonelectrical machinery, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	27,735	1,064	6,866	1,535	<u>1/</u> 11,846	3,176	3,214
OECD total-----	17,962	944	4,219	553	8,130	1,805	2,311
Canada-----	2,120	-	1,732	36	122	152	78
United States---	2,597	867	-	325	789	361	255
Japan-----	833	8	464	-	216	66	79
European Community-----	<u>1/</u> 7,129	25	1,170	121	4,223	708	882
United Kingdom--	1,294	27	421	25	579	-	242
Other OECD-----	3,989	17	432	46	2,201	518	775
Non-OECD total----	9,550	116	2,569	979	3,618	1,362	906
LDC's-----	6,673	78	2,139	793	2,331	806	526

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

to LDC's and other non-OECD countries. The Community is the principal developed market for the United Kingdom (see table I-1-C).

Nonelectrical machinery ranks second in industrial imports for Canada and the United Kingdom, third for the United States, fourth for the Community, and fifth for Japan. United States imports of nonelectrical machinery were valued at \$1.8 billion in 1967, \$2.5 billion in 1969, and \$3.5 billion in 1971. The European Community and Canada each supply about one-third of U.S. imports; the United Kingdom and Japan each about one-eighth (chart I-1-C). The United States is the source of over four-fifths of Canada's imports and over half of Japan's. Almost 40 percent of imports

Table I-1-D.--OECD imports of nonelectrical machinery, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	18,983	2,430	2,506	948	^{1/} 7,250	1,655	4,194
OECD total-----	18,651	2,422	2,436	930	7,148	1,591	4,124
Canada-----	843	-	767	10	19	35	12
United States---	4,768	2,035	-	517	1,163	523	530
Japan-----	516	35	315	-	98	24	44
European Community-----	^{1/} 8,259	129	773	245	4,203	711	2,198
United Kingdom--	1,907	143	336	73	754	-	601
Other OECD-----	2,358	80	245	85	911	298	739
Non-OECD total----	330	8	70	18	100	64	70
LDC's-----	138	3	57	3	32	38	5

^{1/} Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

into the European Community from outside sources come from the United States, but the total Community imports from all external sources are only three-fourths as large as intra-Community shipments. The Community is the chief source of United Kingdom imports, followed by the United States. Japan is not a significant supplier to any major country except the United States (see table I-1-D).

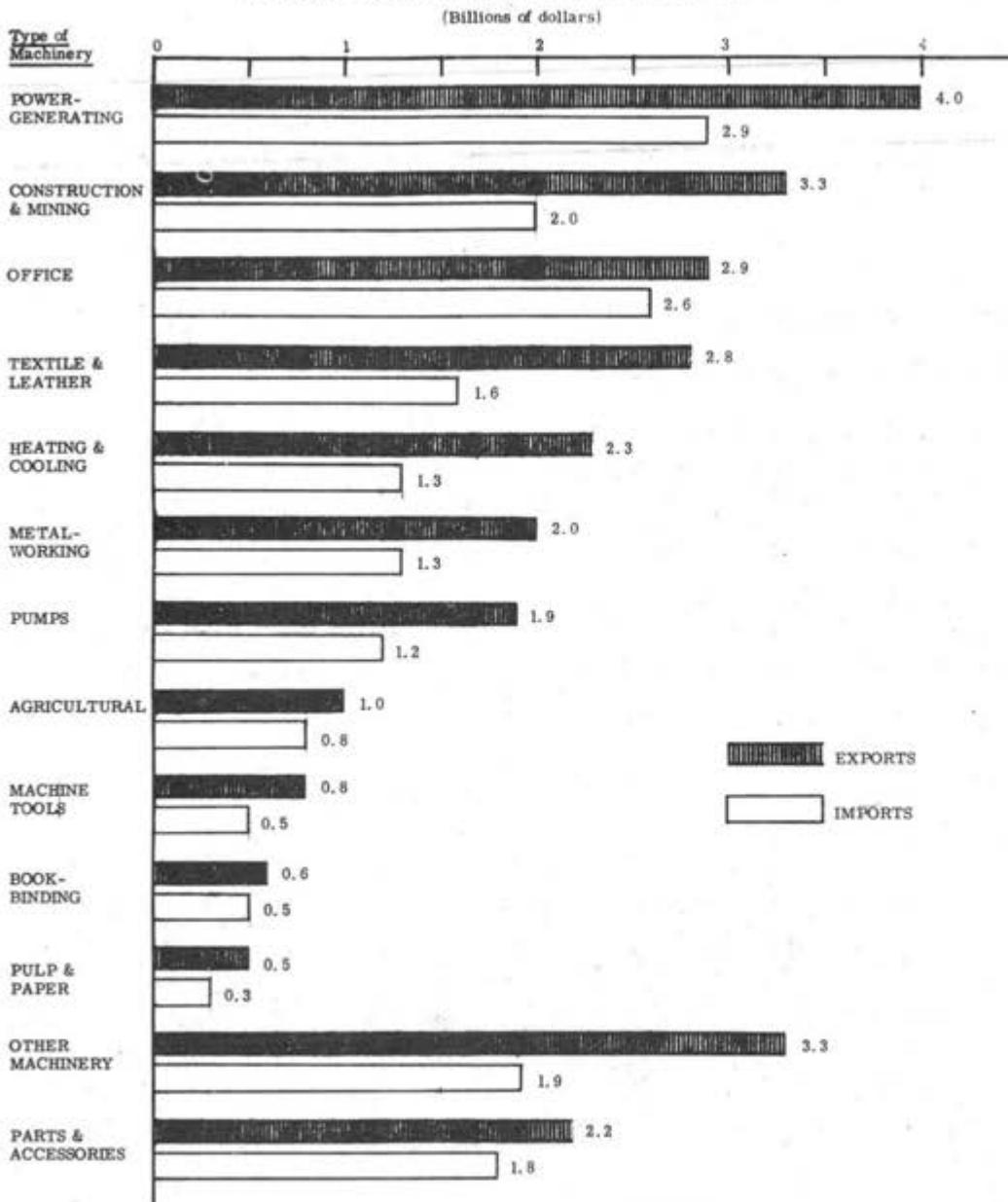
Trade composition

Nonelectrical machinery trade is divided into 13 subsectors, of which power-generating machinery is the largest in both exports and imports, (about 15 percent of each), followed by office machines. The relative importance of the 13 subsectors is shown in chart I-1-D.

Trade-agreement concessions

For all of the five major countries, except Japan, average tariff levels on January 1, 1972, for nonelectrical machinery were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 9.6 percent.

Chart I-1-D. -- OECD trade in nonelectrical machinery, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	32.4	5.0
European Community	13.2	6.6
United Kingdom	20.3	9.3
Japan	15.4	12.0
Canada	21.2	7.6

Concessions under the GATT have been made on all MFN provisions for nonelectrical machinery in the tariff schedules of the United States and the United Kingdom, as well as on 97 percent of the provisions (covering virtually all nonelectrical machinery trade) in the Community's Common External Tariff. Only 71 percent of Canada's provisions, covering about three-fourths of Canadian imports are under the GATT, and Canada's coverage drops as low as 51 percent in some categories of nonelectrical machinery. Japan's GATT concessions cover about 84 percent of her provisions and trade, with the lowest coverage among the specific categories of machinery being 60 percent.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on nonelectrical machinery negotiated under the GATT. The number of such concessions totaled 1,143, of which 743 reflected rates higher than the autonomous rate established in the CXT, 44 were at the CXT rate, and 356 were below the CXT rate.

Trade complaints

Given the large trade in nonelectrical machinery, and the diversity of products and trade patterns involved, it is not surprising that complaints submitted to the Tariff Commission by manufacturers and traders of this equipment should cover virtually the complete array of policies and practices (both governmental and private) which in recent years have come to be characterized as constituting barriers to trade. The complaints involved almost every developed country (including the United States), all of the more important less developed countries, all nations in Latin America except three of the smallest, and many LDC's in Africa. Japan was the single country drawing the largest number of complaints (74) but the total of complaints against individual EC member states and the Community as a group was greater than those against Japan. Among the LDC's the greatest number of complaints were against Argentina (27), Brazil (26), Mexico (16) and Colombia (16). The complaints are summarized under major topic headings in the paragraphs below:

Import duties.--U.S. manufacturers complained of the height of Canadian duties on core drilling equipment, diamond drilling bits and tools, oil and gas processing equipment, loaders, mixing gears, paper machinery, and air conditioning and refrigeration equipment; of duties levied by the European Community on refrigeration compressors, conveyor dryers for textiles, furnaces, agricultural machinery, paper machinery and replacement parts for heating equipment; of Japanese rates on computers and advanced electronic equipment and agricultural machinery; and of the U.S. duty on cash registers and parts. Several of the duties complained against are

between 5 and 10 percent ad valorem. The Canadian duties are chiefly between 10 and 25 percent ad valorem and the Japanese duties on computers (prior to the 1972 unilateral reductions) were 15 and 25 percent ad valorem.

Most complaints against Canadian duties also mentioned the discriminatory effect of the preferential treatment accorded Canadian imports from members of the British Commonwealth. Several of the complainants against the Community stated that, in addition to being disadvantaged by the EC tariff, their competitive position in the EC market was further worsened by duty-free treatment accorded intra-EC imports. A manufacturer of chain saws protested against the duty of $47\frac{1}{2}$ percent ad valorem encountered by his products in Australia and the preferential treatment given his British Commonwealth competitors in the Australian market. A similar complaint was made against the Australian duty of $33\frac{1}{3}$ percent ad valorem on computer terminal equipment and 38 percent on diamond core drills and tools. Commonwealth preferences were characterized by a producer of steam-generating equipment as a moderate hindrance to his ability to compete in the markets of Australia, South Africa, India and Singapore. Some of the respondents complaining against these tariffs estimated that if the tariffs were removed their sales in the market involved would increase by significant amounts ranging from \$100,000 to \$500,000 annually.

Several complaints were made against LDC tariffs, which customarily are considerably higher than tariffs of the developed countries. LDC tariffs are frequently combined with surcharges and other fees which the complainant did not distinguish. Illustrative is the Argentine charge on

typewriters equal to 140 percent of the c.i.f. value, import fees of 90 percent on agricultural equipment entering Argentina, and a 35-percent duty on drilling equipment imported into Mexico.

The discriminatory tariff treatment for U.S. exports which results from formation of regional trading blocs, such as the European Community, the European Free Trade Association and the Latin American Free Trade Association, were the subject of several complaints. The refusal of the United States to grant MFN treatment to Eastern bloc countries is reported by a U.S. trade association as a hindrance to U.S. exports to that region.

Subsidies and other governmental aids.--Among the numerous practices and policies complained of to the Commission in the nonelectrical machinery sector, subsidies and other governmental aids drew the largest number of objections. Japan was the nation most often mentioned in complaints in this area. U.S. producers of nonelectrical machinery reported that the Japanese industry receives tax incentives to export and to engage in research and development, and that Japanese exports are also encouraged by government assistance in foreign market research and advertising operations. Low-cost export financing schemes and insurance at less than commercial rates against losses due to foreign tariff increases and default of foreign borrowers are also said to be available to Japanese exporters. Also the subject of complaints was assistance which the Japanese External Trade Organization gives to Japanese exporters through financing travel abroad to design products for export, underwriting the cost of overseas exhibitions, and covering attorneys' fees when Japanese nationals are involved in trade disputes abroad. The organization also

undertakes market research for Japanese products, advertises Japanese goods abroad, and engages in other activities to promote Japanese exports.

U.S. producers complained that Japanese investment in less developed countries is encouraged by allowing the untaxed accumulation of a fund equal to 50 percent of investment in such countries as a reserve against investment loss; while on the domestic side an implicit guarantee of the debt position of major Japanese corporations and their consequent heavy use of debt financing creates a competitive advantage for Japanese companies. Special loans at low rates are channeled by the Japan Development Bank to sectors considered important for industrial growth. A comprehensive program directed by the Ministry of International Trade and Industry (MITI) to restructure the Japanese computer industry includes support of a rental company made up of the six major computer companies in Japan, plus other aids. A MITI plan which includes, inter alia, tax exemptions and government loans is also being implemented in the electronics field.

U.S. producers report that France encourages the production and exportation of nonelectrical machinery in various ways. Low interest loans for export production are available from the government, as is concessionary financing of exports. The tax system allows the build-up of exceptional reserve accounts which provide interest and tax-free working capital. There are also tax incentives to export. More generally directed subsidies are available for certain business expansion costs, start-up costs, and research and development. The French government, through a program

which includes subsidies and encouragement of mergers, is restructuring the French computer industry.

Complaints were made that the United Kingdom provides concessionary financing of exports and special tax relief to exporters, and that direct and indirect subsidies for business expansion, start-up costs, and research and development are granted. The government, through subsidies and the promotion of mergers, is assisting the development of the computer industry in the United Kingdom.

United States businessmen complained that in Sweden the tax system allows the accumulation of exceptional reserve accounts which provide interest and tax-free working capital; that there are tax incentives to exports; and that research and development are subsidized, as are certain expansion and start-up costs. Low interest loans by the Swedish Government for export production were reported. West Germany is said to provide subsidies and low interest loans to export production and concessionary financing for exports.

Numerous other complaints were received against governmental policies said to aid exports from Argentina, Colombia, Peru, Venezuela, countries of the European Community and the European Free Trade Association, the Communist bloc countries, and many nations of Africa and the Far East. U.S. traders report that Canada, Ireland, Italy, the Netherlands, New Zealand, Norway, South Africa, Spain, Switzerland, Venezuela, and Australia offer some form of tax relief geared to export performance.

Quantitative limitations and licensing.--Complaints against quantitative restrictions, embargoes and licensing practices made up the second

largest category of objections. Numerous complaints were received from U.S. producers and from other sources concerning Japanese restrictions on nonelectrical machinery, especially electronic computers. Japan's Automatic Import Quota System, which became inoperative in 1972, was frequently mentioned. Quotas reportedly imposed by Malaysia, Korea, Cyprus, Australia, Mexico, Peru and several Western European countries were the objects of further complaints. One industry association complained of European quantitative restrictions applied discriminatorily against Japanese products. It was felt that such restrictions encouraged the Japanese to concentrate on the United States market causing problems for industries in this country.

Many U.S. producers reported encountering embargoes on their products, chiefly in IDC's. Most frequently, complainants mentioned that they were unable to ship their goods to certain countries if similar products were manufactured locally, and many respondents indicated that denial of an import license was based on the fact that a local substitute for the product was available. Mexico and Brazil were the countries most frequently mentioned as imposing such embargoes; however complaints were also received about Chile, Venezuela, Argentina, Colombia, Ecuador, South Africa, France, Yugoslavia and Japan. One industry association complained of embargoes imposed by Japan on computers. Discriminatory embargoes against Japan are allegedly in effect in Italy.

The Japanese licensing requirements, especially for computers and other electronic products, were the subject of several complaints. It was reported that Japanese officials contact end users named on the license

to discourage the purchase of an imported product, and U.S. producers reported difficulty in obtaining licenses. In some cases import licenses are granted in Japan only for prototypes, and even then only if the foreign producer agrees to license production of the product to a Japanese firm. A large number of producers and shippers complained of the complicated, difficult, lengthy, and costly procedure of obtaining import licenses in LDC's.

Two U.S. producers complained about U.S. export licensing requirements for shipments of certain nonelectrical machinery to Communist countries, and others felt that U.S. export control regulations restraining trade with most Communist countries were barriers to their trade in products considered to be of strategic importance. Japanese "voluntary export restraints" on certain products in the nonelectrical machinery area were considered an impediment to trade by an importers' association.

Standards.---Most of the problems in the area of industrial, health and safety standards were related to what was perceived by the complainant to be discriminatory administration of the standards. Requirements that the products in question be tested for conformity to national standards in the country of importation were reported in effect in the Netherlands, Austria, Canada, the United Kingdom, France, West Germany, Italy, Denmark, Finland, Norway, Sweden, the United States, and the European Community. In Switzerland, approval for imported equipment was allegedly difficult to obtain. Some U.S. producers have experienced difficulties in France, Belgium, Luxembourg, and East and West Germany, where they reported that interpretation of standards was left to local inspectors rather than a central body.

Complaints were made by U.S. producers about industrial, health, and safety standards being too strict in the Netherlands for gas burners and in West Germany for oil burners. A few complaints were also made against the United States that foreign products must often be tested to meet specifications set by U.S. industrial or professional associations and that administration of such standards discriminates against foreign products. The American Society of Mechanical Engineers seal of approval for the design and construction of pressure vessels, which is required in many states and municipalities, was the object of a complaint that this seal was available only on occasion outside North America, and that even when it was available substantial costs and delays were involved. ^{1/}

The multipartite accord on standards for electronic products undertaken by France, West Germany, the United Kingdom and other European countries, without participation of the United States, evoked fears that U.S. trade in this area would be seriously harmed. Other activities of the European Committee for Coordination of Standards (CEN), in which the United States does not participate, may hamper U.S. exports of other nonelectrical machinery when and if a European standards code is implemented for them. West German (DIN) safety standards for welding equipment were reported by a U.S. producer as a barrier to his exports because they were not identical to U.S. standards. Electrical appliances falling under the West German high frequency law were reported to require official approval of the government. A U.S. producer complained that certain machines and

^{1/} Recent action against ASME under the Antitrust Laws has resulted in the future availability of the ASME seal to foreign producers.

appliances imported into Brazil are required to be produced in accordance with ILO safety standards, and that a certificate issued by a competent authority and stating that the goods were so produced is required. High U.S. environmental standards for heating equipment are feared by one U.S. producer to be detrimental to his competitive position in world markets.

One complaint was received from a U.S. producer criticizing the EC for using the metric system while another domestic producer was unhappy about the United States not using the metric system. Both felt that the lack of a uniform system hindered U.S. exports. Another U.S. producer was displeased that requirements for marking in the United States were not in metric units while marking in metric units was required outside the United States.

Government procurement, state trading.--Trade in nonelectrical machinery was reported to suffer from the "buy-national" policies or practices of Spain, Japan, the United States, countries of the European Community (especially France and West Germany), countries of the European Free Trade Association (especially the United Kingdom), and Communist bloc countries. U.S. producers complained that in the Netherlands certain domestic companies are allocated specific portions of all public procurement of computers. An importers association complained of the U.S. Defense Department specification that certain items must be purchased from particular United States firms, and another complaint was received that Nippon Telephone and Telegraph, a Japanese government agency, would buy only Japanese equipment.

The usual complaints that accompany state trading were reported for nonelectrical machinery in several IDC's and Eastern European countries.

Customs valuation and customs administrative procedures.--Valuation on a c.i.f. basis for customs purposes is considered by some nonelectrical machinery producers as a barrier to U.S. exports. Japan, the EC, EFTA, the Communist Bloc, and numerous other countries use this form of valuation. Objections were also raised against New Zealand, South Africa, Australia, and some other British Commonwealth countries which impose tariffs on the current market value in the country of exportation, not the f.o.b. value. A U.S. importer felt that U.S. valuation practices were not consistent from port to port. The use by Japan, the United Kingdom and Italy of uplifts of 3 to 5 percent of the invoice value on intercompany transactions in order to offset alleged preferential pricing in non-arm's-length transactions was criticized by a few exporters to those countries. Complaints were also made against the "abnormal price system" in Spain under which, by alleging "abnormal prices," the government can suspend imports of the goods in question until an investigation is completed.

For so long as imported goods are classified for duty purposes, importers probably will feel that customs officials act arbitrarily in performing this function. Complaints of arbitrary classifications were made against the United States (papermaking machinery), Canada (machinery parts), Japan (air conditioning equipment) and countries of the EC, EFTA, and Communist Bloc (various products).

The burden of documentation is considered by a number of international traders as excessive. The United States, Brazil, Italy, Spain, New

Zealand, South Africa, Australia, Zambia and many Latin American countries were criticized for requiring a special customs invoice in addition to normal commercial invoices. It was reported that in Japan forms must be submitted showing the distribution network in Japan, the price at each stage until the final purchaser and the names and commissions of all middlemen. Documentation requirements for U.S. export control regulations, for claiming duty drawback if goods are re-exported, and for AID shipments were mentioned as being too detailed and overly burdensome. The lack of uniform commodity descriptions among nations was also felt to hamper trade.

Consular fees and formalities of numerous LDC's were the subject of complaints by several American firms. Administrative difficulties with customs procedures were frequently mentioned in nontariff barrier complaints. Heavy customs penalties were reportedly imposed by Brazil and Chile when goods erroneously shipped to those countries were re-exported. Brazil was singled out for a complaint on unreasonable penalties for typographical and insignificant invoice errors. Importers also complained of delays by U.S. Customs in answering advance inquiries about duty rates for specific products, delays in completing appraisement of merchandise and duplication of requests for information at different ports of entry.

Restrictive business practices.--A number of business practices in Europe and Japan are considered by U.S. businessmen as hindrances to trade. Dual pricing systems where the same products are sold at lower prices in export markets than in the protected home markets were reportedly in effect in France, West Germany, Italy, Japan, Sweden, Switzerland and the

United Kingdom. The existence of cartels to promote exports was mentioned as a barrier in West Germany, Japan and the United Kingdom. One industry association expressed the opinion that private arrangements were in effect limiting Japanese exports to European countries.

Discriminatory credit restrictions.--Credit restrictions which hamper international trade were reported for several countries. Two associations of U.S. producers of nonelectrical equipment criticized the "standard method of settlement" used in Japan. A U.S. company indicated that its export operations were hampered by an AID regulation which allows loans to less developed countries only when over 50 percent of the products purchased therewith are of U.S. origin. Complaints were also made on limits on U.S. Export-Import Bank financing to Eastern European countries. Another U.S. company reported that its subsidiaries in the European Community were not able to borrow money at the favorable rates available to European Community corporations and that banking services were better for Community companies than for U.S. firms operating in the European Community. A U.S. trade association complained that Portugal does not permit interest on import financing loans to be paid in dollars. This trade association also mentioned that the governments of Argentina and the Philippines control the letters of credit necessary to import anything into those countries. One U.S. producer complained that the prohibition against local retail financing in Argentina limited his ability to sell in that market.

Investment controls.--A number of U.S. trade associations object to Japanese controls on foreign investment. Particular emphasis was placed on restrictions against the establishment of sales and service branches for electronic data processing equipment. A complaint was also made against United States controls on foreign direct investment by American firms.

Exchange controls.--Exchange restrictions were notified for the following countries: Greece, India, Pakistan, the Philippines, Spain, Turkey, Brazil, Argentina, Japan, the United Kingdom, the EC and Yugoslavia. A 180-day delay in converting local currency to dollars was reportedly in effect in the Philippines. In India a company's imports for marketing purposes are, according to a U.S. trade association, limited to its ability to earn the foreign exchange necessary to pay for them. It was also reported that Chile, Colombia, Taiwan and Japan control profit and/or royalty remittances of branches and subsidiaries of U.S. firms operating within their borders.

Border tax adjustments.--Many U.S. producers felt that their sales in all countries of the European Community plus Portugal, Switzerland, Austria, Japan, Denmark, Finland, Norway, and Sweden were hindered by border adjustments for indirect taxes. Complaints were received about adjustments for sales taxes, value added taxes and cascade taxes.

Shipping practices.--A number of complaints were received from exporters of nonelectrical machinery alleging freight rate discrimination against their exports. Exporters indicated that freight rates for exactly the same products were higher from the United States to foreign ports than

from those ports to the United States. Italy was the only country specifically mentioned in this regard. One U.S. producer felt that high internal transportation charges in the United States and expensive port charges at U.S. ports limited the company's export possibilities.

Local content requirements.--A U.S. producer of steam-generating equipment complained that Argentina requires that 50 percent of fossil fueled steam-generating equipment be produced locally. India, according to a U.S. trade association, insists that manufacturing, research and other functions related to the production of business equipment to be sold in India be carried out in India.

Miscellaneous practices.--The prior import deposit requirements of several IDC's drew complaints from numerous exporters, as did port and statistical taxes, stamp taxes, special import taxes and "equalization" taxes applied in a substantial number of countries, and a "compensatory tax" temporarily levied by the European Community.

In the Commission's survey, respondents were requested to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected products would show a "small," "moderate," or "significant" increase if the barrier were removed and, if possible, to estimate a dollar value for the increase. The fact that only a few respondents in a sector as large and important as nonelectrical machinery gave such assessments illustrates the difficulties encountered in measuring the actual impact or significance of the vast majority of governmental policies and nontariff measures which businessmen feel adversely affect their competitive position in trade. Of the assessments

received, a minor number estimated only a "small" trade increase would occur if the barriers were removed, and the remainder were about equally divided between "moderate" and "significant." Most respondents submitting such estimates reported their products faced multiple obstacles in trade, both in a single country and among several countries, and the estimates represented the cumulative effect of removal of all barriers impinging on the product. Estimates as high as \$2 million annually were given by companies for the expected increase in their trade in a product or a group of closely related products. The estimated dollar value increases most frequently characterized as "moderate" were equivalent to 10 to 50 percent of present trade. The relatively small number of dollar value estimates received in the nonelectrical machinery area totaled \$21 million.

Power-Generating Machinery

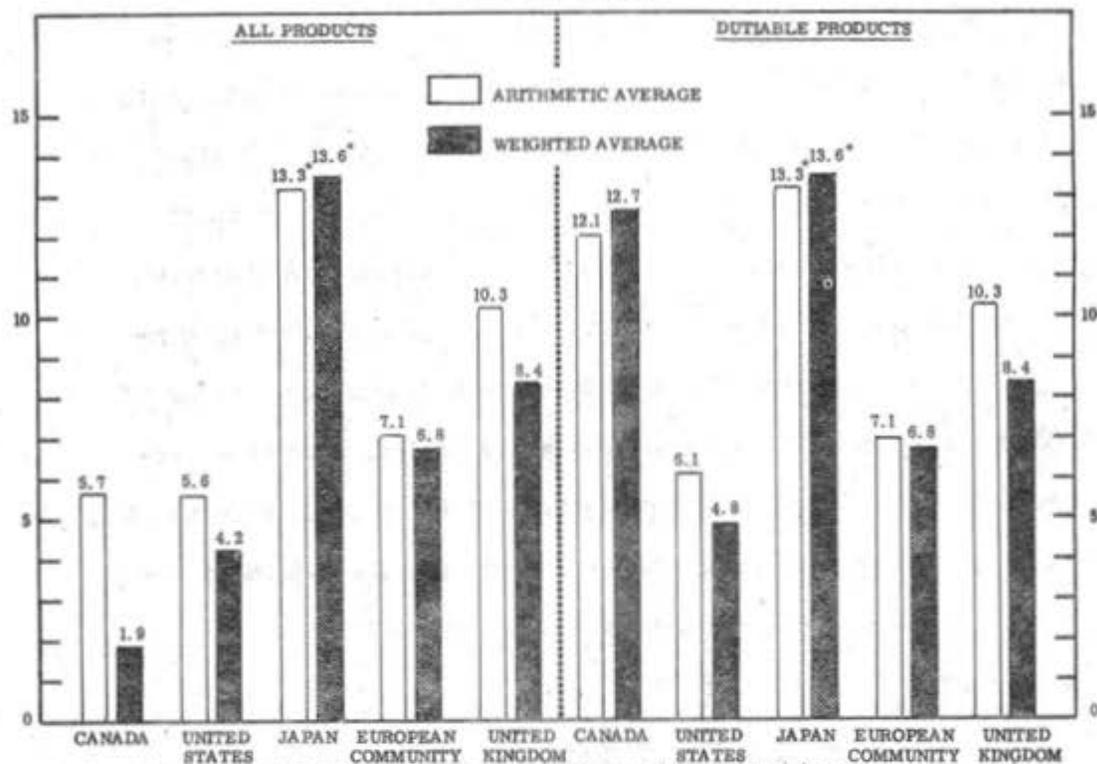
Power-generating machinery includes internal combustion engines, aircraft engines, steam power units, steam boilers, and gas generators. ^{1/}

MFN tariffs

Among the five major countries, the United States and Canada have the lowest arithmetic tariff averages (5.6 and 5.7 percent ad valorem respectively) for total MFN imports of power-generating machinery, but Canada's weighted average (1.9 percent) is less than half the U.S. level. The

^{1/} For specific coverage of this subsector see BTN headings 84.01-.08.

Chart I-1-E. -- Average MFN tariff rates on power-generating machinery
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1973 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

very low Canadian weighted average reflects the high portion (85 percent) of Canada's imports which are duty free on an MFN basis. The duty-free Canadian imports are largely automobile engines, shipped under the U.S.-Canadian Automotive Products Agreement. Such shipments into the United States are duty free on a preferential, rather than MFN, basis. If Canadian automotive products were also included in the U.S. weighted average, it would be only slightly above the Canadian. Japan has the highest total trade averages (13.3 percent ad valorem for the arithmetic and 13.6 percent for the weighted). Except for Canada, with her substantial

MFN duty-free entries, the tariff averages for dutiable imports alone are not significantly higher than the averages calculated for total MFN imports for any of the major countries (see chart I-1-E).

Virtually all imports into Canada and Japan and shipments into the Community from external countries are accorded MFN treatment. Thirty-seven percent of U.S. imports are given preferential duty-free treatment under the U.S.-Canadian Automotive Products Agreement. One-fourth of the United Kingdom's imports receive preferential treatment under the Commonwealth and EFTA agreements.

United States and Canadian MFN tariff provisions are chiefly under 5 percent ad valorem; those for the Community and the United Kingdom are principally in the 5.1-10 percent ad valorem bracket, and the Japanese principally in the 10.1-15 percent bracket (see table I-1-E). In terms of MFN imports of power-generating machinery, 85 percent of shipments into

Table I-1-E.--Distribution, by duty level, of MFN tariff provisions for power-generating machinery

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	52.4	8.7	-	-	-
0.1-5.0 percent----	2.9	56.5	-	20.6	-
5.1-10.0 percent---	18.5	30.3	34.9	61.9	75.0
10.1-15.0 percent--	17.5	-	58.1	17.1	16.6
15.1-20.0 percent--	8.7	4.3	2.3	-	8.3
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	4.7	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canada are duty free; 82 percent of United States entries are assessed rates from 3 to 5 percent ad valorem; three-fourths of Japan's imports are in the 10.1-15 percent ad valorem bracket (see table I-1-F).

Table I-1-F.--Distribution, by duty level, of MFN imports of power-generating machinery

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	85.4	12.7	-	-	-
0.1-5.0 percent----	.2	81.6	-	39.5	-
5.1-10.0 percent---	4.4	5.7	23.2	45.4	87.2
10.1-15.0 percent--	9.7	-	75.2	15.1	12.8
15.1-20.0 percent--	.2	-	.3	-	-
20.1-25.0 percent--	-	-	1.3	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

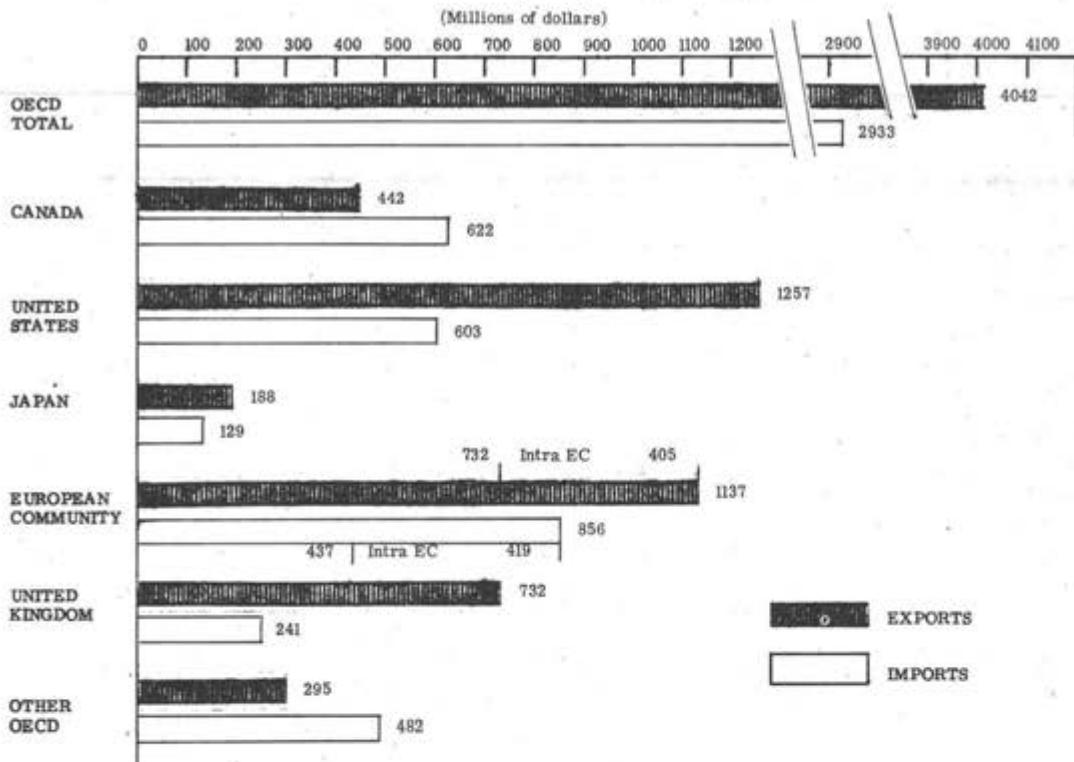
Note.--Due to rounding, figures may not add to 100 percent.

Canada exhibits the most complex tariff schedule for power-generating machinery, with 103 tariff lines; the United Kingdom has the simplest, only 12 lines. Schedules for Japan have 43 lines; for the EC, 29 lines; and for the United States, 23 lines.

Trade importance

Power-generating machinery accounts for about 15 percent of OECD trade in nonelectrical machinery. OECD exports totaled \$4 billion in 1969, imports were \$2.9 billion (chart I-1-F). Among the 119 industrial subsectors, power-generating machinery ranks ninth in value of aggregate imports of the GATT tariff study countries. For Canada it is the second most important subsector in imports. For the United States, the rank is 13.

Chart I-1-F. -- OECD trade in power-generating machinery, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

United States imports amounted to \$603 million in 1969, and increased to \$953 million in 1971. Internal combustion piston engines are the most important type of power-generating machinery in imports of the United States, Canada, and the Community. These engines are also the most important item in the broader category of nonelectrical machinery. United States imports of internal combustion engines are valued at \$531 million, Canadian imports at \$493 million, and Community imports at \$193 million.

Trade network

The five major countries account for over 90 percent of OECD exports and about 84 percent of imports (tables I-1-G and H). The largest supplier to the world is the United States, accounting for about one-fourth of OECD exports, followed by the EC and the United Kingdom. The principal importing countries (excluding intra-EC imports) are Canada and the United States, followed by the Community. Japan is, of the five, the least important both as an importer and an exporter of power-generating machinery. Non-OECD countries receive almost half of EC external exports, and one-third of exports by the United States and the United Kingdom. The remainder of U.S. exports go chiefly to Canada (29.5 percent) and the EC (14.5 percent). Over half of U.S. imports come from Canada, about one-fourth from the United Kingdom, and about one-tenth from the Community.

Table I-1-G.--OECD exports of power-generating machinery, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,042	442	1,257	188	<u>1/</u> 1,137	723	295
OECD total-----	2,702	399	795	42	788	461	217
Canada-----	466	-	371	2	26	41	26
United States---	674	381	-	33	74	170	16
Japan-----	121	X	98	-	3	18	2
European Community-----	<u>1/</u> 814	5	182	3	405	167	52
United Kingdom--	136	7	49	1	60	-	19
Other OECD-----	491	6	95	3	220	65	102
Non-OECD total----	1,287	42	412	146	349	260	78
IDC's-----	1,039	26	349	132	283	187	62

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-1-H.--OECD imports of power-generating machinery, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,933	622	603	129	<u>1/</u> 856	241	482
OECD total-----	2,872	622	597	128	844	210	471
Canada-----	356	-	342	X	4	8	2
United States---	975	536	-	103	164	70	102
Japan-----	42	3	32	-	3	2	2
European Community----	<u>1/</u> 822	25	70	3	419	102	203
United Kingdom--	451	35	141	20	177	-	78
Other OECD-----	226	23	12	2	77	28	84
Non-OECD total----	61	X	7	1	12	31	10
LDC's-----	44	X	6	1	9	28	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Intra-EC shipments are only slightly less than EC receipts from outside sources, about 40 percent of which are supplied by the United Kingdom and a somewhat smaller amount by the United States. The United States is the principal supplier of imports by Canada and Japan. Among the five countries, the largest volume of two-way trade flows between the United States and Canada, reflecting the importance of the Automotive Products Agreement in force between the two countries. (For a fuller discussion of the U.S.-Canadian Automotive Products Agreement, see the sector on transport equipment.)

Trade flows among the five countries are generally in the direction of countries having lower tariffs. The principal importers, Canada and

the United States, have low tariff averages compared with Japan, which has the highest averages and is the least important importer. Intra-EC shipments, which move duty free, are very large. Imports into the Community from outside sources are just below MFN imports into the United States, while average tariff levels for the EC range just above the average levels for the United States.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, except Japan, average tariff levels for power-generating machinery are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Japan, in November 1972, made unilateral 20 percent reductions in all of its rates on power-generating machinery, thereby reducing the Japanese average level to about 11 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	33.2	4.2
European Community	14.3	6.8
United Kingdom	21.7	8.4
Japan	15.6	13.6
Canada	22.8	5.7

All MFN provisions for power-generating machinery in the tariff schedules of the United States, the European Community, and the United Kingdom have been the subject of GATT concessions. In the Canadian schedule, only 66 percent of the provisions, covering 32 percent of MFN imports, have GATT concessions; and in the Japanese schedule, between 60 and 70 percent of the provisions, covering 93 to 97 percent of MFN imports. All of the EC member state national tariffs prior to adoption of the Common

External Tariff contained concessions under the GATT. Of 155 concessions in the national tariffs, 93 were at rates above the CXT autonomous rates, 9 at the CXT rate, and 53 below the CXT rate.

Tariffs on internal combustion piston engines, the largest trade item in this subsector, have been reduced in trade-agreement concessions by all five major countries (see table I-1-I). About 46 percent of U.S. imports in 1970 were products of Canada duty free under the preferential Automotive Products Agreement. Reductions in U.S. MFN rates ranged from about 86

Table I-1-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on internal combustion piston engines and parts

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free 10%-35% 35%	Free 3%-10% 10%	Free ^{2/} Free ^{5/} ^{3/} 5%	{660.40 {660.42, .44, .50, {.52, .54 {680.70 (pt.)
Canada-----	27.5% 27.5%	17.5% 7.5%	12.5% ^{4/} 7.5% ^{4/}	{43824-1 {43825-1; 43826-1
European Community--	10%-22%	10%-22%	4%-11% ^{5/}	84.06
United Kingdom-----	20%	22%, 24%	7.5%; 14%	84.06
Japan-----	15%-30%	15%-30%	7.5%-15%; 30%	84.061; 84.062

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About 5 percent of U.S. imports in 1970 represented engines for tractors or other agricultural machinery statutorily duty free.

^{3/} Over 99 percent of U.S. imports not a product of Canada are dutiable at 4 percent or 5 percent ad valorem. Products of Canada covered by the Automotive Products Agreement, representing 46 percent of U.S. imports, are preferentially free of duty.

^{4/} Duty-free treatment is accorded to imports from the United States covered by the Automotive Products Agreement and entered by qualified Canadian automotive producers.

^{5/} Duties are suspended on engines and engine parts for aircraft imported duty free or built within the EC.

Note.--Average MFN tariffs on all internal combustion engines and parts are:

	Arithmetic	Weighted
United States-----	3.3	3.4
Canada-----	5.1	1.3
EC-----	8.4	8.3
United Kingdom-----	10.8	10.1
Japan-----	14.4	11.1

percent to 100 percent 1/ below statutory levels. Canadian imports of automotive engines by companies meeting certain criteria are free of duty under the Automotive Products Agreements. For all other shipments of internal combustion engines into Canada, reductions in Canadian tariffs from statutory levels amount to 54 percent, or 73 percent.

The Community's autonomous rates have been reduced by amounts ranging from 15 percent to 61 percent. (The EC duty on engines to be fitted in aircraft imported duty free or built within the Community has been temporarily suspended for the past several years.) The United Kingdom rate has been reduced by 30 percent. Japanese tariffs on engines and parts of engines for motor vehicles and aircraft, which account for about 30 percent of the value of Japanese imports of power-generating machinery, have not been reduced by trade concessions; however the Japanese rates on other internal combustion engines have been cut by 50 percent. In 1972, Japan unilaterally reduced its rates on power-generating machinery by 20 percent.

1/ One tariff class covering parts and accounting for an insignificant portion of total imports became duty free from the pre-Kennedy Round rate of 3 percent ad valorem.

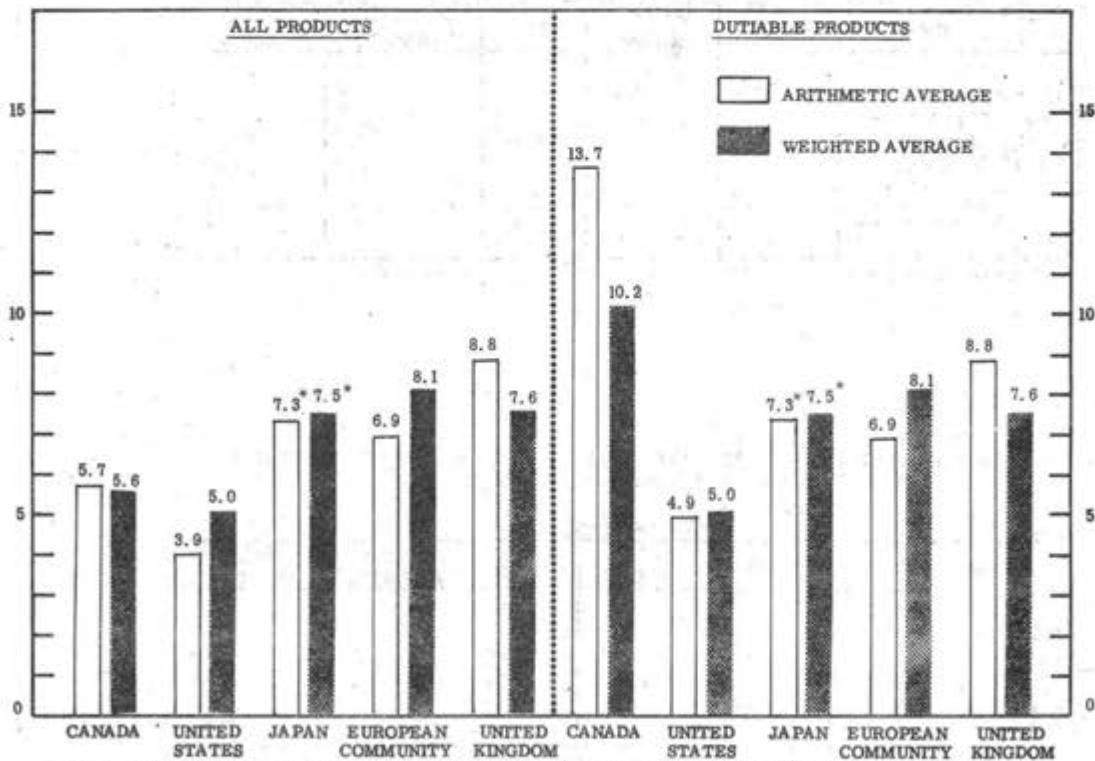
Construction and Mining Machinery and Handling Equipment

Construction and mining machinery and handling equipment includes excavating, levelling, boring, and extracting machines; road-building equipment; cranes; fork-lift trucks and other lifting and loading machinery; and conveyors. ^{1/}

MFN tariffs

There are less than 5 percentage points difference among the five major country MFN average tariffs for total imports of construction and mining machinery and handling equipment. The averages range from 3.9 percent

Chart I-1-G. -- Average MFN tariff rates on construction, mining, and handling equipment
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 84.09, 84.22-.23, 87.07.

ad valorem for the United States to 8.8 percent for the United Kingdom. MFN duty-free provisions are significant only in the Canadian tariff, with the consequence that the dutiable product averages for Canada are about twice the Canadian averages for all products (see chart I-1-G).

The United States has no rates higher than 5 percent. Most provisions in tariffs of Japan, the Community, and the United Kingdom are in the range of 5.1-10 percent ad valorem; and although over half of the

Table I-1-J.--Distribution, by duty level, of MFN tariff provisions for construction, mining and handling equipment

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	58.6	20.0	-	-	-
0.1-5.0 percent----	-	80.0	20.0	23.6	-
5.1-10.0 percent---	14.3	-	80.0	70.7	80.0
10.1-15.0 percent--	14.3	-	-	5.9	20.0
15.1-20.0 percent--	12.9	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-1-K.--Distribution, by duty level, of MFN imports of construction, mining and handling equipment

(In percent)

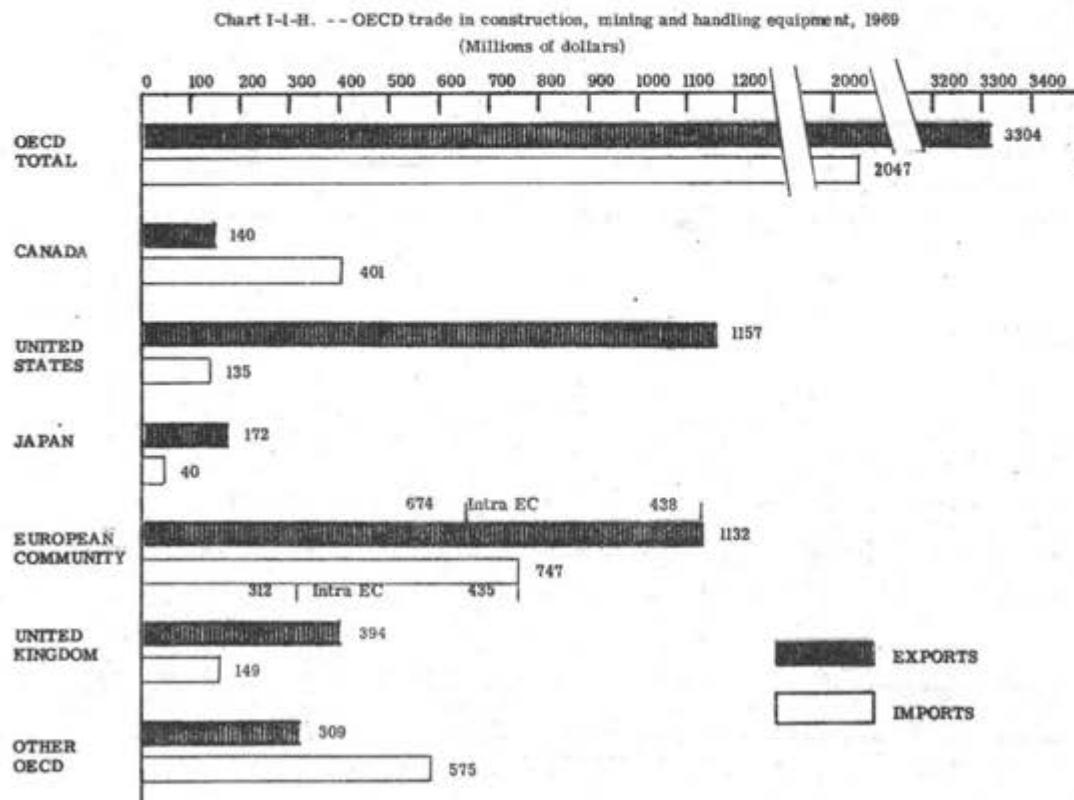
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	45.0	-	-	-	-
0.1-5.0 percent----	-	100.0	1.5	5.6	-
5.1-10.0 percent---	47.0	-	98.6	56.7	99.8
10.1-15.0 percent--	4.6	-	-	37.9	.2
15.1-20.0 percent--	3.3	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canadian provisions are duty free, Canada's duties go as high as 20 percent (table I-1-J). For each of the major countries except the United States, the largest percentage of imports enter in the 5.1-10 percent rate range. Over one-third of the Community's imports pay a duty of 11 percent (table I-1-K).

Trade importance

The construction, mining, and handling equipment subsector is the second most important category of nonelectrical machinery exported by OECD countries, and the third largest in value of OECD imports. OECD 1969 exports totaled \$3.3 billion; imports were \$2 billion (chart I-1-H). In U.S. exports, this equipment (\$1.2 billion in 1969) is also the



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

second largest category of nonelectrical machinery, but is outranked by five other types of machinery in U.S. imports, which in 1971 were valued at \$152 million. Among the 119 industrial subsectors, construction, mining and handling equipment ranks 25th in value of total imports by the GATT tariff study countries, but is much less important in U.S. imports, ranking 65th in value.

Trade network

The United States is by far the largest exporter, shipping \$1.2 billion in 1969. Two-fifths of U.S. shipments go to LDC's; about one-fourth to Canada, and 14 percent to the European Community. Total EC exports were \$694 million to outside countries, and \$438 million to other

Table I-1-L.--OECD exports of construction, mining, and handling equipment, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,304	140	1,157	172	<u>1/</u> 1,132	394	309
OECD total-----	1,953	111	569	45	799	206	223
Canada-----	308	-	271	5	8	15	9
United States---	192	103	-	17	44	9	19
Japan-----	44	1	29	-	6	3	5
European Community-----	<u>1/</u> 763	3	162	12	438	75	73
United Kingdom--	109	2	37	3	43	-	24
Other OECD-----	537	2	70	8	260	104	93
Non-OECD total----	1,351	29	587	126	333	189	87
LDC's-----	1,032	21	483	103	252	123	50

1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

members of the Community. Among the five major countries, Canada is the largest importer, followed by the Community, where intra-EC shipments exceed imports from outside countries. Transatlantic trade between developed countries is relatively small. Japan accounts for less than 5 percent of OECD trade in this equipment (see tables I-1-L and M).

Table I-1-M.--OECD imports of construction, mining, and handling equipment, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,047	401	135	40	<u>1/</u> 747	149	575
OECD total-----	2,027	400	131	40	741	146	569
Canada-----	49	-	44	1	2	2	X
United States---	679	358	-	25	148	56	92
Japan-----	42	6	16	-	12	3	5
European Community-----	<u>1/</u> 817	10	42	8	435	57	265
United Kingdom--	223	16	13	3	80	-	111
Other OECD-----	217	10	16	3	64	28	96
Non-OECD total----	21	X	3	X	6	4	8
LDC's-----	5	X	1	X	2	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Reductions in average duty levels on construction, mining and handling equipment made by the five major countries since their pre-trade-agreement base dates are shown below. The reductions reflect principally trade-agreement concessions. Prior to adoption of the Community's CXT, 95 GATT concessions had been made in member state national tariffs; 51 of the concessions were at rates higher than the new CXT rate. Japan's tariff rates in this subsector were unilaterally reduced in November 1972, and

calculations based on the new lower level would show an average of about 6 percent ad valorem for Japan.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	35.0	5.0
European Community	14.4	8.1
United Kingdom	20.0	7.6
Japan	15.0	7.5
Canada	17.7	5.7

Of the five major countries, only Canada has not made GATT concessions on all MFN tariff provisions for this equipment. GATT concessions cover between 51 and 57 percent of the Canadian provisions and about 66 percent of Canadian imports. Specific reductions are shown in table I-1-N for excavating, levelling, boring, and extracting machinery and in table I-1-O for lifting, handling, and loading machinery, and conveyors.

Table I-1-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on excavating, levelling, boring, and extracting machinery

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	10%	5%	664.05
Canada-----	20%-30%	10%-22.5%	10%-17.5%	41013-1(pt); 43910-1(pt); 49104-1(pt); 49215-1
	Free	Free	Free	41012-1(pt); 41014-1(pt); 49103-1(pt); 49105-1(pt); 49216-1
European Community--	9%, 14%, 15% 15%	7%, 11%, 12% 15%	3.5%, 5.5%, 11% 7.5%	84.23A 84.23B
United Kingdom-----	20%	10%-17.5%	7.5%	84.23
Japan-----	15%	10%, 15%	5%, 7.5%	84.23

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Table I-1-0.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on lifting, handling, loading and unloading machinery, and conveyors

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	10.5%	5%	664.10
Canada-----	25%	15%	15%	41011-1(pt); 41013-1(pt); 49104-1(pt)
	20%	10%	10%	
European Community--	Free	Free	Free	41014-1(pt); 49102-1(pt); 49105-1(pt)
	8%	8%	4%	84.22A
	14%	11%	5.5%-9%	84.22B and C
United Kingdom-----	14%	14%	5.5%	84.22D
	20%	25%	12.5%	84.22(A)
	20%	8%	7.5%	84.22(B)
Japan-----	20%	12%, 14%	7.5%	84.22(C)
	15%	15%	7.5%	84.22

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Office Machines

Office machines include typewriters, calculating machines, cash registers, ticket-issuing machines, statistical and accounting machines, automatic data processing equipment, and hectograph and stencil duplicating machines. ^{1/}

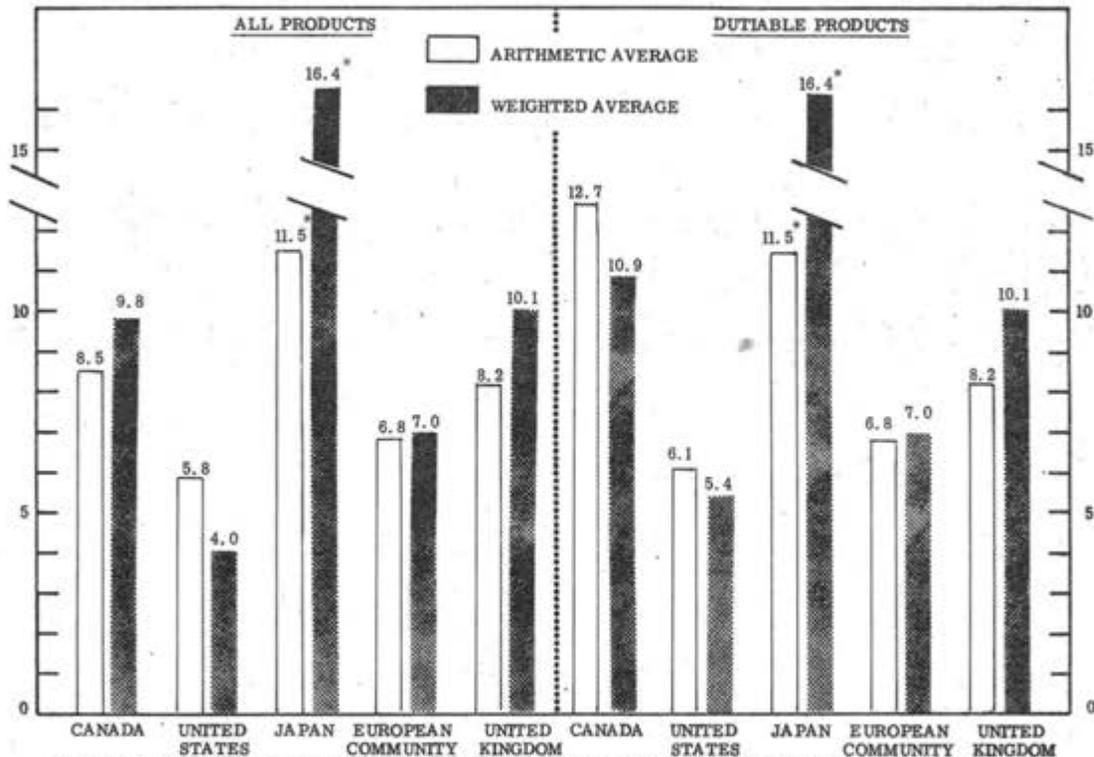
MFN tariffs

Average MFN tariffs on office machines imported into the five major countries range from 4 percent ad valorem (the U.S. weighted average on total imports) to 16.4 percent (the Japanese weighted average prior to

^{1/} For the specific coverage of this subsector see BTN headings 84.51-.55.

the unilateral Japanese reductions made in 1972). Averages for Canada, the Community and the United Kingdom on total trade are clustered between 6.8 and 10.1 percent ad valorem. The dutiable-product averages however are higher for Canada (arithmetic, 12.7 percent; weighted, 10.9 percent) (see chart I-1-I).

Chart I-1-I. -- Average MFN tariff rates on office machines
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

All imports by the United States and Japan, and shipments into the Community from external countries, are on an MFN basis; 95 percent of Canada's imports and 92 percent of imports by the United Kingdom also receive MFN treatment.

Canada and the United States have duty-free provisions for office machines; there are none in the tariffs of Japan, the Community and the United Kingdom. The larger part of the provisions of all the major countries except Canada are in the 5.1-10 percent ad valorem range (table I-1-P). About one-third of Canada's provisions are duty free and another third in the 5.1-10 percent range. The United States, Japan, the

Table I-1-P.--Distribution, by duty level, of MFN tariff provisions for office machines

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	33.3	5.0	-	-	-
0.1-5.0 percent----	2.6	35.0	5.6	15.4	33.3
5.1-10.0 percent---	33.4	55.0	58.3	69.3	41.7
10.1-15.0 percent--	5.2	5.0	22.2	15.4	25.0
15.1-20.0 percent--	25.6	-	-	-	-
20.1-25.0 percent--	-	-	13.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-1-Q.--Distribution, by duty level, of MFN imports of office machines

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	10.7	27.1	-	-	-
0.1-5.0 percent----	.3	35.9	1.6	10.6	4.5
5.1-10.0 percent---	71.5	36.3	25.8	76.9	53.4
10.1-15.0 percent--	5.6	.7	37.3	12.5	42.1
15.1-20.0 percent--	11.9	-	-	-	-
20.1-25.0 percent--	-	-	35.3	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Community and the United Kingdom do not have tariffs above 15 percent ad valorem. One-fourth of Canada's tariff provisions are in the range of 15.1-20 percent; and about 14 percent of Japan's tariffs (prior to the 1972 unilateral reductions) are in the range of 20.1-25 percent.

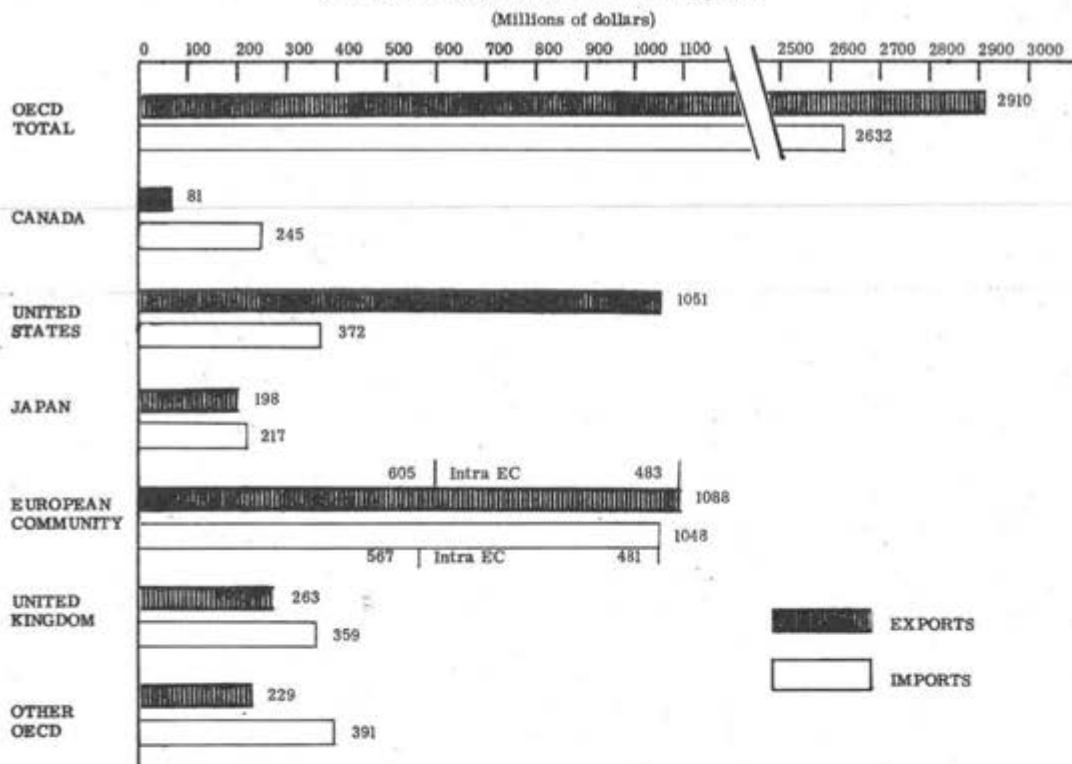
In terms of imports, 27 percent of U.S. entries are duty free and an additional 36 percent enter at rates of 5 percent ad valorem or less. About three-fourths of Canadian and Community imports and slightly more than half of United Kingdom imports enter in the 5.1-10 percent ad valorem bracket. Thirty-five percent of Japan's imports are in the 20.1-25 percent bracket (see table I-1-Q).

Canada and Japan exhibit the most complex tariff structures for office machines with 39 and 36 lines, respectively. Schedules for the United States have 20 lines; the European Community, 13 lines; and the United Kingdom, 12 lines.

Trade importance

OECD exports of office machines totaled \$2.9 billion in 1969, about 10 percent of OECD export trade in all nonelectrical machinery. Imports were \$2.6 billion, or about 14 percent of total import trade in the non-electrical machinery sector (chart I-1-J). This is the second largest category of OECD imports of nonelectrical machinery, and ranks 12th in value of imports among the 119 industrial product categories. United States exports in 1969 were just over \$1 billion, when imports were valued at \$372 million. United States imports in 1971 were valued at \$327 million. In MFN imports of the other countries, office machines are the 3rd

Chart I-1-J. -- OECD trade in office machines, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

largest, among the 119 industrial categories, for the United Kingdom, 8th for Canada, 10th for Japan, and 13th for the Community.

Trade network

The five major countries account for over 90 percent of exports and about 85 percent of imports. The United States, the largest exporter, is the origin of over one-third of OECD export shipments. The European Community is the largest importer, with entries from outside sources valued at \$567 million (intra-EC imports were an additional \$481 million). The United States ships over one-third of its exports to the Community, and

amounts ranging from 12 to 17 percent of the total go to Canada, the United Kingdom, the LDC's as a group, and Japan (see table I-1-R). The United States supplies half of the United Kingdom's imports, over 60 percent of Japan's, a like portion of the Community's entries from outside countries, and over 80 percent of entries into Canada (table I-1-S). Canada, Japan, and the United Kingdom are net importers of office machines; the United States and the Community are net exporters.

Within the category of office machines, of greatest importance in terms of value of U.S. imports are BTN headings 84.51, typewriters, and 84.52, calculating machines, accounting machines, cash registers, ticket-issuing machines, and similar machines incorporating a calculating device. Imports of both of these categories have been increasing and reached \$88

Table I-1-R.--OECD exports of office machines, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,910	81	1,051	198	^{1/} 1,088	263	229
OECD total-----	2,406	75	863	164	928	187	189
Canada-----	213	-	177	8	12	11	5
United States---	355	57	-	95	138	31	34
Japan-----	183	4	121	-	34	12	12
European Community----	^{1/} 1,049	5	340	42	483	93	86
United Kingdom--	283	7	150	7	100	-	19
Other OECD-----	323	2	75	12	161	40	33
Non-OECD total----	504	6	188	35	160	77	38
LDC's-----	328	5	139	21	106	34	23

^{1/} Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-1-S.--OECD imports of office machines, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,632	245	372	217	<u>1/</u> 1,048	359	391
OECD total-----	2,565	245	334	215	1,031	353	387
Canada-----	70	-	48	7	5	8	2
United States---	936	205	-	133	323	178	97
Japan-----	140	7	86	-	28	6	13
European Community-----	<u>1/</u> 1,015	17	135	49	481	136	197
United Kingdom--	199	11	32	13	100	-	43
Other OECD-----	205	5	33	13	94	25	35
Non-OECD total----	67	1	38	2	17	5	4
LDC's-----	55	X	38	1	12	3	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

million in typewriters and \$214 million in calculating and accounting machines in 1971. The United States is a net importer of typewriters. A probable factor in this negative balance is the recent merging of principal American producers with firms in the European Community. The United States is a net exporter in accounting, calculating and similar machines on the whole, but shows small deficits in its balance of trade in this equipment with the European Community and Japan.

Tariffs appear to affect, at least to some extent, the direction of trade flows of office machines as a whole. The European Community, the principal importer, has relatively low tariff averages (but not the lowest), while Japan, the least significant importer of the five major countries, has the highest tariff averages. The important trade flows in accounting and

calculating machines and in typewriters among the five major countries show a direction toward the market having the lower tariff averages. Trade between the Community and the United States in accounting and calculating machines totals \$91 million, with a net deficit of \$25 million for the United States. The direction of flow is toward the United States, where averages of 5.4 (arithmetic) and 5.3 (weighted) percent ad valorem prevail, compared to 7.6 and 8.5 percent for the Community. Similarly, in the case of the greatest amount of two-way trade in typewriters, the EC sells about \$20 million more of typewriters to the United States than it purchases there. The direction of flow is toward the United States, having tariff averages for typewriters of 3.2 and 0 percent ad valorem, compared to 5.8 and 6.5 percent for the Community.

Trade-agreement concessions

Except for Japan, average tariffs of the major countries on January 1, 1972 were significantly lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest drop, almost 26 percentage points, was in the U.S. tariff. GATT concessions cover all U.S., EC, and United Kingdom MFN provisions; 69 percent of Canada's provisions (89 percent of imports); and 86 percent of Japan's provisions (but only 65 percent of imports).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	29.6	4.0
European Community	12.1	7.0
United Kingdom	20.0	10.1
Japan	14.9	16.4
Canada	21.1	8.5

Eighty-seven GATT concessions were made in EC member state national tariffs prior to adoption of the Common External Tariff, and 57 of these were at rates higher than the new CXT rate. Japan's average at the beginning of 1972 was slightly higher than its 1954 level, reflecting chiefly the higher protective duties imposed in the interim on computers and certain other automatic data processing equipment. The Japanese average level calculated from rates in effect after the unilateral reductions made in 1972 would be slightly below the level on the pre-trade-agreement base date.

All of the countries under study have granted some concessions on their tariffs dealing with calculating and accounting machines (table I-1-T), and on typewriters and parts (table I-1-U). For calculators,

Table I-1-T.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on calculating and accounting machines

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	10.5%	5%	676.20
Canada-----	25%	10%	10%	41415-1
European Community--	14%; 11%	14%; 11%	14%; 5.5% ^{2/}	84.52AI & II
United Kingdom-----	20%	14%	14%; 7.5% ^{2/}	84.52(B) & (C)
Japan-----	15%	15%	15% ^{3/}	84.521(1)
	15%	15%	7.5%	84.521(2)
	15%	15%	15%; 7.5% ^{4/}	ex 84.522
	20%; 15% ^{5/}	15%	7.5%	ex 84.425

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Electronic-type calculating machines were not subject to concessions in the Kennedy Round.

^{3/} This rate on electronic digital computer calculating machines was unilaterally reduced to 13.5 percent ad valorem on April 1, 1972.

^{4/} Electric calculating machines with three rules or more calculating mechanisms, were not subject to concessions in the Kennedy Round.

^{5/} The higher (20 percent) general rate refers to hand-operated calculating machines.

reductions in duties from statutory levels by the United States ranged from 84 to 86 percent. Canada reduced tariffs by 60 percent; the European Community by 50 percent (excluding however electronic calculators); the United Kingdom 30 to 62.5 percent; and Japan 11 to 62 percent (excluding certain electronic calculators).

For typewriters and parts, Canada has made a 20 percent reduction on typewriters and 70 percent on typewriter parts; the EC reductions ranged from 57 to 59 percent; the United Kingdom has reduced rates by 62.5 percent; and Japan by 50 percent except on electric typewriters and typewriters designed to work in connection with digital-type electronic computers. The duty-free status provided by statute in the U.S. tariff for

Table I-1-U.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on typewriters and parts

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free, 35% 45%	Free, 11.5% 19%	Free; 5.5% 9.5%	(676.05, .07 (676.50
Canada-----	25%	7.5%; 20%	7.5%; 20% ^{2/}	41400-1; 41405-1
European Community--	16%; 14%	16%; 14%	6.5%; 6%	84.51; 84.55D
United Kingdom-----	20%	16%; 15% ^{3/} 12%	7.5%	84.51
	20%	16% ^{3/}	7.5% ^{3/}	84.55A
Japan-----	15%	25%; 15%	25%; 15% ^{4/} 7.5%	(84.511(1); (ex 84.511(2) (ex 84.511(2); (ex 84.55

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Rates shown are official MFN rates, presently superseded by temporary rates of 5 percent and 15 percent. Temporary rates are subject to possible renewal in February, 1974.

^{3/} The United Kingdom tariff rate is the greater of a specific or an ad valorem rate; only the latter is listed here.

^{4/} The Japanese tariff on electric typewriters was not reduced in the Kennedy Round.

typewriters not incorporating a calculating device has been bound in the GATT, other typewriters and parts have undergone 79 to 84 percent rate reductions.

Following discussions with the United States in early 1972, Japan reduced its duties on certain types of digital electronic computers from 15 percent to 13-1/3 percent ad valorem, and on peripheral apparatus of digital-type electronic computers from 25 percent to 22-1/2 percent ad valorem.

Textile and Leather Machinery

Textile and leather machinery include spinning, weaving and knitting machines, textile extruding machines, machines for washing, cleaning, dyeing or coating textile yarns, fabrics, and articles, sewing machines and accessories for these and similar machines, and machinery for preparing, tanning or working hides, skins or leather (including boot and shoe machinery). ^{1/}

MFN tariffs

In terms of total MFN imports, the arithmetic and weighted average tariffs of all five of the major countries for textile and leather machinery are within the relatively narrow range of 5.5 to 9.6 percent ad valorem (chart I-1-K). Average tariffs for dutiable products alone do not differ significantly except in the case of Canada, where they increase substantially

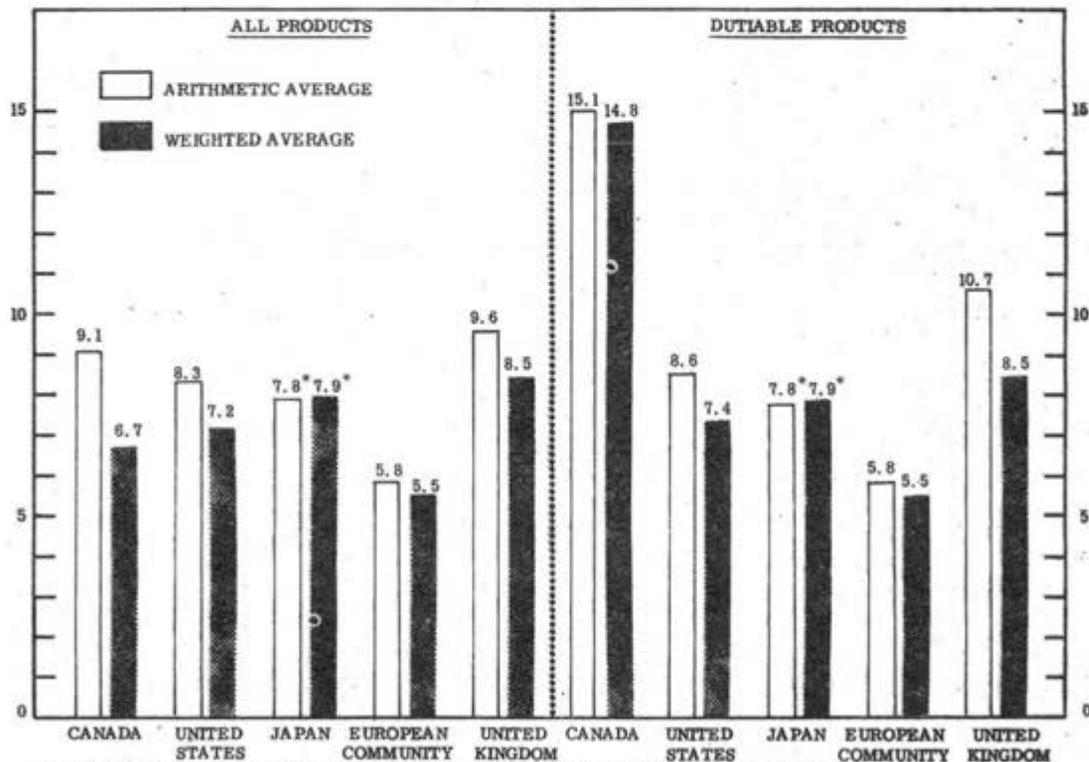
^{1/} For specific coverage of this subsector see BTN headings 84.36-.42.

to 15.1 percent ad valorem for the arithmetic average and 14.8 percent for the weighted. The European Community has the lowest averages.

One-fourth of imports into the United Kingdom and about 6 percent of Canadian imports are accorded preferential tariff treatment. Intra-EC imports exceed EC entries from outside countries, but none of the imports from outside countries receive preferential treatment. There are no preferential imports into either the United States or Japan.

Tariff provisions of the United States cover the widest range, going from free up into the 20.1-25 percent ad valorem bracket. About one-fourth of U.S. rates are between 6 and 7 percent ad valorem. Almost 40 percent

Chart I-1-K. -- Average MFN tariff rates on textile and leather machinery
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

of Canadian tariff provisions are duty free, but about a third are between 17 and 20 percent ad valorem. Half of the Community's rates are at 5 percent ad valorem; Japan and the United Kingdom have their provisions concentrated in the 5.1-10 percent bracket (see table I-1-V). In all five countries, imports of textile and leather machinery are heaviest in the lower rate brackets. Over half of Canada's imports enter duty free and about a third of U.S. imports pay duties of 5 percent or less (see table I-1-W).

Table I-1-V.--Distribution, by duty level, of MFN tariff provisions for textile and leather machinery

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	39.5	3.9	-	-	10.0
0.1-5.0 percent----	2.6	15.7	5.3	56.5	-
5.1-10.0 percent---	18.4	53.0	89.5	39.0	60.0
10.1-15.0 percent--	7.9	19.6	5.3	4.3	10.0
15.1-20.0 percent--	31.6	5.9	-	-	20.0
20.1-25.0 percent--	-	2.0	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-1-W.--Distribution, by duty level, of MFN imports of textile and leather machinery

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	54.9	3.5	-	-	-
0.1-5.0 percent----	.3	33.8	.2	63.9	-
5.1-10.0 percent---	19.2	44.1	94.8	32.7	80.7
10.1-15.0 percent--	5.4	16.6	5.1	3.4	18.1
15.1-20.0 percent--	20.2	1.1	-	-	1.1
Total-----	100.0	100.0	100.0	100.0	100.0

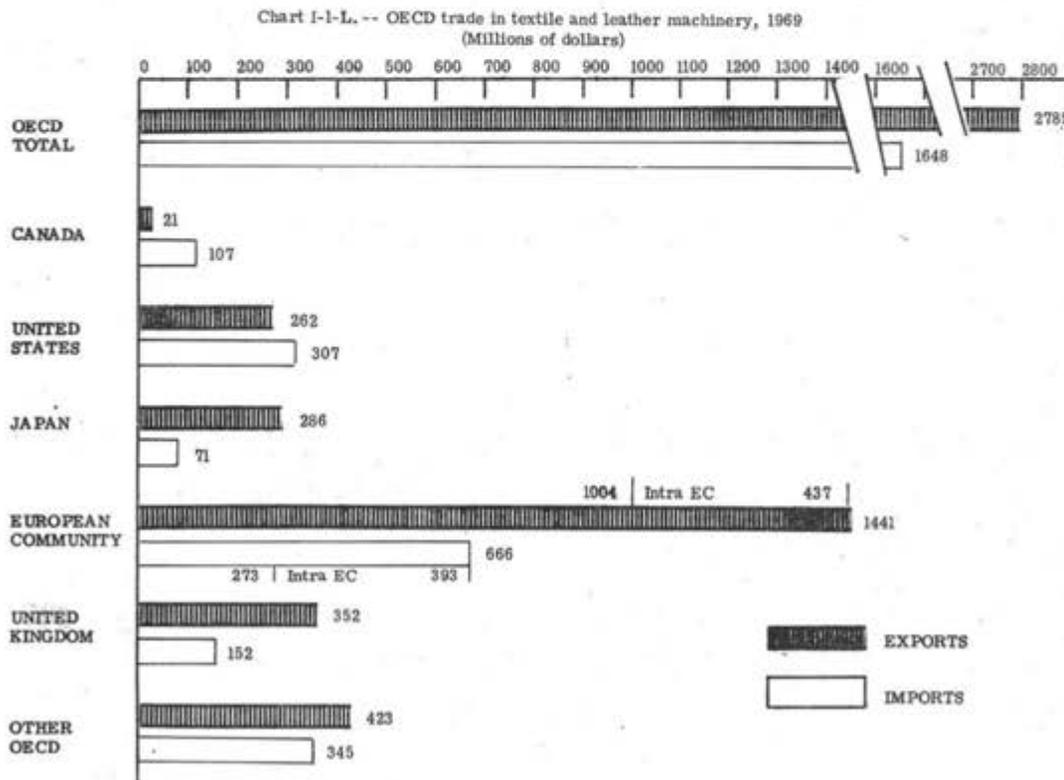
Note.--Due to rounding, figures may not add to 100 percent.

Trade importance

OECD countries exported \$2.8 billion of textile and leather machinery in 1969, and imported \$1.6 billion (chart I-1-L). Accounting for 10 percent of OECD exports of nonelectrical machinery, and only a slightly smaller portion of imports, this is the fourth largest category of nonelectrical machinery in OECD trade. This subsector is the third largest category in U.S. imports, which have increased from \$224 million in 1967 to \$507 million in 1971.

Trade network

The European Community is by far the major exporter of textile and leather machinery, shipping \$1 billion to outside countries, a greater



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

amount than exports of the four other major countries combined. The United Kingdom shipped \$352 million; Japan, \$286 million; and the United States, \$262 million. Excluding intra-EC shipments, almost 60 percent of total OECD exports go to non-OECD countries and the smaller OECD countries (table I-1-X). The United States is the principal importer among the five major countries, followed by the Community (see table I-1-Y). Canada and the United States are net importers in their balances of trade in this machinery, while the EC, Japan and the United Kingdom have significant positive trade balances. Among the five countries, the largest two-way volume of trade is between the European Community and the United States

Table I-1-X.--OECD exports of textile and leather machinery, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,785	21	262	286	1/ 1,441	352	423
OECD total-----	1,648	13	146	107	912	185	285
Canada-----	91	-	51	7	9	19	5
United States---	302	8	-	68	134	39	53
Japan-----	66	X	10	-	39	6	11
European Community-----	1/ 701	2	47	20	437	76	119
United Kingdom--	134	2	22	6	68	-	36
Other OECD-----	354	1	16	6	225	45	61
Non-OECD total----	1,042	5	108	177	467	151	134
LDC's-----	760	3	95	159	312	87	104

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 14 percent of Canadian exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-1-Y.--OECD imports of textile and leather machinery, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,648	107	307	71	1/ 666	152	345
OECD total-----	1,580	103	295	66	641	146	329
Canada-----	10	-	6	X	1	2	1
United States---	152	64	-	9	39	26	14
Japan-----	109	6	69	-	20	5	9
European Community-----	1/ 857	11	133	39	393	73	208
United Kingdom--	179	14	39	5	75	-	46
Other OECD-----	273	8	48	13	113	40	51
Non-OECD total----	20	X	3	1	9	4	3
LDC's-----	6	X	2	X	1	X	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 5 percent of Japanese imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

in yarn-producing machines and knitting machines and parts. The total trade between the two countries in this machinery amounts to \$133 million, and shows a U.S. net deficit of \$77 million.

Trade-agreement concessions

Average tariff levels of all the major countries have been significantly reduced through trade-agreement concessions, as shown in the tabulation below. Japan's tariff has been reduced by slightly less than 50 percent; greater reductions are found in tariffs of the other countries. EC member state national tariffs prior to adoption of the CXT contained 124 GATT concessions on textile and leather machinery, 80 of which were at rates higher than the CXT rate.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	39.2	7.2
European Community	12.2	5.5
United Kingdom	20.1	8.5
Japan	14.7	7.9
Canada	23.2	9.1

Concessions under the GATT cover all MFN tariff provisions on textile and leather machinery in schedules of the United States and the United Kingdom. In the Community's schedule, 96 percent of the provisions and 97 percent of the trade are covered; in Japan's schedule, the coverage is 95 percent (provisions and trade); and in the Canadian schedule the coverage is 84 percent of the MFN provisions and 99 percent of the trade.

Trade-agreement concessions in major country tariffs dealing with machines for producing yarn and knitting machines and knitting machine needles are shown in tables I-1-Z and I-1-AA. On imports of yarn-producing machines, overall reductions since pre-trade-agreement base dates have been as follows: The United States, 82.5 to 87.5 percent; Canada 100 percent; United Kingdom, 62.5 percent; the European Community, 54.5 percent; and Japan, 50 percent. On imports of knitting machines and knitting machine needles, similar reductions are in effect. Overall reductions by the United States ranged from 50 to 85 percent; Canada's were 100 percent; the United Kingdom reduced rates by 49 to 62.5 percent, the EC by 53.8 to 64.2 percent, and Japan by 50 percent.

Table I-1-Z.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on knitting machines and knitting machine needles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40% 42%-63% AVE ^{3/}	12%-16% 28.6%-41.8% AVE	6%-8% ^{2/} 14.3%-20.9% AVE ^{3/, 4/}	{670.16-.20 {670.58-.62
Canada-----	10%	Free ^{5/}	Free	41305-1
European Community--	13% 14%	13% 14%	6% 5%	{84.37B {84.38CI
United Kingdom-----	20% 20%	12.5%; 13%; 20% 40%; 33.3%; 14%	7.5% 20%; 17%; 7.5%	{84.37 {84.38(A); (C); (D)
Japan-----	15%	15%	7.5%	84.372; 84.382

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About three-fourths of U.S. imports in 1970 were dutiable at 6 percent ad valorem, and most of the remainder at 6.5 percent ad valorem.

^{3/} Range of ad valorem equivalents of compound rates of duty of \$1.15, \$1.50, or \$2 per 1,000, plus 40, 50, or 60 percent ad valorem, calculated on 1970 import values.

^{4/} Range of ad valorem equivalents of compound rates of duty of 37¢, 50¢, or 57¢ per 1,000, plus 12.5, 15, or 20 percent ad valorem, calculated on 1970 import values.

^{5/} Bound duty-free under the GATT in 1958.

Table I-1-AA.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on machines for producing yarn

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%; 35%	8%-14.5%	4%-7%	670.00-.12; .90
Canada-----	10%	Free	Free	41305-1
European Community--	11%	11%	5%	84.36B
United Kingdom-----	20%	12%	7.5%	84.36
Japan-----	15%	15%	7.5%	84.36

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

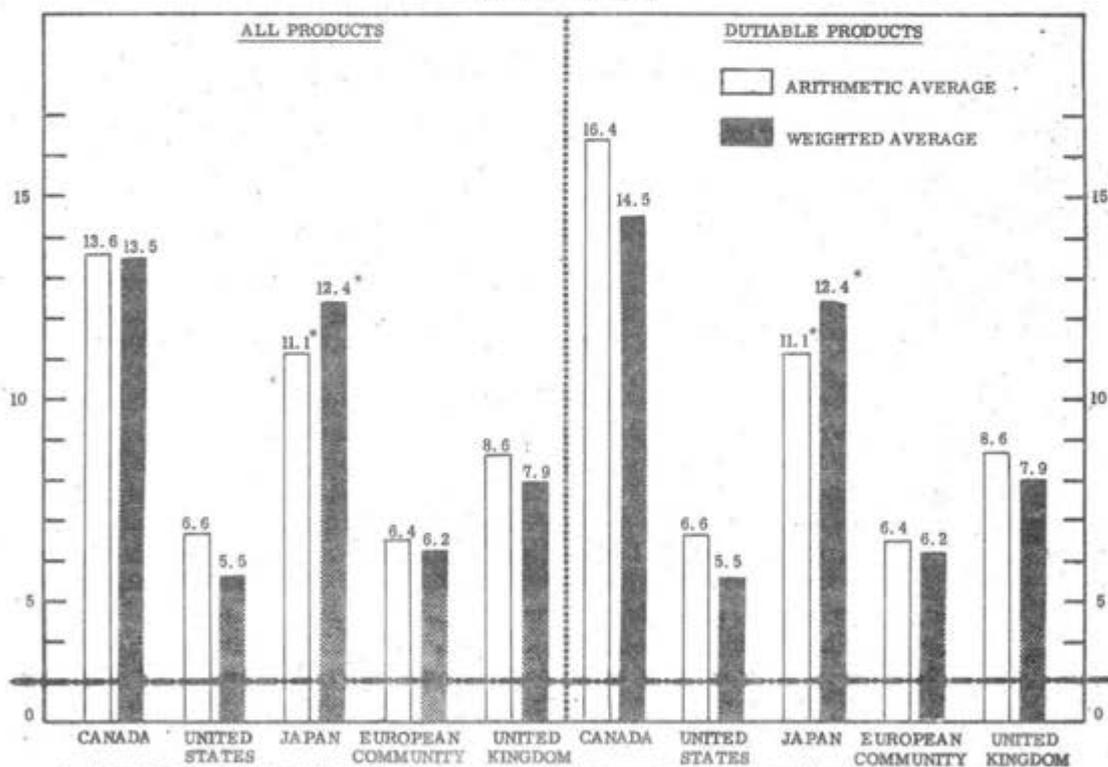
Heating and Cooling Equipment

Heating and cooling equipment include central heating boilers, air heaters, radiators, furnace burners, space heaters, stoves, ranges, and cookers, all of which are nonelectrically operated, plus self-contained air conditioning machines, refrigerators, and refrigerating equipment (including those electrically operated). ^{1/}

MFN tariffs

MFN average tariffs of the five major countries for heating and cooling equipment cover a 10 percentage point range (see chart I-1-M). At the

Chart I-1-M.-- Average MFN tariff rates on heating and cooling equipment
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 73.36-.37 and 84.12-.15.

bottom of the range are tariffs of the United States and the Community with weighted averages of 5.5 and 6.2 percent ad valorem respectively. At the top is Canada, with averages for dutiable products of 14.5 percent (weighted) and 16.4 percent ad valorem (arithmetic).

The major part of tariff provisions for all countries except Canada lie in the 5.1-10 percent ad valorem bracket. Sixty-one percent of Canada's provisions are between 17 and 20 percent ad valorem (table I-1-BB). About 45 percent of Canada's imports pay these higher duties; an equal portion of Canada's imports enter at duties ranging from 5.1 to 10 percent ad

Table I-1-BB.--Distribution, by duty level, of MFN tariff provisions for heating and cooling equipment

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	17.1	-	-	-	-
0.1-5.0 percent----	-	28.6	-	14.3	-
5.1-10.0 percent---	14.6	71.5	54.6	85.8	100.0
10.1-15.0 percent--	7.3	-	45.5	-	-
15.1-20.0 percent--	61.0	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-1-CC.--Distribution, by duty level, of MFN imports of heating and cooling equipment

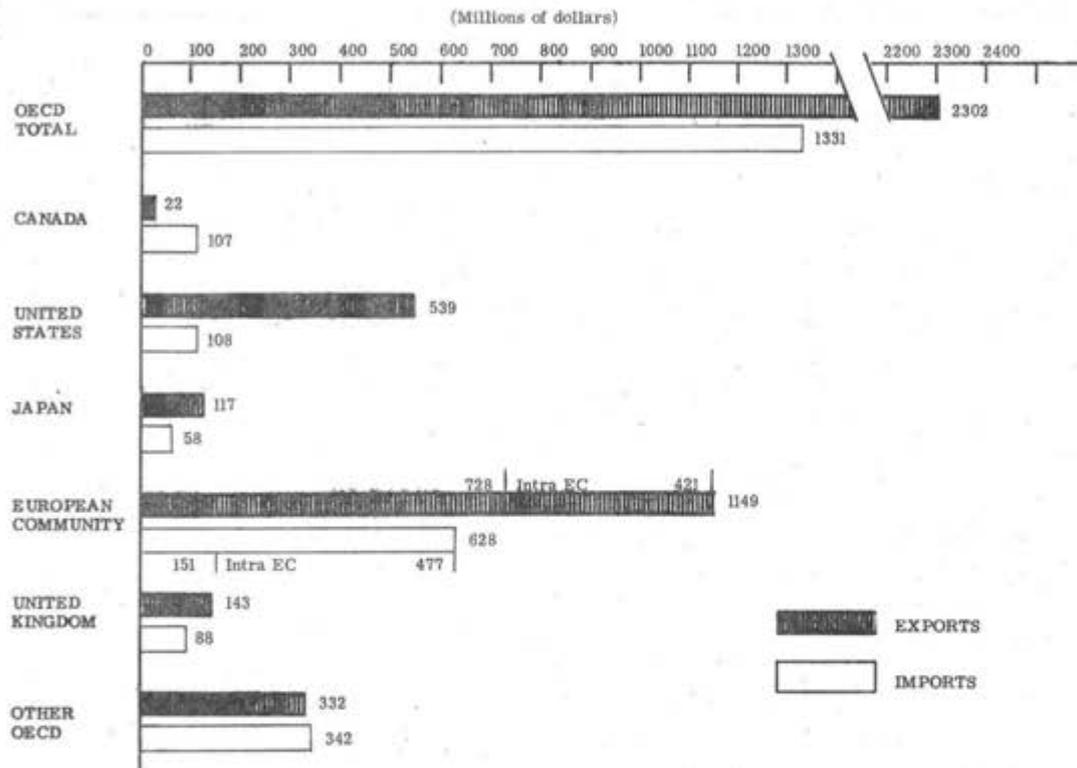
(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	7.0	-	-	-	-
0.1-5.0 percent----	-	69.7	-	46.9	-
5.1-10.0 percent---	44.9	30.3	34.8	53.2	100.0
10.1-15.0 percent--	2.5	-	65.2	-	-
15.1-20.0 percent--	45.5	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

valorem. About 70 percent of U.S. imports pay duties of 5 percent or less, as do 47 percent of shipments into the Community. The major part of Japan's imports enter in the 10.1-15 percent ad valorem bracket (table I-1-CC).

Chart I-1-N. -- OECD trade in heating and cooling equipment



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade importance

Heating and cooling equipment, with total OECD exports in 1969 of \$2.3 billion and imports of \$1.3 billion, is the fifth largest category in OECD nonelectrical machinery trade. It is the fourth largest in U.S. exports (\$539 million in 1969) but considerably less important in U.S. imports, which amounted to \$108 million in 1969 and \$125 million in 1971.

Among the 119 categories of industrial products, heating and cooling equipment is considerably less important in U.S. import trade than in imports of the other major countries (chart I-1-N).

Trade network

Only one-fifth of exports of heating and cooling equipment by the five major countries are shipped to each other. Country of destination data are unavailable for 9 percent of Canadian exports, 5 percent of U.S. exports, 9 percent of EC exports, and 5 percent of United Kingdom exports. Of the remaining exports of these nations, the chief market is found in the non-OECD countries as a group (principally LDC's), which took over half of EC, U.S., and United Kingdom known exports and 86 percent of exports from Japan. Canada is the only important developed market for U.S. exports. Trans-oceanic trade among the five major countries is very small (see tables I-1-DD and EE).

Table I-1-DD.--OECD exports of heating and cooling equipment, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,302	22	539	117	1/ 1,149	143	332
OECD total-----	1,238	17	246	13	694	65	203
Canada-----	130	-	117	X	4	4	5
United States---	98	16	-	8	45	8	21
Japan-----	51	X	36	-	6	4	5
European Community-----	1/ 555	X	52	2	421	21	59
United Kingdom--	74	1	12	X	34	-	27
Other OECD-----	330	X	29	3	184	28	86
Non-OECD total----	896	3	264	101	356	71	101
LDC's-----	665	2	235	83	254	39	52

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 9 percent of Canadian exports, 5 percent of U.S. exports, 9 percent of EC exports, and 5 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-1-EE.--OECD imports of heating and cooling equipment, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,331	107	108	58	<u>1/</u> 628	88	342
OECD total-----	1,322	107	105	56	626	85	341
Canada-----	24	-	22	X	X	1	1
United States---	216	96	-	36	47	12	25
Japan-----	12	1	7	-	2	X	2
European Community-----	<u>1/</u> 760	4	45	9	477	38	187
United Kingdom--	77	4	11	5	24	-	33
Other OECD-----	233	2	20	6	76	36	93
Non-OECD total----	9	X	4	1	1	1	2
LDC's-----	3	X	2	X	X	X	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Average tariff levels on January 1, 1972 for each of the major countries except Japan were 50 percent or more below levels on the pre-trade-agreement base dates, as is illustrated in the tabulation below:

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	35.8	5.5
European Community	13.9	6.2
United Kingdom	18.9	7.9
Japan	15.0	12.4
Canada	29.4	13.6

Although most Japanese rates on heating and cooling equipment have been reduced by 50 percent in concessions under the GATT, the principal trade items were only bound at the statutory rate (chiefly 15 percent ad valorem).

Canada has made GATT concessions on 88 percent of its MFN provisions on heating and cooling equipment, covering 93 percent of Canadian trade; Japan's concessions cover 77 percent of its provisions (78 percent of trade); all MFN provisions in the three other major tariffs are under GATT concessions. All of the EC member states had made tariff concessions on heating and cooling equipment before they changed to the Common External Tariff. Twenty-nine of the 36 concession rates contained in the member state schedules were higher than rates established in the CXT. Table I-1-FF shows concessions which have been made in the major country tariffs on refrigerators and refrigerating equipment.

Table I-1-FF.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on refrigerators and refrigerating equipment

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	10.5%	5%	661.35
European Community--	13%	10%	4.5%-5%	84.15
Canada-----	30%-40%	20%	20% ^{2/}	41505-1; 41506-1; 41507-1
United Kingdom-----	20%	12%-14%	7.5%	84.15
Japan-----	15%	15%-20%	7.5%-15%	84.15

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Rate shown is the official MFN rate, presently superseded by a temporary rate of 15 percent. The temporary rate is subject to possible renewal in February, 1974.

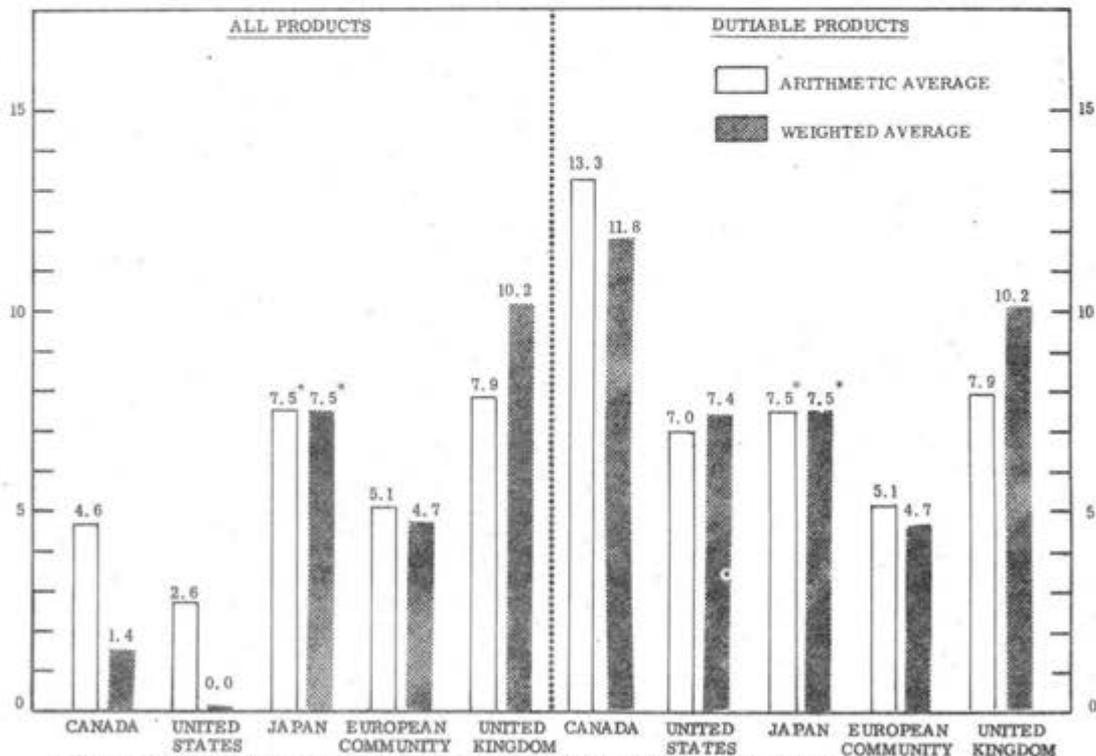
Agricultural Machinery and Appliances

Agricultural machinery and appliances include harvesting and threshing machines, hay mowers, plows and cultivators, dairy machinery, sorting and grading machinery for agricultural products, presses for wine-making, etc., and poultry-keeping and bee-keeping equipment. This subsector does not include agricultural tractors or other motorized farm vehicles. ^{1/}

MFN tariffs

For total MFN imports of agricultural machinery and appliances, the United States holds the lowest tariff averages, 2.6 percent ad valorem on

Chart I-1-O. -- Average MFN tariff rates on agricultural machinery and appliances
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector, see BTN headings 84.24-.28.

an arithmetic basis and zero on a weighted basis; Canada's averages were only slightly higher, 4.6 and 1.4, respectively. The highest averages on total imports are held by the United Kingdom, 7.9 percent and 10.2 percent. With respect to dutiable MFN imports, however, the EC has the lowest average tariffs (5.1 percent and 4.7 percent) and Canada the highest (13.3 percent and 11.8 percent). Average U.S. rates for dutiable imports are 7.0 and 7.4 percent (see chart I-1-0).

MFN tariff treatment is accorded to all imports into the United States and Japan, to virtually all Canadian imports, and to all shipments into the Community from external countries. Almost one-third of imports into the United Kingdom are given preferential treatment.

For both Canada and the United States, about two-thirds of the tariff provisions for agricultural machinery and appliances are duty free. All of Japan's provisions are in the 5.1-10 percent ad valorem bracket, as are 85 percent of the United Kingdom's provisions. In the Community's tariff, 60 percent of the provisions are under 5 percent ad valorem, the remainder are in the 5.1-10 percent bracket (see table I-1-GG). Virtually all

Table I-1-GG.--Distribution, by duty level, of MFN tariff provisions for agricultural machinery and appliances

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	65.8	62.5	-	-	-
0.1-5.0 percent----	-	-	-	60.0	-
5.1-10.0 percent---	13.1	37.5	100.0	40.0	85.8
10.1-15.0 percent--	13.2	-	-	-	14.3
15.1-20.0 percent--	7.9	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-1-HH.--Distribution, by duty level, of MFN imports of agricultural machinery and appliances

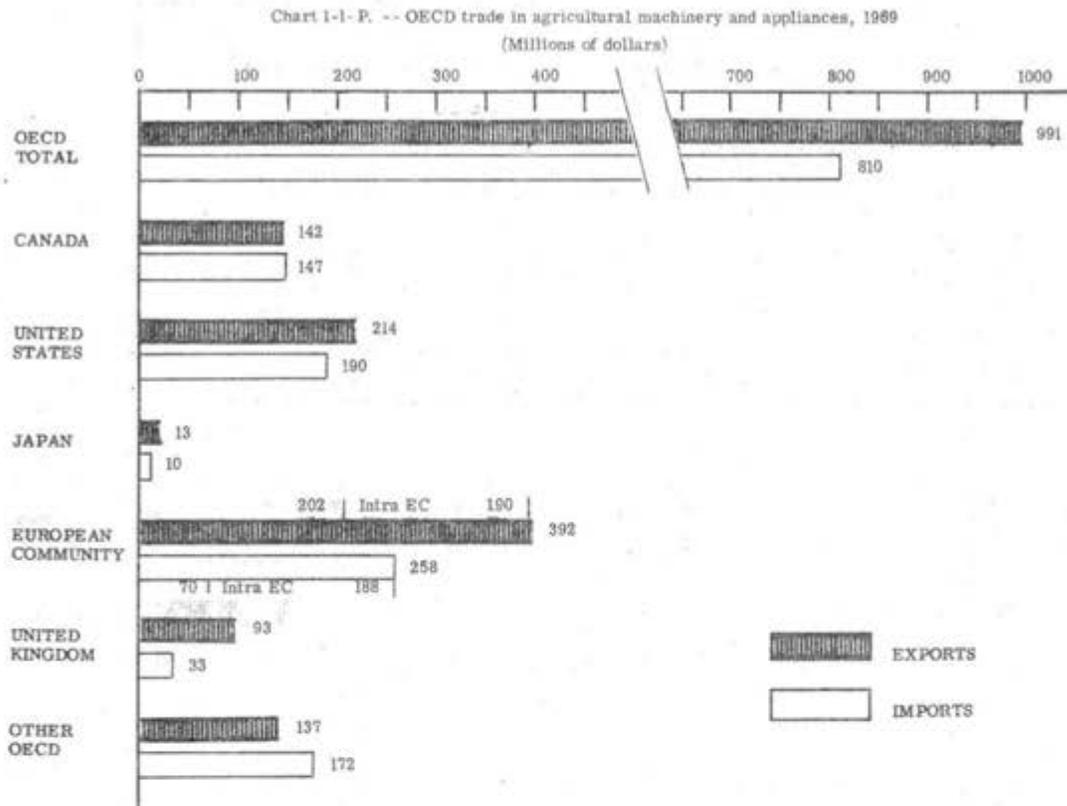
Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	87.9	99.5	-	-	-
0.1-5.0 percent----	-	-	-	89.9	-
5.1-10.0 percent--	8.7	.5	100.0	10.1	34.1
10.1-15.0 percent--	.8	-	-	-	65.9
15.1-20.0 percent--	2.6	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

United States imports and almost 90 percent of Canadian imports are duty free. About 90 percent of the Community's imports enter at rates of less than 5 percent, two-thirds of shipments into the United Kingdom pay a duty of 12 percent (see table I-1-HH).

In all of the five major tariffs, provisions for agricultural machinery and appliances are limited to a few line items.

Trade importance

In 1969, exports of agricultural machinery and appliances by OECD countries were valued at \$991 million; imports at \$810 million (chart I-1-P). Among the 119 industrial product categories, this machinery ranks a low 50th in total industrial imports of the GATT tariff study countries. It is more important for the United States and Canada, where it ranks 22nd and 24th respectively. In terms of U.S. duty-free imports in the industrial sector, it is the seventh largest category of products. U.S. imports were \$190 million in 1969, by 1971 they had dropped slightly to \$184 million.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1999.

Trade network

The United States is both the largest exporter and importer of agricultural machinery and appliances, trading chiefly with Canada. Almost one-fourth of U.S. exports go to IDC's. The European Community's shipments to outside countries (\$202 million) are almost as large as U.S. exports; intra-EC exports are only slightly less. Transatlantic trade is small. For Japan, where the agricultural sector of the economy is less important, trade is negligible (see tables I-1-II and JJ). U.S. imports are chiefly in the category of harvesting and threshing machinery, hay and grass mowers, and grading and sorting machines.

Table I-1-II.--OECD exports of agricultural machinery and appliances, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	991	142	214	13	<u>1/</u> 392	93	137
OECD total-----	799	137	156	6	330	59	111
Canada-----	129	-	120	X	5	2	2
United States---	159	135	-	1	16	6	1
Japan-----	12	X	4	-	4	3	1
European Community-----	<u>1/</u> 277	1	23	5	190	24	34
United Kingdom--	31	1	4	X	19	-	7
Other OECD-----	191	X	5	X	96	24	66
Non-OECD total----	193	6	59	8	62	34	24
IDC's-----	144	4	49	8	45	22	16

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-1-JJ.--OECD imports of agricultural machinery and appliances, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	810	147	190	10	<u>1/</u> 258	33	172
OECD total-----	806	147	188	10	256	33	172
Canada-----	166	-	164	X	-	1	1
United States---	168	137	-	2	19	3	7
Japan-----	2	X	1	-	1	X	X
European Community-----	<u>1/</u> 331	5	17	3	188	20	98
United Kingdom--	54	3	5	3	21	-	22
Other OECD-----	85	2	1	2	27	9	44
Non-OECD total----	5	X	1	1	1	1	1
IDC's-----	1	X	1	X	X	X	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

All of the five major countries have granted trade-agreement concessions on tariffs dealing with agricultural machinery. Changes in average duty levels since pre-trade-agreement base dates are shown in the following tabulation:

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	0.2	0.0
European Community	11.1	4.7
United Kingdom	15.0	10.2
Japan	15.0	7.5
Canada	10.8	4.6

Four of the five major countries have bound all of their MFN provisions on agricultural machinery under the GATT. In the Canadian tariff, 92 to 97 percent of the MFN provisions, covering over 96 percent of imports, are covered by GATT concessions. There were 49 GATT concessions on agricultural machinery in EC member state national tariffs prior to their adoption of the CXT, all but 9 of which were at rates above the CXT rates.

Concessions in each country's principal tariff provisions for agricultural machinery are shown in table I-1-KK. In the case of the United States and Canada, the preponderance of imports are duty free by statute, but the duty-free status has been bound under the GATT.

Reductions through trade-agreement concessions on the remaining classes were by 66 or 84 percent by the United States and 57 percent by Canada. Aggregate reductions from the autonomous rates of the EC ranged from 50 percent to 59 percent, those for the United Kingdom ranged from 38 percent to 60 percent below statutory levels, and for Japan, 50 percent.

Prior to adoption of the EC's Common External Tariff, EC member state national tariffs contained 49 GATT concessions on agricultural machinery, most of which were at higher rates than those established in the CXT.

Table I-1-KK.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on agricultural machinery and appliances

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free; 30%; 35%	Free; 20%; 11.5%	Free; 10%; 5.5% ^{2/}	666.00; .10; .2550
Canada-----	Free; 15%; 35%	Free; 15%	Free; 15% ^{3/}	40900-1 through 40920-1; 40924-1 through 40928-1; 42732-1
European Community--	11% 11% 12%	11% 11% 12%	4.5% 5.5% 6%; 5%	(84.24; 84.25 84.26 84.27; 84.28
United Kingdom-----	15%	9.25%-17.5%	6%-9.25%	84.24-28
Japan-----	15%	15%	7.5%	84.24-28

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} In 1970, about 99 percent of imports was included in tariff item 666.00, which is duty-free by statute and bound free in the GATT.

^{3/} All concessions were made prior to the Kennedy Round. Most tariff classes (13 of the 15 classes representing about five-sixths of Canadian imports in 1970) are free of duty by statute.

Miscellaneous Nonelectrical Machinery

The remaining categories of nonelectrical machinery, which will not be discussed in detail, are metal-working machinery, pumps, machine tools, bookbinding machinery, pulp and paper machinery, "other" nonspecified

types of machinery, and parts and accessories. The relative world trade importance of these categories can be seen in chart I-1-D at the beginning of the discussion of nonelectrical machinery.

U.S. trade has been as follows (in millions of dollars):

	<u>Exports</u> (1969)	<u>Imports</u>	
		(1969)	(1970)
Metal-working machinery---	343	182	106
Machine tools-----	204	75	71
Pumps-----	529	86	144
Pulp and paper machinery--	64	47	43
Bookbinding machinery-----	124	68	66
"Other" nonspecified machinery-----	679	186	449
Parts and accessories-----	435	147	199

For each of these categories and for each of the five major countries, there are listed in table I-1-LL arithmetic and weighted average MFN rates of duty for total imports, and the highest duty bracket in which provisions of each of the five tariffs fall. In a simple count of "highest" and "lowest" rankings in the data in this table (i.e., highest/lowest arithmetic average, weighted average, etc.), Canada has the largest number of "highest" rankings (10 out of a possible 21) followed by Japan (8). The EC had the largest number of "lowest" rankings (11 out of a possible 21), followed by the United States (9). Six of Canada's "highest" rankings were rate-bracket rankings; whereas all but one of Japan's "highest" rankings were average tariff levels.

Table I-1-LL.--Average MFN tariff rates on miscellaneous types of nonelectrical machinery, and the highest rate bracket in which provisions of the major tariffs fall

(Percent ad valorem)					
Type of machinery	Canada	United States	Japan ^{1/}	European Community	United Kingdom
Metal-working machinery:					
Arithmetic average-----	9.2	6.7	12.0	5.9	9.3
Weighted average-----	8.5	7.0	8.7	6.1	9.0
Highest rate bracket---	17.1-20	9.1-10	14.1-15	10.1-11	12.1-13
Pumps:					
Arithmetic average-----	7.5	4.3	10.3	6.2	9.0
Weighted average-----	7.8	4.7	10.8	6.6	7.9
Highest rate bracket---	17.1-20	6.1-7	14.1-15	8.1-9	11.1-12
Machine tools:					
Arithmetic average-----	10.9	6.0	7.5	5.8	10.0
Weighted average-----	10.6	6.2	7.5	6.2	9.3
Highest rate bracket---	17.1-20	9.1-10	7.1-8	8.1-9	12.1-13
Bookbinding machinery:					
Arithmetic average-----	6.5	6.7	9.2	5.1	5.6
Weighted average-----	3.4	6.3	10.2	4.9	7.5
Highest rate bracket---	25.1-30	17.1-20	14.1-15	6.1-7	7.1-8
Pulp and paper machinery:					
Arithmetic average-----	8.9	4.9	7.5	5.3	7.5
Weighted average-----	7.0	4.3	7.5	5.1	7.5
Highest rate bracket---	17.1-20	6.1-7	7.1-8	5.1-6	7.1-8
"Other" machinery:					
Arithmetic average-----	8.5	5.5	7.9	6.5	9.2
Weighted average-----	9.6	5.3	8.3	5.7	7.5
Highest rate bracket---	17.1-20	13.1-14	14.1-15	9.1-10	15.1-17
Parts and accessories:					
Arithmetic average-----	7.0	7.8	10.5	6.1	7.8
Weighted average-----	8.9	7.7	12.7	7.1	8.0
Highest rate bracket---	17.1-20	20.1-25	17.1-20	8.1-9	8.1-9

^{1/} Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 in Japanese rates.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Industrial Sector I-2

TRANSPORT EQUIPMENT

Transport equipment includes automobiles, tractors, trucks, motorcycles, and other motor vehicles. The sector also covers all types of railway vehicles and parts and railway rolling stock; aircraft and gliders; ships and boats; nonmotorized road vehicles, such as trailers; bicycles; invalid carriages (motorized and nonmotorized); and special purpose vehicles. ^{1/}

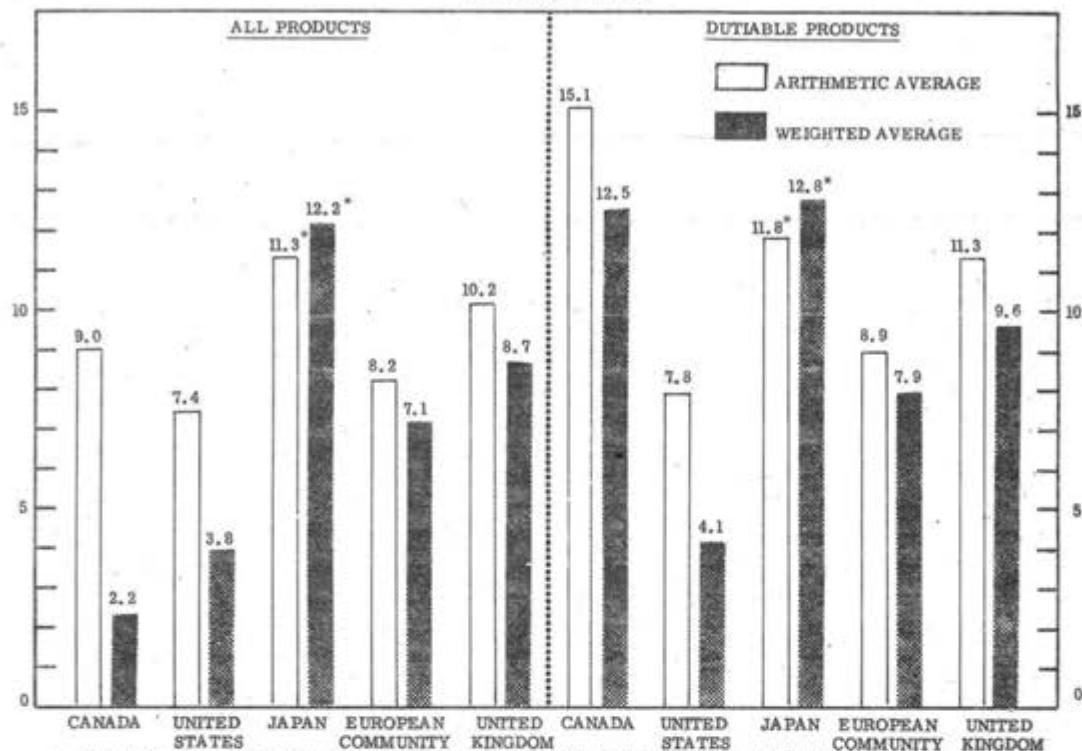
MFN tariffs

World MFN imports of transport equipment meet average tariff rates very similar to those for industrial products taken as a whole. The arithmetic averages range from 7.4 to 11.3 percent ad valorem for all products (dutiable and free products combined) and 7.8 to 15.1 percent for dutiable products alone; the weighted averages span from 2.2 to 12.2 percent for all products, 4.1 to 12.8 percent for dutiable products (see chart I-2-A). The United States has the lowest arithmetic average for all products (7.4 percent); Japan the highest, at 11.3 percent. The lowest weighted average for all products is held by Canada (2.2 percent), while Japan again holds the highest at 12.2 percent. For dutiable products only, Canada has the highest arithmetic average (15.1 percent) and also the second highest weighted average (12.5 percent). Canadian averages for all products are well below its averages for solely dutiable products as a consequence of the substantial importation of MFN duty-free goods into Canada (80 percent of the total Canadian imports of transport

^{1/} For the specific coverage of this sector see BTN headings 86.01-.09; 87.01-.06; 87.09-.12; 87.14; 88.01-.03; 89.01-.05.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-2-A. -- Average MFN tariff rates on transport equipment
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 37 percent) made in 1971 and 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

equipment, chiefly products from the United States covered by the U.S.-Canadian Automotive Products Agreement).

Table I-2-A illustrates the distribution of MFN tariff provisions for transport equipment, by duty level. The European Community and

Table I-2-A.--Distribution, by duty level, of MFN tariff provisions for transport equipment

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	40.3	5.3	4.3	7.7	9.3
0.1-5.0 percent----	-	37.3	5.4	23.1	9.3
5.1-10.0 percent---	13.0	32.0	39.1	44.6	42.6
10.1-15.0 percent--	14.3	22.7	45.7	13.8	16.7
15.1-20.0 percent--	30.5	2.7	4.3	6.2	11.1
20.1-25.0 percent--	1.9	-	-	4.6	11.1
25.1-30.0 percent--	-	-	1.1	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

the United Kingdom have the greatest portion of their rate provisions in the 5.1-10 percent ad valorem category; over 45 percent of Japanese provisions are in the 10.1-15 percent range. ^{1/} The United States has its greatest concentration of rate provisions in the 0.1-5 percent bracket, while Canada has its heaviest allotment (40.3 percent) under duty-free rate provisions. The tariffs of the five major countries all contain duty-free provisions for transport equipment. The United Kingdom, the European Community and Canada have some rates in the 20.1-25 percent range; and about one percent of Japan's rates are in the 25.1-30 percent range. ^{1/} The United States has no rates above 20 percent.

Imports of transport equipment which receive preferential tariff treatment are significant only for the United States (31 percent of total imports of transport equipment, and all of which are Canadian products under the Automotive Products Agreement) and the United Kingdom (13 percent of total imports). Intra-European Community shipments, however, which move duty free, are three times as great as European Community imports from outside sources. The majority of MFN imports by all the major countries enter at rates of 15 percent or below (table I-2-B). All the major countries have a noteworthy portion of duty-free MFN imports, but Canada dwarfs the performance of the other nations with almost 83 percent of its MFN imports of transport equipment entering duty free. This large portion reflects the operation of the U.S.-Canadian Automotive Products Agreement. Products covered by that Agreement are imported by Canada free

^{1/} Temporary reductions of approximately 40 percent below these rates have been made by Japan.

Table I-2-B.--Distribution, by duty level, of MFN imports of transport equipment

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	82.8	7.2	5.0	10.4	9.6
0.1-5.0 percent----	-	86.7	2.0	40.4	.6
5.1-10.0 percent---	6.7	4.2	48.0	19.7	37.7
10.1-15.0 percent--	8.3	1.7	32.5	24.8	49.1
15.1-20.0 percent--	1.9	.2	7.7	2.6	2.4
20.1-25.0 percent--	.2	-	-	2.0	.6
25.1-30.0 percent--	-	-	4.8	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

of duty, regardless of source. U.S. imports of Canadian automotive products under the Agreement are duty free on a preferential basis (and hence are not included in tables I-2-A and B). Eighty-seven percent of U.S. imports enter in the 0.1-5 percent ad valorem bracket. Two-fifths of Community MFN imports also are in the 0.1-5 percent bracket, and most of the remainder are assessed duties between 5.1 and 15 percent. About half of Japan's imports fall in the 5.1-10 percent bracket; about half of United Kingdom imports enter at 10.1-15 percent. Only Japan has a significant amount of its imports at rates higher than 15 percent.

The most detailed tariff schedule for transport equipment belongs to Canada with 104 lines; the least detailed is the United Kingdom's with 54 lines. The United States has 57 lines; Japan, 92 lines; and the European Community, 65 lines.

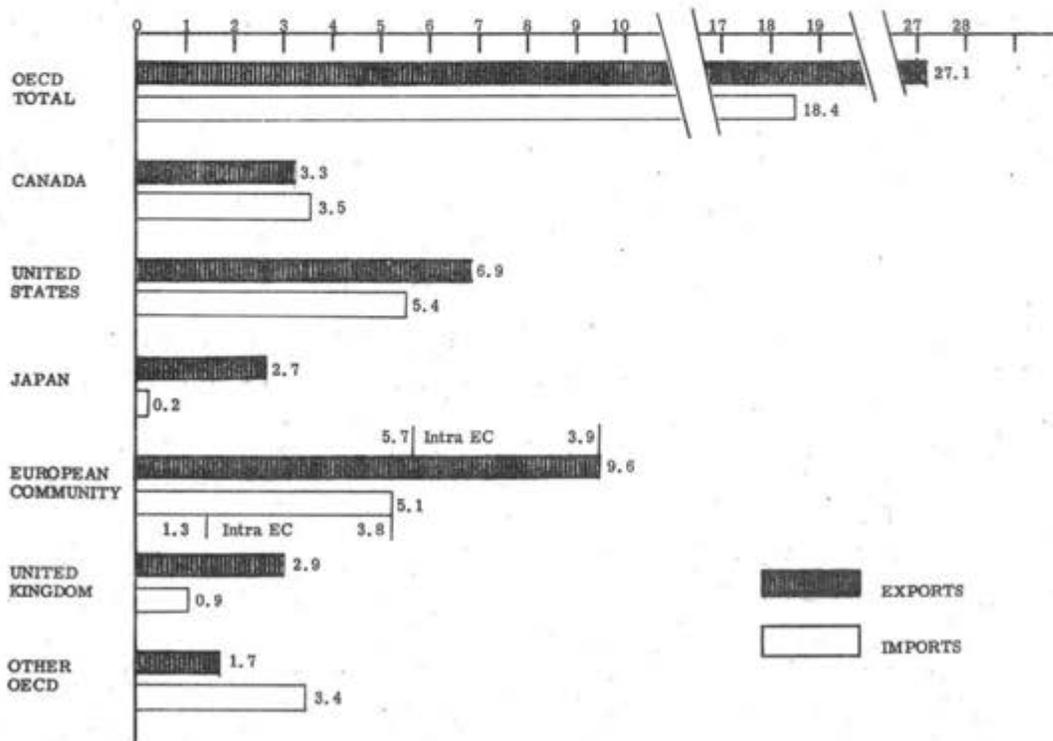
Trade importance

Transport equipment is among the most important industrial sectors, ranking second in 1969 OECD exports, and fourth in imports for the

same year. Almost 17 percent of OECD industrial exports and about 12 percent of industrial imports are accounted for by this sector. Transport equipment ranked first in both United States exports and imports in 1969 and 1970.

The value of imports of transport equipment by the GATT tariff study countries was \$9.7 billion in 1967, and \$15.5 billion in 1970. Shipments by EC members among themselves amounted to an additional \$2.2 billion in 1967 and \$4.7 billion in 1970. OECD 1969 imports were \$18.4 billion (including \$3.9 billion of intra-EC shipments) and exports were \$27.1 billion (see chart I-2-B).

Chart I-2-B . . . OECD trade in transportation equipment, 1969
(Billions of dollars)



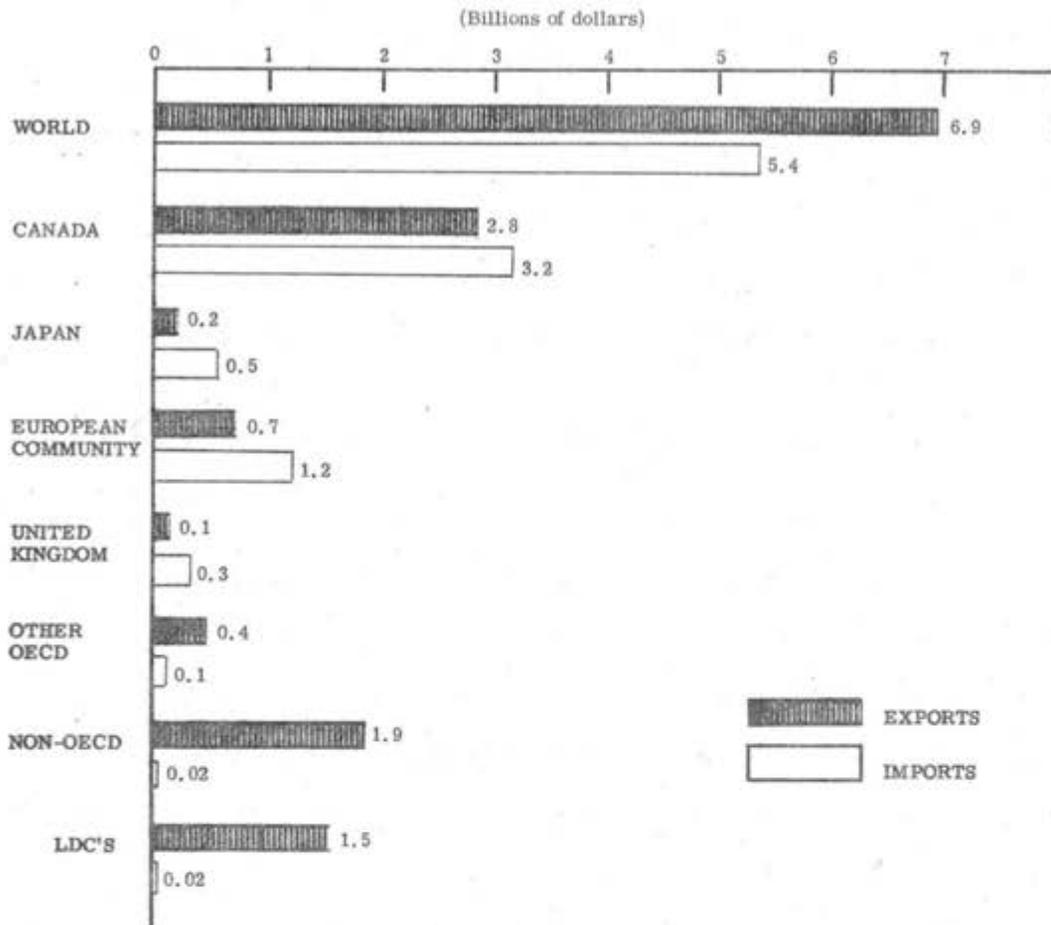
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

In the transport equipment sector, the five major countries account for a majority of the world's trade. To these nations can be traced about 94 percent of OECD exports of transport equipment and 82 percent of imports. Over half of OECD exports go to the five major countries. Almost one-fourth of OECD exports of transport equipment go to LDC's. Nearly 94 percent of OECD imports have their suppliers in the five major countries.

Country of destination data are unavailable for 11.6 percent of U.S. exports. Of those exports accounted for, about one-fourth of U.S. exports go to less developed countries (chart I-2-C), although among these countries heavier tariffs generally prevail and other trade barriers are common. Not surprisingly, Canada is the principal developed market for U.S. transport equipment (probably in large part because of the U.S.-Canadian Automotive Products Agreement), followed distantly by the European Community. The United States takes almost all of Canada's exports. Japan sends over half of its exports to LDC's. The United States receives about one-fifth of Japanese exports of transport equipment, and 5 percent go to the United Kingdom. Intra-EC exports are equal to about two-thirds of the Community's shipments to outside markets. Over 28 percent of the EC's outside exports go to LDC's; nearly 26 percent go to the United States, and about 8 percent to the United Kingdom. Among the five major countries, the principal markets for the United Kingdom's exports are the European Community and the United States. Nearly half of the United Kingdom's transport equipment exports are sent to LDC's and other non-OECD countries (see table I-2-C).

Chart I-2- C . -- United States trade in transport equipment, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Transport equipment ranks first in industrial imports for Canada and the United States, seventh for the Community and Japan, and ninth for the United Kingdom in 1970. Total U.S. imports of transport equipment were valued at \$2.8 billion in 1967, \$5.3 billion in 1969, and \$8.0 billion in 1971. Canada supplies almost 60 percent of these U.S. imports; the Community supplies nearly one-fourth (table I-2-D). Japan and the United Kingdom supply 10 percent and 6 percent, respectively, of U.S. imports. The United States is the source of over 90 percent of Canada's imports and over two-thirds of Japan's. The United States

Table I-2-C.--OECD exports of transport equipment, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	27,137	3,335	6,945	2,670	<u>1/</u> 9,626	2,859	1,702
OECD total-----	18,571	3,116	4,272	1,090	7,564	1,537	992
Canada-----	3,174	-	2,843	75	109	127	20
United States---	5,610	3,068	-	581	1,497	347	117
Japan-----	235	X	187	-	24	21	3
European Community-----	<u>1/</u> 5,205	24	687	42	3,856	402	194
United Kingdom--	827	10	111	126	463	-	117
Other OECD-----	3,520	14	444	266	1,615	640	541
Non-OECD total----	7,758	218	1,866	1,580	2,061	1,322	711
IDC's-----	6,130	171	1,526	1,368	1,650	888	527

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 11.6 percent of U.S. exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-2-D.--OECD imports of transport equipment, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	18,409	3,469	5,353	256	<u>1/</u> 5,070	900	3,361
OECD total-----	18,171	3,466	5,333	223	5,000	878	3,271
Canada-----	3,193	-	3,167	1	11	4	10
United States---	4,828	3,152	-	172	584	482	438
Japan-----	854	69	533	-	50	7	195
European Community-----	<u>1/</u> 6,980	109	1,216	24	3,803	322	1,506
United Kingdom--	1,432	119	314	22	336	-	641
Other OECD-----	884	17	103	4	216	63	481
Non-OECD total----	236	3	20	31	70	21	91
IDC's-----	109	1	16	22	27	13	30

1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

is the principal outside supplier of the European Community. However, total EC imports from all external sources were only one-third as large as intra-Community shipments. The United Kingdom receives the largest portion of its imports of transport equipment from the United States, followed by the Community. Japan is not a significant source for any major country except the United States.

Trade composition

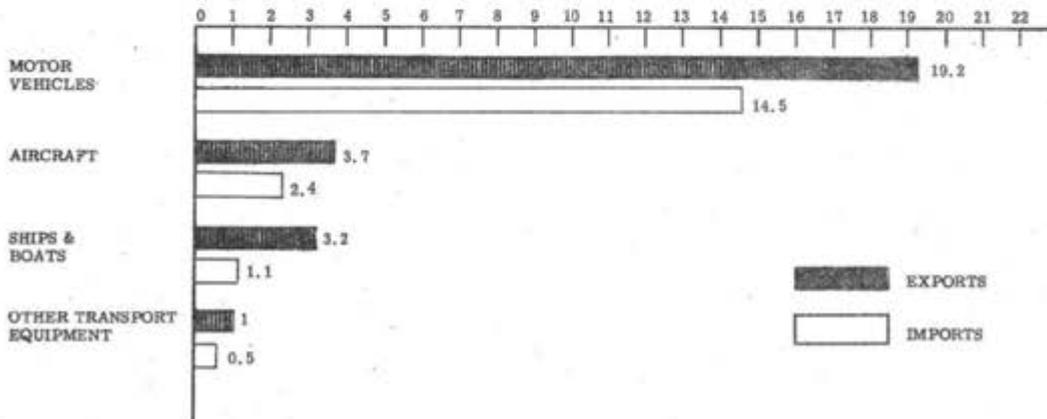
Transport equipment trade is divided into four subsectors, of which motor vehicles is the largest both in imports and exports (79 and 70 percent respectively), followed distantly by aircraft. The relative importance of the four subsectors is shown in chart I-2-D.

Trade-agreement concessions

For all of the five major countries the average tariffs for transport equipment as of January 1, 1972, were at levels substantially below

Chart I-2-D. -- OECD trade in transport equipment, by type, 1969

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

those based on pre-trade-agreement rates. These rates generally mirror concessions granted in trade negotiations. In the tariff levels compared in the following tables, the figures given are weighted average duties, except for the Canadian figure which is an arithmetic average. The Japanese tariff rates in this sector were unilaterally reduced in 1972 to levels below those shown. Calculations based on Japan's new reduced rates would show an average level of about 7.7 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	13.8	3.8
European Community	15.7	7.1
United Kingdom	27.1	8.7
Japan	21.6	12.2
Canada	26.8	9.0

Concessions under the GATT have been made on all MFN provisions for transport equipment in the tariff schedules of the United States and the Community. Similarly, concessions have also been made on 92 percent of the Japanese tariff provisions covering nearly all transport equipment made. Only 68 percent of Canada's provisions, covering about one-fourth of Canadian imports, are under the GATT. Eighty-four percent of the United Kingdom's tariff provisions, covering 94 percent of United Kingdom imports, are the subjects of concessions under GATT.

Tariff schedules of the EC member states prior to adoption of the Community's Common External Tariff, contained concessions on transport equipment in their national tariffs which had been negotiated under

the GATT. Such concessions numbered 185, of which 103 reflected rates higher than the autonomous rate established in the CXT rate, and 75 were below the CXT rate.

Trade complaints

Producers, traders and trade associations dealing in transport equipment submitted complaints to the Tariff Commission covering nearly every kind of trade barrier. Countries of Western Europe, Japan, the United States, and almost every other developed nation were cited in these complaints, as were most of the less developed countries. One-third of the complaints were against developed countries. Japan was the single country incurring the greatest number of complaints (39); the United States drew the second largest number (38). However, the total of 117 complaints against individual member states of the European Community and the EC as a group and the total of 71 against EFTA countries far exceeded those against Japan or the United States. Among LDC's, the most complaints were registered against Argentina (21), Greece (21), Chile (15), Spain (15) and Turkey (15).

By far, the largest number of complaints submitted to the Commission dealt with nontariff charges on imports--excise taxes, port and statistical taxes, sales taxes, and border tax adjustments. Complaints against import duties ranked second. The third largest number was against embargoes, quantitative restrictions and licensing requirements; and the fourth concerned subsidies and other governmental aids. Summarization of the principal complaints under the major topic headings follows.

Excise taxes, registration fees, consumption taxes, and special taxes and fees.--Automobiles can probably be classed as one of the favorite

subjects of taxation throughout the world. A great variety of reasons underlie the taxation, from supporting highway construction to curbing luxury expenditures of scarce foreign exchange. Automobile producers quite naturally consider these levies as restraints upon their markets; the charges become doubly onerous to a producer when, for whatever reason, they are applied in a discriminatory manner among suppliers. Many excise taxes and fees are considered by U.S. automobile producers to be discriminatory and obstacles to trade. Japan's tax based on the size of a vehicle's wheelbase discriminates against larger cars most commonly produced in the United States. Similar excise taxes exist in the Dominican Republic and South Africa.

Discriminatory registration fees based on weight, engine size or number of cylinders were complained of in Argentina, Denmark, Greece, New Zealand, Norway, South Africa, Sweden, and Thailand. However, most registration fee complaints dealt with the practice of Commonwealth nations of granting lower rates to other Commonwealth members. France and Mexico were also the subject of complaints with regard to registration taxes.

Road use taxes in Austria, Belgium, Luxembourg, France, West Germany, Italy, and the Netherlands are felt to discriminate against U.S. cars for these taxes also are based on weight, engine size, or number of cylinders. A road tax based on horsepower is imposed in Switzerland. Japan uses a similar annual road tax to raise revenue for highway construction and finance urban transportation facilities. A Korean automotive tax uses the weight or engine size as a basis for its

Other discriminatory taxes about which complaints were received include an annual property tax based on engine size in Israel and government controlled insurance based on horsepower in France and Switzerland.

Nondiscriminatory registration fees are also considered a hindrance to trade. Illustrative of these complaints is the automobile registration fee in Greece which ranges from 19,500 to 100,000 drachmas. Most nations of Western Europe, Latin America and some Asian countries were the objects of similar complaints in this regard.

Consumption taxes like that of Tunisia where the rate is 36.65 percent received complaints. Mexico, Angola, Korea, Syria, Antigua, French Somaliland, and the Netherlands all levy similar taxes about which U.S. producers protested. Road taxes in Iceland and Chile were also cited as trade barriers.

Of the many practices about which complaints were received in the transport equipment sector, "special" or "additional" taxes applicable to motor vehicles drew the greatest number of objections. Some nations have a number of such taxes, such as Portuguese Timor, cited as imposing a municipal tax of 20 percent on the duty, a bridge tax of 21.90 escudos per ton and an industrial contributions tax of 3 percent of the invoice value.

"Special" and "additional" taxes seem to be the particular domain of LDC's. Automobile exporters complained that Iran levies a tax of 40 cents per metric ton on imported surface cargo and 20 cents per kilogram on air cargo. Yemen places a 3 percent additional tax on motor vehicles.

Korea charges an additional duty on all vehicles except those considered special purpose vehicles. The Central African Republic collects an additional tax of 5-15 percent. Other targets of complaints were Jordan, Panama, Paraguay, French Guiana, Martinique, Guyana, Morocco, Mauritius, and New Caledonia.

"Defense" taxes also caused many objections. Taiwan imposes a defense tax of 30 percent of the duty; Iraq and Syria were mentioned as levying a defense tax of 15 percent of the import duty and similar taxes in Yemen, Pakistan and Guyana were noted. Israel was reported to assess a large defense tax.

Luxury taxes in Spain, Greece, Afghanistan, Liberia, and Algeria caused protest. The tax in Peru ranges from 7-90 percent, depending on the value of the automobile. One complainant felt the Chilean luxury tax to be exorbitantly high.

Business taxes in Thailand and Iran were the object of protest. Municipal taxes were reported as trade barriers in Ethiopia, Thailand, Lebanon and Iran. Development taxes, according to a complaint, constitute a hindrance to trade in Angola, Egypt and Upper Volta.

Other kinds of taxes complained of are social welfare taxes, exchange equalization taxes, special vehicle taxes, and price support taxes. The Bahamas assesses a 7.5 percent emergency tax. A tax on ocean freight charges in Argentina was the subject of complaint. An industrial products tax and a merchandise circulation tax are levied in Brazil; in Jordan, an examination tax, a stadium tax and a Jordan University tax were subjects of complaints.

Many U.S. manufacturers of transport equipment, especially of motor vehicles and parts, complained of foreign port and statistical taxes. Again, LDC's were the major offenders in this area. An American producer complained that in Afghanistan a fee of 2 percent of the invoice value is collected for handling and administrative costs. The Somali Republic levies a statistical tax of 8 percent of the c.i.f. value. Statistical taxes in Peru and Egypt were also protested. Several nations were cited for port health taxes. Peru demands a freight tax of 4 percent of the ocean freight charges; Yugoslavia requires a customs handling charge of 1 percent of the dutiable value. It is reported that Uruguay asks a port charge of 12 percent of the c.i.f. value. A harbor construction tax in Taiwan is levied at 3.75 percent of the duty paid value. Complaints also included a wharfage fee in Swaziland of 1.35 percent.

The developed countries received a few complaints in regard to these taxes. Switzerland's statistical tax of 3 percent of the duty was felt to be a trade barrier, as was the statistical and administrative tax of Italy. A large U.S. automotive concern protested a 10 percent surcharge in Denmark.

Import surcharges and surtaxes were also a principal complaint. The Sudan, Nigeria, Nepal, Guatemala, Honduras, Mexico, and several other African and Latin American nations were mentioned as imposing surcharges and surtaxes ranging from 3 to 30 percent.

Sales taxes.--Many complaints were received on the subject of foreign sales taxes imposed on motor vehicles. Colombia places a 15 percent sales tax on the retail value of vehicles; Japan has a 3 percent tax on the actual purchase price; and Australia has a tax of 27.5 percent on cars and 15 percent on commercial vehicles calculated on the duty-paid value increased by 20 percent. The purchase tax on passenger cars in the United Kingdom is 36.7 percent on the wholesale value. Also mentioned in regard to sales taxes as a trade barrier were the United States, Denmark, Iceland, Portugal, and Canada.

Several complaints were made against sales taxes on transport equipment in LDC's, which frequently are higher than in the developed countries. In Ghana, cars are taxed at the rate of 10-200 percent, according to their value; commercial vehicles from 10-33.3 percent. It was stated that Mozambique's purchase tax varies from 20-150 percent of the vehicle's c.i.f. value. The tax on the duty-paid value of motor vehicles in the Philippines ranges from 100-200 percent. Purchase taxes in Nicaragua, Mexico, Honduras, Haiti, Chile, and Cambodia were also the subject of complaints.

Border tax adjustments.--U.S. automotive producers complained of the burden of foreign border tax adjustments. The turnover and value-added taxes imposed in Western Europe cover most goods and services, and are uniform percentage taxes on both domestic and imported goods. However, U.S. transport equipment manufacturers find these taxes a

hindrance to trade. Italy levies a 12 percent value added tax; a 14 percent value added tax on a product's c.i.f. duty paid value is applied in the Netherlands; France imposes a 33.3 percent value added tax on some cars and car chassis and 23 percent on others; Belgium and Luxembourg have a 25 percent value added tax on cars and 18 percent tax on all other transport products. Value added taxes were also mentioned as problems in West Germany, Denmark, and Norway. Turnover taxes were the subject of complaints in Greece, Austria and Finland. LDC's were also noted as imposing difficult border tax adjustments. Specifically noted were Ethiopia, Tunisia, Morocco, and Laos.

Import duties.--U.S. producers complained of the import duties imposed on automobiles, buses, trucks, and parts by most of the world's LDC's and several developed nations (e.g., Norway and Australia). The second greatest number of complaints on a single type of trade barrier was against import duties. The United Kingdom's duty on trucks was felt to be excessively high--22 percent of the c.i.f. value.

Most complaints on Canadian duties were made in regard to ships and boats. One U.S. manufacturer felt he is rendered completely uncompetitive by the 31 percent Canadian duty on sailing boats. Exceptionally high Canadian duties were complained of with respect to pleasure boats, such as a 17.5 percent duty on motor boats. Marine manufacturers also mentioned extremely high import duties in Latin America, and a complaint was made that the 50 percent U.S. import duty on repairs to U.S. ships while abroad is detrimental.

U.S. aircraft producers complained about the high duties levied on their manufactures by foreign countries. France, Italy and Japan were specifically mentioned as assessing significantly high duties. In the United Kingdom, it was reported that duties on aircraft were high but can be waived if the imported aircraft is not competitive with any British product. Argentina, Mexico and Brazil were also noted as imposing 17-50 percent duties on general aviation aircraft.

Many complaints involved the discriminatory effect of the British Commonwealth preference system, especially with regard to the motor vehicle industry. The Commonwealth preferential policy was described as causing significant disadvantage to U.S. manufacturers. In addition, several of the complainants related that they are disadvantaged not only by the European Community's external tariff, but also by the fact that no tariffs are applicable on trade between EC countries. Israel, Turkey, Greece, Spain, and Malta were all mentioned as favoring the EC in their tariff structure. Several African and a few South American countries, many of which were former colonies of EC nations and have associate status in the Community, were pointed out as having a preferential duty structure for EC goods.

The discriminatory tariff treatment given to U.S. exports resulting from the European Free Trade Association was the subject of several complaints. Again the U.S. competitive position in automotive products is alleged to be disadvantaged not only by the EFTA external tariffs but the preferential treatment given intra-EFTA imports. The Latin

American Free Trade Association was the target of complaints similar to those lodged against the EC and EFTA. Preferential treatment on motor vehicles is also said to be given to India by Nepal, to France by Tunisia and to Portugal by Mozambique.

Aircraft manufacturers also complained of discriminatory duties because of British Commonwealth preferences, EC preferential agreements, especially with EFTA neutrals, and the lack of U.S. extension of most favored nation treatment to the nations of Eastern Europe.

Quantitative limitations and embargoes.--Many complaints were received concerning quotas, especially on motor vehicles and parts. It was alleged that quotas are used to protect the local transport equipment industry in Japan and most of Western Europe. Quotas on automotive parts were reported to exist in India, the Philippines and Yugoslavia. Quotas imposed by the Dominican Republic, Iran, Ireland, Israel, Jordan, Korea, Malaysia, Morocco, Portugal, South Africa, Spain, Turkey, and Uganda were mentioned also in complaints.

Embargoes were widely complained of by several U.S. producers. Argentina was cited as imposing an embargo on motor cars. Brazil was reported as embargoing passenger vehicles valued over \$3,500 or over 1600 kilograms in weight. Used cars are embargoed by Canada. Many IDC's, especially Chile, Egypt, Indonesia, Iraq, Jamaica, and Senegal were mentioned by U.S. producers in their complaints on embargoes against motor vehicles. Discriminatory embargoes against Japan were reported to be in effect in Italy. Embargoes on trucks and buses were reported in Indonesia and Mexico.

Complaints were made against the U.S. embargo on foreign vessels in U.S. coastal trade. U.S. producers of aircraft complained of embargoes against their products in France and Colombia. An embargo exists against importation of used aircraft into Canada.

Licensing practices.--Many U.S. producers of transport equipment reported difficulty in obtaining import licenses. A large number of the complaints described procedures to obtain an import license in LDC's as complicated, lengthy and expensive. Mentioned specifically by U.S. automotive manufacturers as trade barriers were licensing requirements of Brazil, Burma, the Central African Customs Union, Colombia, Ghana, India, Jordan, Korea, Mexico, Morocco, and Spain. However, some developed nations were mentioned in this regard also (e.g., Italy, Japan, Sweden, and Switzerland). Licensing practices of Norway for ships and boats were also alleged to be a trade barrier. Difficulties with licensing procedures for importing aircraft are cited as existing in Japan, South Africa, Mexico, and Colombia.

Local content requirements.--According to U.S. automobile manufacturers, New Zealand, Uruguay and Australia have imposed mandatory restrictions on imported vehicles to insure local content. Local content regulations in Argentina, Brazil, Chile, Mexico, Peru, Portugal, South Africa, Switzerland, and Venezuela are deemed trade barriers by U.S. producers, especially for knocked down components assembled abroad. Tractors imported into Israel require a certain percentage of local content. Such content requirements also are reported to exist for aircraft.

U.S. producers stated that Japan insists on the purchase by importers of aircraft of a proportional amount of national-made aircraft. The same requirement is said to prevail in Mexico.

Export controls.--U.S. motor vehicle exporters complained of the embargo on U.S. exports destined for Southern Rhodesia, and hydrofoil producers complained that they were unable to obtain export licenses for trade in technical data on hydrofoils to be shipped to certain countries, such as Colombia, Argentina, Brazil, Kuwait, Saudi Arabia, and Morocco.

U.S. aircraft manufacturers consider the Foreign Assets Control Regulations under the Trading with the Enemy Act as difficult trade barriers. Similarly, the U.S. government was noted as being unwilling to allow national industries to furnish military aircraft to South Africa, Portugal, Romania, and other countries. Furthermore, some U.S. aircraft producers states that a barrier exists in the fact that goods on the U.S. munitions list may not be exported. They feel that many products on this list are improperly labelled as munitions. Finally, U.S. importers of goods in the transport equipment sector from Japan objected to "voluntary export control" programs instituted by Japan "in order to deter possible unilateral action by the United States."

Subsidies and other governmental aids.--All major trading countries and some developing countries give substantial direct or indirect assistance to domestic producers in the transport equipment sector.

Aid to the shipbuilding and aircraft industries in developed countries is usually allied to maintaining a national defense production base. U.S. producers, particularly of ships and aircraft, frequently mentioned subsidies given by foreign governments to their national industries as a barrier to trade. The United Kingdom, especially with regard to the aircraft industry, drew the largest number of such complaints, followed by France. One of the most common types of governmental assistance complained of were national maritime subsidies to American or British ship-owners for the purchase of vessels constructed in national yards, and similar subsidies in France and the United Kingdom to provide for purchase of domestically produced aircraft.

U.S. producers charged that the United Kingdom, France and Japan maintain concessionary financing systems for their exporting companies which amount to export subsidies. One U.S. producer noted that low-interest medium term loans, not available to U.S. manufacturers, are frequently available to their foreign competitors. Some financing plans are reported to supply low-cost funds for capital goods. U.S. manufacturers also point to low-cost borrowing and extraordinary depreciation allowances as the genesis of Japan's growing shipbuilding industry. It was reported that funds for export customers financing are excused from the usual United Kingdom credit curbs, and the resulting negotiated loans are then immediately rediscounted at the current rate.

Complaints were also lodged against government financing for business expansion and start-up costs. Until 1970, the British government was reported to have funded programs which provided up to 60 percent

of the backing for start-up of new facilities by experienced manufacturers. One U.S. producer observed that the current aircraft programs in Europe are underwritten by the governments of France, West Germany, the Netherlands, and Spain.

Other kinds of subsidy systems were also noted. Complainants observed that the embassies of certain nations actively promote sales campaigns for military and commercial sales of their domestic products. It was reported that former British colonies and members of the Commonwealth receive long-term financing in the form of aid and subsidized maintenance service which assist the British in making aircraft sales. France is said to have a similar arrangement with Air Afrique. Both France and Japan were mentioned as maintaining concessionary lending programs for manufacturers wishing to establish export sales offices abroad.

Some countries (e.g., Canada, France, Italy, Japan, United Kingdom), according to U.S. producers, provide income tax relief for their corporations geared to export performance and foreign investment. For example, one major aircraft manufacturer stated that the United Kingdom grants tax rebates up to 1.5 percent of the purchase price on all export sales of aircraft. Greece is said to aid exports through a system of direct tax rebates. Australia, Ireland, Japan and others are reported to reduce the domestic income tax liabilities of exporting taxpayers.

Intercompany pricing rules, special export credits, accelerated depreciation of export production assets, tax incentives to local content and offsetting tax relief for a domestic company during the initial

stages of a new foreign enterprise also have been indicated by U.S. producers as trade barriers. Also mentioned was the fact that tax regulations and accounting practices in Europe and Japan allow the accumulation of large pre-tax reserves, which become a source of interest-free working capital.

It has been noted by some U.S. transport equipment manufacturers that although the United States government substantially underwrites research and development for military and medical application, other governments inject considerable amounts of money into development of products for commercial sales. Japan especially was mentioned in this regard. The dramatic results of government financed R&D in generating a modern and efficient Japanese shipbuilding industry were particularly cited.

Government procurement practices and government monopolies and franchises were also mentioned, as were laws and practices in this area which discourage imports. For instance, one U.S. aircraft producer complained that if planes are produced domestically, most nations urge local customers to use the domestic product. The same complainant cited government regulations and agreements on routing, frequency, capacity, landing, fares, and charter services as often adversely affecting U.S. airplane sales.

Customs valuation and administrative procedures.--Relatively few complaints were voiced in this area. Complaints of arbitrary and disadvantageous classification of imported goods for tariff purposes

were made against Japan and Portugal. Valuation on a c.i.f. basis for customs purposes was deemed discriminatory to their products by some U.S. manufacturers of transport equipment, although most nations of the world employ this system. Additional complaints about valuation dealt with the uncertainty created by the practices of certain governments. In the United States, automobiles are on the "final list" with the result that duties are collected on either the foreign or the export value, depending upon which is higher. A U.S. producers association complained that in Australia the duty may be assessed on either the sales price or duty paid value, whichever is higher.

Other practices related to valuation were considered by U.S. manufacturers of transport equipment as barriers to trade. For example, it was objected that in Greece used cars are valued for customs purposes at new car prices. Complaints were raised against Japan for "uplifts" in customs value for non-arms length transactions to include middlemen's commissions in the exporting country, even if none were charged. All countries using the Brussels valuation system deal with such transactions by an "uplift" of the transaction value, but complaints were made only against Japan. A similar practice is followed in U.S. customs valuations procedures.

Documentation requirements were considered unreasonable by a number of U.S. producers. Documenting exported items for customs clearance abroad, according to one U.S. manufacturer, requires undue expense for his corporation. Complaints have been lodged about the necessity in

some nations, like Brazil, to give advanced indications of shipping weight within a 5-percent tolerance. It was reported that Japan requires forms illustrating the distribution network in Japan, the price at each stage up to and including the final purchase, and the names and commissions of all middlemen. Also mentioned was the documentation necessary for compliance with the U.S. export control regulations; it was felt that these regulations required an unnecessary amount of detail and compliance. The lack of uniform commodity descriptions among nations was also generally felt to hinder trade.

Regulations on samples and returned goods were the cause of some complaints. Some nations were said to insist that airplane replacement parts imported abroad pay duty even though they have been delivered pursuant to warranty obligations. Consular formalities were found to hinder trade by some U.S. transport equipment producers. One complainant stated that in some nations it is almost impossible to get a duty refund when due.

Standards.--Complainants in this area were concerned with what they perceived to be discriminatory industrial and safety standards. U.S. manufacturers of passenger vehicles claim export sales are injured by the fact that national differences in these standards make it necessary to redesign models for overseas sales. For example, cars used in Athens are reported to be limited to a certain length and horsepower which makes U.S. vehicles manufactured for the U.S. market unacceptable. The United States was mentioned by importers as being overly stringent in standards for motor vehicles and fire-fighting equipment.

U.S. aircraft producers complained that United Kingdom standards are not appropriate to U.S. production methods. Also airworthiness certificates in the United Kingdom are said to be difficult and expensive to obtain. Aircraft certification difficulties were also reported in France. Standards against noise pollution in West Germany and Switzerland prohibit the operation of some American high power and weight aircraft. U.S. aircraft manufacturers also fear that the enlarged Common Market of nine will adopt common aircraft standards to the detriment of U.S. exports.

Consular Fees.--All the complaints concerning consular fees were against LDC's. The consular fee in Uruguay is 12 percent of the f.o.b. value. A twenty dollar consular fee is collected by the Philippines. Charges from 2-8 percent in Haiti, Paraguay, Nicaragua and Honduras were protested by one U.S. trade association. Also mentioned in complaints on consular fees were India, Chile, Venezuela, Afghanistan and Angola.

Prior Import Deposits.--Several complaints against prior import deposit requirements in LDC's were made. Tunisia requires a two months deposit with the Central Bank of 100 percent of the value of cars, or 25 percent of the value of commercial vehicles. A deposit of 40 percent of the c.i.f. value for 180 days is required in Argentina, and a deposit of 100 percent of the c.i.f. value in Burundi. Forty percent of the f.o.b. value for three months were noted as the terms of the import deposit in the Dominican Republic. Similar observations were

made by U.S. producers concerning Ecuador, Ethiopia, Chile, Paraguay, the Philippines, and Iran. Greece and Israel were also mentioned as imposing heavy import deposits.

Shipping practices.--According to some U.S. producers, shipping rates outbound from the United States are significantly higher than inbound and therefore discriminatory to U.S. trade. The control of much of the shipping fleet by conferences is felt to intensify the move toward higher shipping costs and discrimination. Aircraft manufacturers complained that the U.S. requirement that all goods financed by the U.S. government must be transported on U.S. vessels was detrimental to their trade since U.S. shipping costs are usually high. The general feeling was expressed that all U.S. transport costs, but especially shipping costs, are high enough to hinder U.S. trade.

Miscellaneous practices.--A number of U.S. producers complained of exchange controls, discriminatory bilateral agreements, minimum and maximum price controls and restrictive business practices. Also mentioned were discriminatory credit restraints, and currency devaluations.

Respondents to the Tariff Commission survey who submitted estimates of the trade importance of barriers complained of in the transport equipment sector, overwhelmingly felt that a "small" trade increase would occur with the removal of the barriers. The rest were divided between "significant" and "moderate" with about two "significant" estimates for every "moderate." Most of these estimates were usually given on the stipulation that these estimates represented the total effect of the removal of all the multiple obstacles which hinder the

trade of the product. Estimates as high as \$1 million were submitted as the expected increase in a product's trade. The small number of dollar value estimates received in the transport equipment area totaled nearly \$9 million.

Motor Vehicles

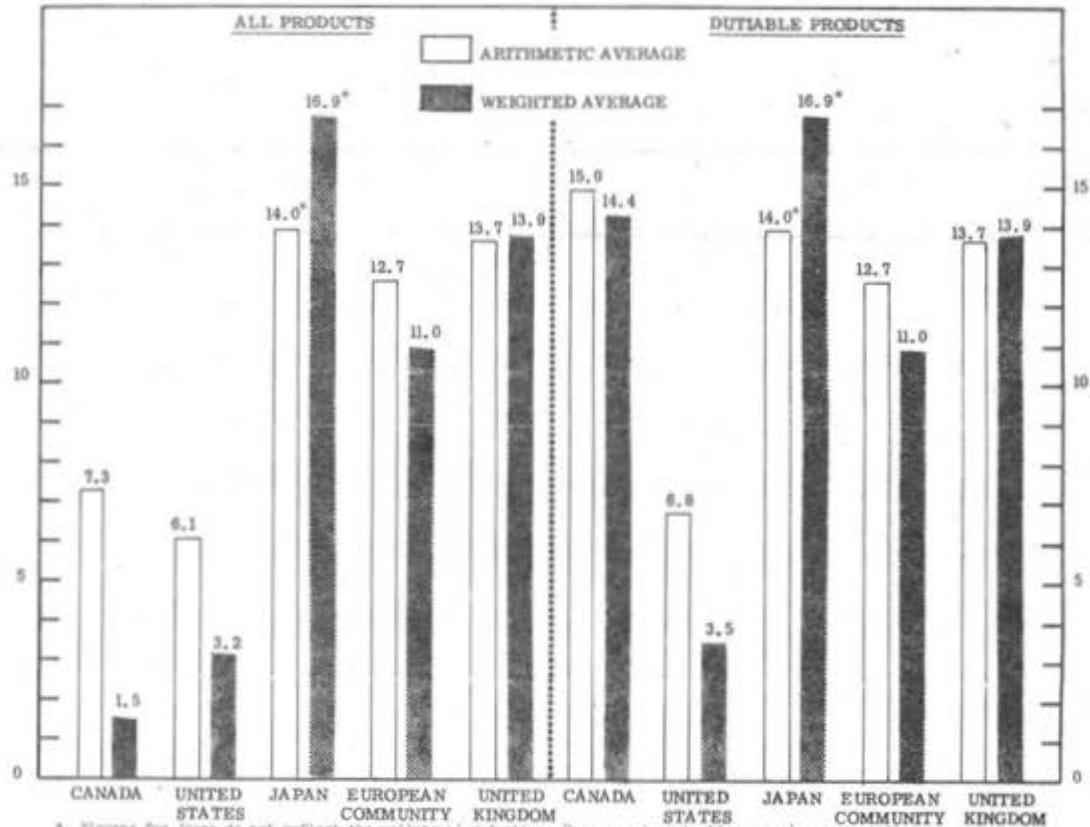
Motor vehicles include automobiles, trucks, buses, tractors, motorcycles, and parts and accessories of such vehicles. 1/

MFN tariffs

In regard to total MFN imports of motor vehicles within the group of five major countries, the United States and Canada have the lowest arithmetic average tariffs, 6.1 and 7.3 percent ad valorem respectively (see chart I-2-E). Canada's weighted average (1.5 percent) is less than half the U.S. level. The very low Canadian weighted average is a direct result of the U.S.-Canadian Automotive Products Agreement implemented in 1965 to provide duty-free trade between the United States and Canada in certain motor vehicles and original automotive equipment parts. Canada extended the duty-free treatment provided in the agreement to imports from all sources on an MFN basis, whereas similar shipments into the United States are duty free only to Canada on a preferential basis. Imports into Canada which are eligible for the duty-free treatment specified in the agreement (and extended by Canada on an MFN basis to non-U.S. sources) must be for the account of a bona fide Canadian vehicle

1/ For specific coverage of this subsector see BTN headings 87.01-.06; 87.09; 87.12.

Chart I-3-E. -- Average MFN tariff rates on motor vehicles
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 55 percent) made in 1971 and 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

manufacturer licensed under the terms of the Vehicle Tariff Order of 1965. The United States grants duty-free treatment to imports of Canadian vehicles by either manufacturers or individuals; automotive parts, however, may be entered free only by automobile manufacturers for use as original equipment in their production. The obvious consequence of this arrangement has been a large volume of duty-free Canada-U.S. motor vehicle trade. If the United States preferential imports from Canada were included in calculating the average U.S. tariff level, the U.S. weighted average would be approximately 1.7 percent.

Japan has the highest tariff averages for total trade (14 percent ad valorem arithmetic and 16.9 percent weighted). ^{1/} Japan, the Community and the United Kingdom have no duty-free tariff provisions for motor vehicles; consequently, their tariff averages for all products and dutiable products alone are identical. Canada's tariff averages, due to her large duty-free MFN trade volume, change drastically between the two categories; the MFN averages of the United States vary only slightly.

Virtually the entire amount of imports into Canada and Japan and EC imports from external countries are accorded MFN treatment, although intra-EC duty-free imports are almost five times as great as imports from outside sources. Over half of U.S. imports of motor vehicles in 1971 entered under the preferential duty-free treatment accorded to Canada by the U.S.-Canadian Automotive Products Agreement. One-eighth of the United Kingdom's imports receive preferential treatment under the Commonwealth and EFTA agreements.

Half of Canada's MFN tariff provisions for motor vehicles are duty free, and over half of United States MFN provisions are 5 percent ad valorem or below; for the Community, two-fifths of tariff provisions are between 5.1 and 10 percent ad valorem; 60 percent of Japan's provisions and one-third of the United Kingdom's provisions are in the 10.0-15 percent bracket (see table I-2-E). Over seven-eighths of Canadian imports of motor vehicles are duty free (table I-2-F). Ninety-six percent of United States MFN imports are assessed at rates of 5 percent

^{1/} These Japanese averages are calculated from rates in effect prior to the unilateral reductions made by Japan in 1972. Considering the 1972 reductions, the Japanese rates would be approximately 9.4 percent (arithmetic) and 7.6 percent (weighted).

Table I-2-E.--Distribution, by duty level, of MFN tariff provisions for motor vehicles

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	51.2	10.7	-	-	-
0.1-5.0 percent----	-	46.4	-	-	-
5.1-10.0 percent---	6.0	32.1	28.2	40.8	28.6
10.1-15.0 percent--	20.2	7.1	60.8	31.8	33.3
15.1-20.0 percent--	22.6	-	8.7	13.6	14.3
20.1-25.0 percent--	-	3.6	-	13.6	23.8
25.1-30.0 percent--	-	-	2.2	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-2-F.--Distribution, by duty level, of MFN imports of motor vehicles

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	89.6	8.1	-	-	-
0.1-5.0 percent----	-	87.9	-	-	-
5.1-10.0 percent---	.9	2.9	39.4	37.7	10.3
10.1-15.0 percent--	9.3	1.0	13.1	46.9	57.9
15.1-20.0 percent--	.2	-	24.5	12.6	7.8
20.1-25.0 percent--	-	-	-	2.7	24.0
25.1-30.0 percent--	-	-	23.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

ad valorem or below. Over three-quarters of Japan's imports of motor vehicles enter at rates between 5.1-20 percent ad valorem but nearly one-fourth enters in the 25.1-30 percent ad valorem range. ^{1/} The United Kingdom and the Community both assess the largest portion of their entries in the 10.1-15 percent bracket.

The tariff schedule for motor vehicles having the greatest complexity is Canada's with 84 lines. The United Kingdom and the Community have the

^{1/} Japanese rates in this bracket have been unilaterally reduced to a level of approximately 11.3-13.5 percent ad valorem.

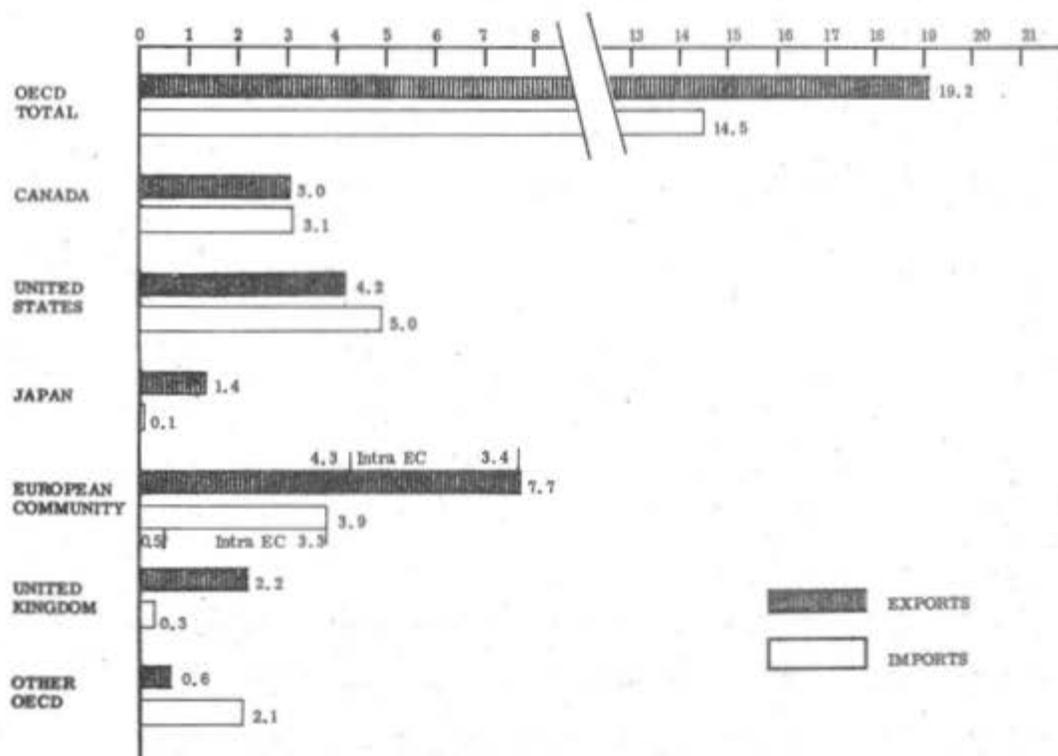
simplest with only 21 and 22 lines respectively. The U.S. schedule has 28 lines, while that of Japan has 46.

Trade importance

Motor vehicles account for about 70 percent of OECD exports and 79 percent of imports in transport equipment. OECD exports totaled \$19 billion in 1969, imports equaled \$14.5 billion (chart I-2-F). Motor vehicles rank second among the 119 industrial subsectors in value of MFN imports of the GATT tariff study countries. For the United States and Canada, it is the most important subsector in total imports. U.S. imports amounted to almost \$5 billion in 1969, growing to \$7.6 billion in 1971. The most important type of motor

Chart I-2-F -- OECD trade in motor vehicles, 1969

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

vehicle in imports of Canada and the United States is motor vehicles for the transport of persons, goods or materials (excluding motorcycles, etc.) (BTN 87.02). Canadian imports of such motor vehicles were valued at \$1.2 billion; United States MFN imports at \$0.9 billion in 1967 and preferential imports from Canada at an additional \$1 billion.

Trade network

About 97 percent of 1969 OECD exports and 85 percent of imports of motor vehicles are accounted for by the five major countries (tables I-2-G and H). The largest supplier to the world is the European Community, accounting for over 40 percent of OECD exports (almost half of which is intra-EC shipments), followed by the United States and Canada.

Table I-2-G.--OECD exports of motor vehicles, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	19,157	3,046	4,218	1,376	<u>1/</u> 7,734	2,185	598
OECD total-----	14,537	2,893	2,947	698	6,291	1,230	478
Canada-----	2,848	-	2,568	70	98	98	14
United States---	5,105	2,872	-	525	1,342	268	98
Japan-----	84	X	44	0	23	17	X
European Community-----	<u>1/</u> 4,019	5	192	37	3,387	305	93
United Kingdom--	295	5	45	6	203	-	36
Other OECD-----	2,186	11	98	60	1,238	542	237
Non-OECD total----	4,539	152	1,191	678	1,443	956	119
IDC's-----	3,444	111	995	510	1,143	586	99

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-2-H.--OECD imports of motor vehicles, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	14,457	3,089	4,557	84	^{1/} 3,884	294	2,149
OECD total-----	14,387	3,088	4,950	81	3,852	287	2,129
Canada-----	3,010	-	2,997	X	3	2	8
United States---	3,083	2,809	-	42	117	27	88
Japan-----	658	64	482	-	40	6	66
European Community-----	^{1/} 6,041	101	1,163	22	3,346	212	1,197
United Kingdom--	1,110	99	222	16	243	-	530
Other OECD-----	485	15	86	1	103	40	240
Non-OECD total----	69	1	7	1	32	5	23
LDC's-----	13	X	5	X	6	1	1

^{1/} Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States, the EC, and Canada are the principal importing countries. Of the five major countries, Japan is the least important importer and exporter of motor vehicles. Non-OECD countries, chiefly LDC's, are the recipients of 49 percent of Japanese exports, 44 percent of the exports of the United Kingdom, one-third of EC external exports, and 28 percent of U.S. exports. The remainder of U.S. exports go primarily to Canada (61 percent); Canada's exports go primarily to the United States as do 31 percent of the EC's external exports.

Over 60 percent of U.S. imports come from Canada, almost one-fourth from the EC, and one-tenth from Japan. EC imports from external sources are small; intra-EC shipments supply virtually the entire EC market. The United Kingdom is the greatest external EC supplier, accounting for about 45 percent of EC imports of motor vehicles from external sources.

The United States supplies virtually all imports to Canada and about half of Japan's entries. The bulk of United Kingdom's imports comes from the Community. The large volume of mutual trade between the United States and Canada reflects the results of the previously mentioned Automotive Products Agreement between the two nations.

Trade flows among the five major countries are generally in the direction of countries having lower tariffs. The two principal importers, the United States and Canada, have low average tariffs when compared with Japan (which has the highest tariff averages, a stiff commodity tax on cars, and the least imports) and an agreement for duty-free trade in motor vehicles with each other. For the European Community, the vast bulk of its imports are intra-Community shipments which move duty free. Imports from external sources are subject to high tariffs and have correspondingly little volume.

Trade-agreement concessions

As seen in the tabulation below, for all of the five major countries, January 1, 1972, average tariff levels for motor vehicles are far below levels existing on pre-trade-agreement base dates. The bulk of reductions reflect the results of reciprocal negotiations. Japan, in 1971-1972, made a series of reductions in all of its rates on motor vehicles, thereby reducing the Japanese average below the level shown to about 7.6 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	13.0	3.2
European Community	22.4	11.0
United Kingdom	31.1	13.9
Japan	32.2	16.9
Canada	26.7	7.3

All MFN provisions for motor vehicles in the tariff schedules of the EC, United States and Japan have been the subject of GATT concessions. In the Canadian schedule only 63 percent of the provisions, covering 18 percent of MFN imports have GATT concessions; in the United Kingdom schedule, 86 percent of the provisions covering 99 percent of MFN imports have GATT concessions.

The membership of the EC had made concessions under the GATT on their national tariffs prior to the adoption of the Common External Tariff. Of the 97 concessions in the national tariffs, 47 were at rates above the CXT autonomous rates, four at the CXT rate, and 46 below the CXT rate.

Tariffs on passenger cars, the largest trade item, have been reduced in trade-agreement concessions by all five major countries (see table I-2-I). About 53 percent of U.S. imports of motor vehicles in 1970 were products of Canada duty-free under the preferential Automotive Products Agreement. United States MFN rate reductions for passenger automobiles are about 70 percent below the statutory level. Canadian imports of passenger cars by companies meeting certain criteria are free of duty under the Automotive Products Agreement.

Table I-2-I.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on passenger automobiles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10%	6.5%	3% ^{2/}	692.10
Canada-----	27.5%	17.5%	Free, 15% ^{3/}	43803-1
European Community--	29%	22%	11%	87.02 AI(b)
United Kingdom-----	33.3%	14.7% - 22.5%	11%	87.02 (c); (1); (b)
Japan-----	35%; 40%	35%; 40%	10% ^{4/}	87.021 (1); (2); (3)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Products of Canada are preferentially free of duty.

^{3/} Duty-free treatment is accorded only to imports covered by the Automotive Products Agreement and entered by qualified Canadian automotive producers.

^{4/} Unilateral action by Japan on April 1, 1971, reduced the final stage rates of the Kennedy Round from 17.5 percent, 20 percent, and 30 percent ad valorem to 10 percent ad valorem. Later, in a joint U.S.-Japan declaration, Japan announced a further reduction to 8 percent ad valorem, effective April 1, 1972. Another 20 percent reduction went into effect in November 1972, resulting in a rate of 6.4 percent ad valorem.

Other shipments of passenger cars into Canada are subject to Canadian tariffs which have been reduced 45 percent from statutory levels.

The Community's autonomous rates have been reduced by slightly over 62 percent since pre-trade-agreement base dates; the United Kingdom rates have been reduced by about 78 percent. The Japanese tariff rates have been cut by about 71 to 75 percent. In 1972, in further unilateral cuts Japan lowered its rates on passenger cars to 6.4 percent ad valorem.

Aircraft

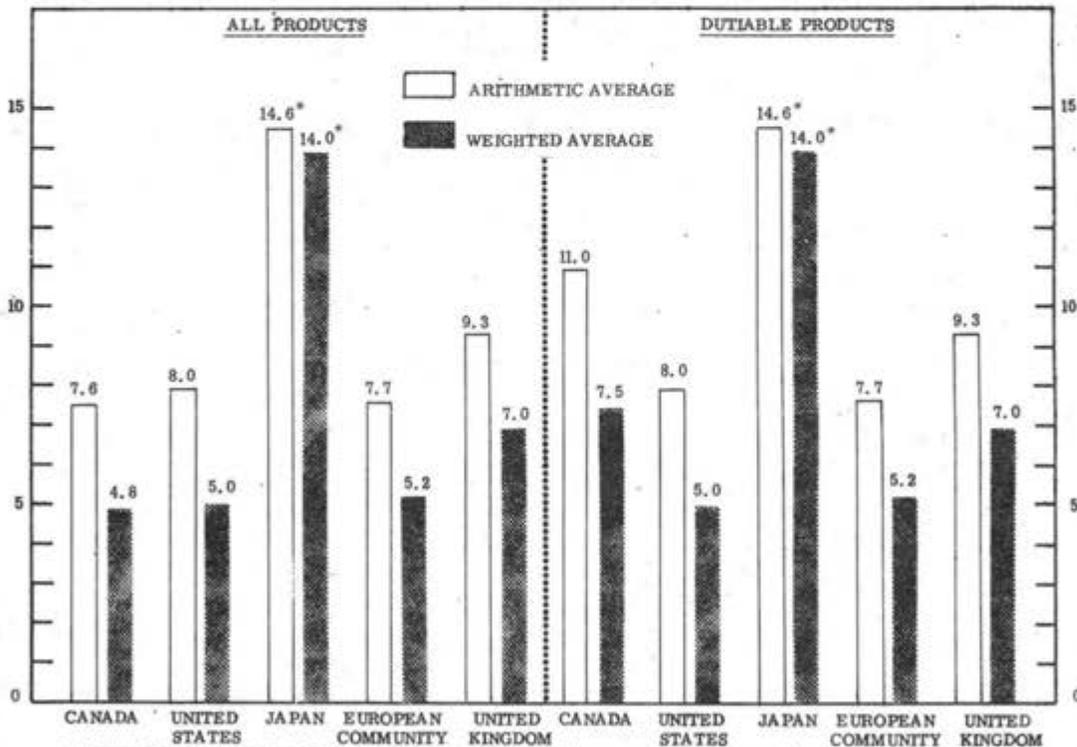
Aircraft includes airships, balloons, gliders, kites, flying machines, rotochutes, and parts. ^{1/}

^{1/} For specific coverage of this subsector see BTN headings 88.01-03.

MFN tariffs

Average MFN tariff rates for total imports of aircraft products are clustered between 4.8 and 9.3 percent ad valorem for four of the five major countries. Only Japan maintains substantially higher average tariffs (chart I-2-G). The arithmetic averages range from 7.6 percent ad valorem for Canada to 14.6 percent for Japan; the weighted averages from 4.8 (Canada) to 14 percent (Japan). However, the dutiable-product averages for Canada rise markedly (arithmetic, 11 percent; weighted, 7.5 percent). All imports by Japan and the United States, and shipments into the Community from external countries, are on an MFN basis; 98

Chart I-2-G. -- Average MFN tariff rates on aircraft
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

percent of Canada's imports as well as 88 percent of shipments to the United Kingdom receive MFN treatment. Intra-EC duty-free shipments are equal to almost one-fourth of EC entries from outside sources. Also, a considerable amount of U.S. imports of aircraft enter under tariff items 806.30 and 807.00. Under item 806.30, articles of metal that have been subject to a process of manufacture in the United States, exported for processing and returned for further processing, are required to pay duty only on the value of foreign processing. Through item 807.00, imported articles assembled in foreign countries with fabricated components which have been manufactured in the United States are dutiable upon the full value of the imported product less the value of the U.S. fabricated components it contains.

Canada is the only nation of the five with MFN duty-free provisions for aircraft (see table I-2-J). It is also the nation with the highest tariff provisions (in the 15.1-20 percent ad valorem bracket). Canada

Table I-2-J.--Distribution, by duty level, of MFN tariff provisions for aircraft

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	30.8	-	-	-	-
0.1-5.0 percent----	-	62.5	-	40.0	-
5.1-10.0 percent---	46.2	-	7.1	40.0	75.0
10.1-15.0 percent--	-	37.5	92.9	20.0	25.0
15.1-20.0 percent--	23.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

and the United Kingdom have the majority of their provisions in the 5.1-10 percent ad valorem range. The bulk of U.S. tariff provisions are in the 0.1-5 percent range, although over one-third of U.S. provisions are

in the 10.1-15 percent bracket. The vast majority of Japanese tariff provisions for aircraft are in the 10.1-15 percent ad valorem group; while 80 percent of the Community's provisions are equally divided between the 0.1-5 percent and the 5.1-10 percent ranges (Community tariffs for aircraft weighing over 15,000 kilograms, and component parts for such aircraft, have been temporarily suspended for the past several years).

In terms of imports, the entirety of U.S. imports enter at rates of 0.1-5 percent ad valorem, as do 88 percent of shipments to the Community; 100 percent of the imports into the United Kingdom are in the 5.1-10 percent group (table I-2-K). Nearly two-thirds of Canadian

Table I-2-K.--Distribution, by duty level, of MFN imports of aircraft

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	35.6	-	-	-	-
0.1-5.0 percent----	-	100.0	-	88.2	-
5.1-10.0 percent---	64.2	-	20.9	9.5	100.0
10.1-15.0 percent--	-	-	79.1	2.3	-
15.1-20.0 percent--	.2	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

imports are in the 5.1-10 percent range, while close to four-fifths of shipments to Japan enter in the 10.1-15 percent range.

The most complex tariff structures for aircraft belong to Canada and Japan, with 13 and 14 lines respectively. The schedule of the EC has 10 lines, the United States has 8 lines, and the United Kingdom 4 lines.

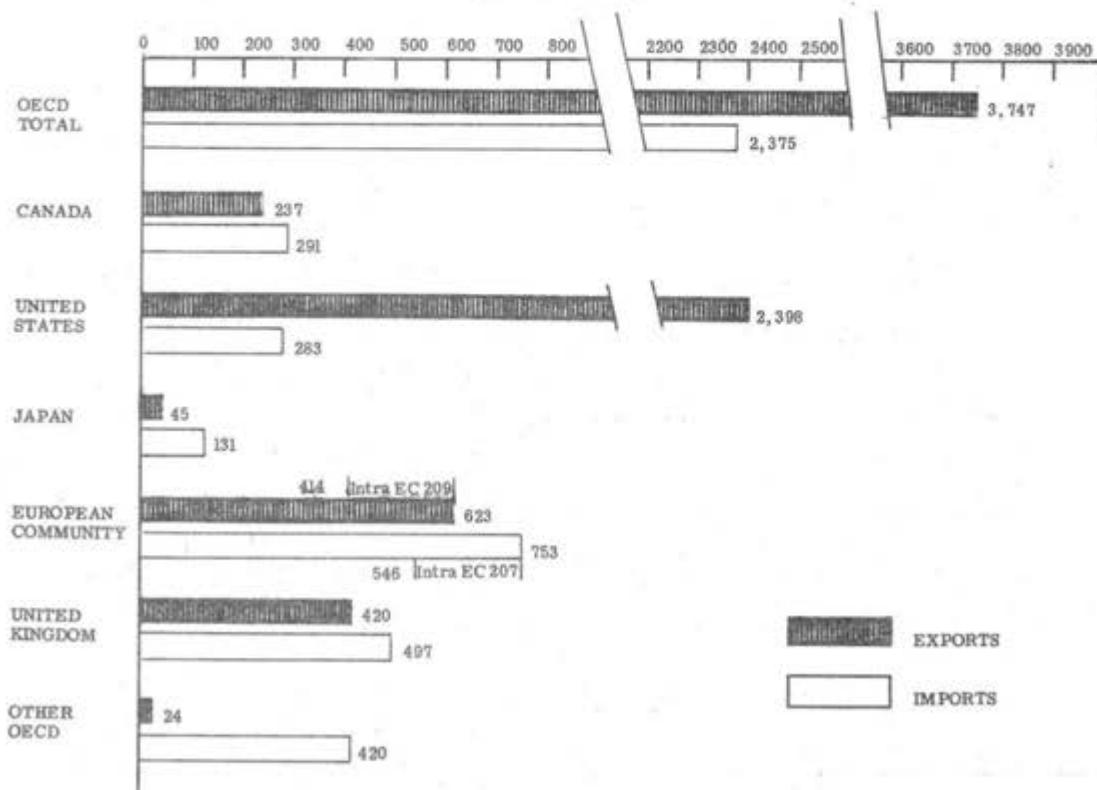
Trade importance

OECD exports of aircraft in 1969 totaled \$3.7 billion, or about 14 percent of total export trade in transport equipment (chart I-2-H).

Imports were nearly \$2.4 billion or about 13 percent of 1969 OECD import trade in the transport equipment sector. The second largest category of OECD imports of transport equipment, aircraft ranks 13th in value of total imports among the 119 industrial product categories. U.S. exports in 1969 were \$2.4 billion, while imports, which consist chiefly of parts, amounted to \$283 million. U.S. imports in 1971 were valued at nearly \$297 million. In MFN imports of the other countries, aircraft ranks 6th among the 119 industrial categories for Canada, 11th for the Community, 26th for the United Kingdom, and 29th for Japan.

Chart I-2-H -- OECD trade in aircraft, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for over 99 percent of OECD exports and 82 percent of imports of aircraft (tables I-2-L and M). The United States, by far the largest exporter, is the source of over three-fifths of OECD export shipments. Country of destination data are unavailable for one-fourth of U.S. exports. The European Community is the largest importer, with shipments from outside origins amounting to \$546 million. Intra-EC imports were valued at an additional \$207 million. The Community depends heavily on the United States for aircraft, and as mentioned above, has suspended its duties on large aircraft. However, the entry into the Community of the United Kingdom with its strong aircraft industry may cause a reinstatement of the EC suspended aircraft tariff. The United States ships over one-fourth of its exports which have been accounted for to the Community, and over 30 percent of its known shipments to non-OECD nations, chiefly LDC's. Twelve percent of known U.S. exports are shipped to Canada; nearly 8 percent go to Japan.

The United States is the principal supplier of aircraft to all of the other four major countries. Nearly 98 percent of Japan's imports, 93 percent of Canada's, 91 percent of entries into the United Kingdom and four-fifths of shipments to the Community from outside sources have their origin in the United States. Canada, Japan, the Community and the United Kingdom are all net importers of aircraft. Only the United States is a net exporter.

Table I-2-L.--OECD exports of aircraft, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD-
World-----	3,747	237	2,398	45	<u>1/</u> 623	420	24
OECD total-----	2,104	182	1,245	28	455	173	21
Canada-----	247	-	216	X	8	23	X
United States---	351	156	-	28	102	62	3
Japan-----	145	X	141	-	1	4	-
European Community-----	<u>1/</u> 788	19	484	X	209	68	8
United Kingdom--	94	5	65	X	21	-	3
Other OECD-----	479	2	339	X	114	8	7
Non-OECD total----	1,043	55	552	16	168	246	6
IDC's-----	817	50	423	16	115	211	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 22 percent of U.S. exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-2-M.--OECD imports of aircraft, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,375	291	283	131	<u>1/</u> 753	497	420
OECD total-----	2,347	291	283	131	741	485	416
Canada-----	158	-	148	X	7	2	1
United States---	1,632	272	-	128	438	453	341
Japan-----	28	X	27	-	X	X	1
European Community-----	<u>1/</u> 328	5	31	1	207	25	59
United Kingdom--	161	14	74	3	60	-	10
Other OECD-----	40	X	3	X	29	5	4
Non-OECD total----	27	X	X	X	12	13	2
IDC's-----	22	X	X	X	9	11	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Except for Japan, average tariffs of the major countries on January 1, 1972, were significantly lower than the average levels on pre-trade-agreement base dates. As the following table illustrates, the largest drop, nearly 23 percentage points, was in the U.S. tariff. GATT concessions cover all U.S., EC, and United Kingdom MFN provisions; between 85 and 92 percent of Canada's provisions (84 to 100 percent of imports); and 57 percent of Japan's provisions (but covering 96 percent of imports). Thirty-five GATT concessions were made in EC member state national tariffs prior to the adoption of the Common External Tariff, 20 of these were at rates above and 15 at rates below the new CXT rate.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	27.8	5.0
European Community	12.3	5.2
United Kingdom	20.0	7.0
Japan	15.0	14.0
Canada	26.3	7.6

Tables I-2-N and I-2-0 show concessions which have been made in the major country tariffs on aircraft and aircraft parts.

Miscellaneous Transport Equipment

The remaining categories of transport equipment, which will not be discussed in detail, are ships and boats and other transport equipment.

Table I-2-N.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on aircraft

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	27.5% 50%; 30%	9% 25%; 10%	4.5% 12.5; 5%	694.15; -.20 694.30; -.40
Canada-----	27.5%	7.5%; 13.5%	7.5%	44043-1; 44044-1
European Community--	18% 18% 15%; 12% ^{2/} 12%; 14%; 15% ^{3/}	18% 14% 15%; 10% 10%; 11%; 15%	9% 7% 15%; 5% 5%; 5.5%; 12% ^{3/}	88.01 88.02A 88.02BI 88.02BII
United Kingdom-----	20%	18%; 14%; 16%	9%; 7%; 14%	88.01; -.02
Japan-----	15%	15%	15%; 10%; 15% ^{4/}	88.01; -.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Duties not reduced on helicopters of unladen weight of 2,000 kg. or less.

^{3/} Duties are suspended for powered airplanes over 15,000 kg. in unladen weight.

^{4/} For airplanes with four engines or more, the rate is 10 percent, for others 15 percent.

Table I-2-O.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on aircraft parts

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	27.5%	9%	5%	694.60
Canada-----	27.5% 27.5%	Free; 13.5% Free; 5%	Free; 7.5% Free; 5.0%	44051-1; 44052-1; 44055-1; 44056-1
European Community--	17%; 12% ^{2/}	17%; 10% ^{2/}	8.5%; 5% ^{2/}	88.03
United Kingdom-----	20%	14%; 20%	7%	88.03
Japan-----	15%	15%	15%	88.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Duty is suspended for parts used in aircraft constructed within the Community.

The relative world trade importance of the categories can be seen in chart I-2-D at the beginning of the discussion of transport equipment.

U.S. trade has been as follows (in millions of dollars):

<u>Items</u>	<u>Exports</u>		<u>Imports</u>	
	<u>1969</u>	<u>1969</u>	<u>1969</u>	<u>1971</u>
Ships and boats ^{1/}	184	40	48	
Other transport equipment	144	72	84	

For each of these categories and for each of the five major countries, there are listed in table I-2-P arithmetic and weighted average MFN rates

Table I-2-P.--Average MFN tariff rates on miscellaneous types of transport equipment, and the highest rate bracket in which provisions of the major tariffs fall

Type of transport equipment	Canada	United States	Japan	European Community	United Kingdom
Ships and boats:					
Arithmetic average-----	11.1	5.8	6.2	2.1	2.6
Weighted average-----	17.3	4.0	5.1	0.8	0.2
Highest rate bracket-----	20.1-25	9.1-10	14.1-15	6.1-7	7.1-8
"Other" transport equipment:					
Arithmetic average-----	11.9	9.4	8.1	6.5	11.6
Weighted average-----	17.0	7.3	7.8	7.5	14.1
Highest rate bracket-----	20.1-25	17.1-20	14.1-15	15.1-17	20.1-25

of duty for total imports, and the highest duty bracket in which provisions of each of the five tariffs fall. In a simple count of "highest" and "lowest" rankings of this data, Canada has the largest number of "highest" rankings (6 out of a possible 6). The Community has the most "lowest" rankings (3 out of 6).

^{1/} Pleasure craft only; vessels which are not "yachts or pleasure boats" are not considered imports into the United States.

Industrial Sector I-3

ORES, METALS, AND METAL MANUFACTURES

Ores, metals, and metal manufactures include all nonprecious metallic ores and concentrates and all base metals and articles thereof, except the following products: waste from the manufacture of iron and steel, other slag and ash, and office equipment made from base metal. The four main subcategories of this sector, grouped by stage of processing, are: Ores and concentrates, iron and steel, nonferrous metals, and metal manufactures. ^{1/}

MFN tariffs

The arithmetic averages for MFN tariff rates on ores, metals, and metal manufactures for the five countries range from a low of 6.3 percent ad valorem for the European Community to 9.6 percent ad valorem for Japan (chart I-3-A). The rates based on weighted averages are lower and range more widely, 2.1 percent for Japan to 7.4 percent for Canada.

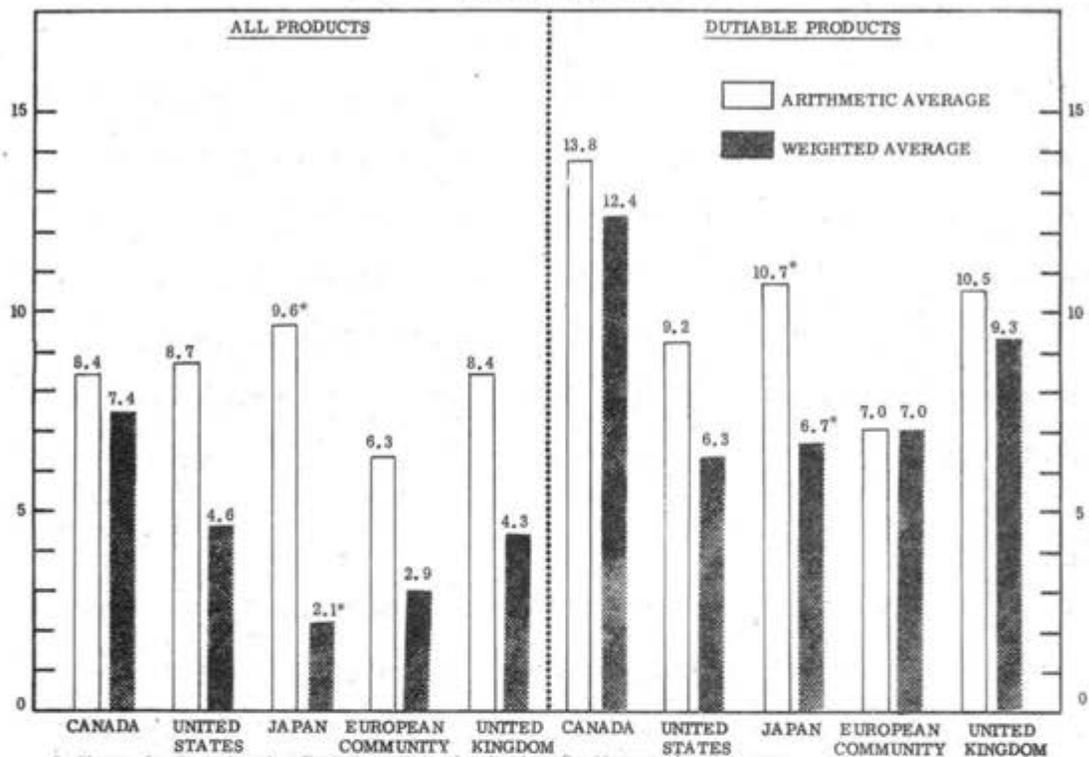
For dutiable products only, the European Community has the lowest arithmetic average (7 percent), whereas the United States has the lowest weighted average (6.3 percent). Canada has the highest arithmetic average (13.8 percent) and weighted average (12.4 percent).

The distribution of tariff provisions by duty level is shown in table I-3-A. The largest portion of rate provisions is in the bracket of 5.1-10 percent ad valorem for all countries except Canada--the degree of concentration in this bracket ranges from 49.5 percent for the United States

^{1/} For the specific coverage of this sector, see BTN headings 26.01, 26.03, 73.01-.35, 73.38-.40, chapters 74-82, headings 83.01-.03 and 83.06-.15.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-3-A. -- Average MFN tariff rates on ores, metals and metal manufactures
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1973 on about four-fifths of the Japanese rates in this sector; over 7 percent of the rates were excepted from unilateral reductions while the remainder were reduced by amounts ranging from 5 percent to 100 percent.

Source: Compiled from national tariffs and trade statistics.

Table I-3-A--Distribution, by duty level, of MFN tariff provisions for ores, metals and manufactures

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	39.0	5.5	10.6	9.4	20.0
0.1-5.0 percent----	7.8	20.3	9.5	20.2	4.4
5.1-10.0 percent---	12.4	49.5	54.6	66.3	57.2
10.1-15.0 percent--	8.9	14.9	14.3	3.7	7.2
15.1-20.0 percent--	31.3	5.9	7.8	.5	8.8
20.1-25.0 percent--	.4	2.1	3.1	-	2.4
25.1-30.0 percent--	.1	.7	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
40.1-50.0 percent--	-	.4	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

to 66.3 percent for the European Community. For Canada, approximately two-fifths of its tariff provisions are MFN duty free and another one-third fall in the 15.1-20 percent bracket.

Imports of ores and metals receiving preferential tariff treatment are significant for the United Kingdom, Canada, and the European Community among the five major countries. Such treatment was accorded 59 percent of entries into the United Kingdom, 14 percent into Canada, and 13 percent into the European Community. Most of the MFN imports of Japan, the European Community, and the United Kingdom enter duty free, whereas one-quarter and two-fifths, respectively, of U.S. and Canadian entries are duty free (table I-3-B). About one-third of EC and United Kingdom imports

Table I-3-B.--Distribution, by duty level, of MFN imports of ores, metals and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	40.3	26.5	69.4	58.3	54.0
0.1-5.0 percent----	13.7	34.3	16.0	9.7	1.2
5.1-10.0 percent---	13.6	32.1	13.0	30.5	37.3
10.1-15.0 percent--	6.6	4.9	1.3	1.3	3.6
15.1-20.0 percent--	25.5	1.3	.2	.2	3.8
20.1-25.0 percent--	.3	.2	.2	-	.2
25.1-30.0 percent--	-	.1	-	-	-
30.1-40.0 percent--	-	.2	-	-	-
40.1-50.0 percent--	-	.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

enter in the 5.1-10 percent bracket; about one-third of U.S. entries fall in the 0.1-5 percent bracket and another one-third in the 5.1-10 percent bracket. Canadian entries that are not entered duty free are imported chiefly under the following duty rate brackets: 15.1-20, 0.1-5, and 5.1-10 percent.

The United States has the most detailed schedule for ores, metals, and metal manufactures with 686 lines, while the United Kingdom has the least, with 250 lines. Canada has 389 lines; the European Community, 406 lines; and Japan, 357 lines.

Trade importance

Ores, metals, and metal manufactures comprise one of the most important industrial sectors, ranking third in OECD exports and first in imports. The sector accounts for 15 percent of OECD industrial exports and about 17 percent of industrial imports. For the United States, the sector is the fourth most important in exports. It ranked second in U.S. imports during 1969-70. Imports by the GATT tariff study countries were valued at \$15.4 billion in 1967 and \$25 billion in 1970. Intra-EC shipments were an additional \$3.9 billion in 1967 and \$6.8 billion in 1970. OECD 1969 imports were \$27.5 billion (including \$5.7 billion of intra-EC shipments) and exports were \$24.2 billion (chart I-3-B).

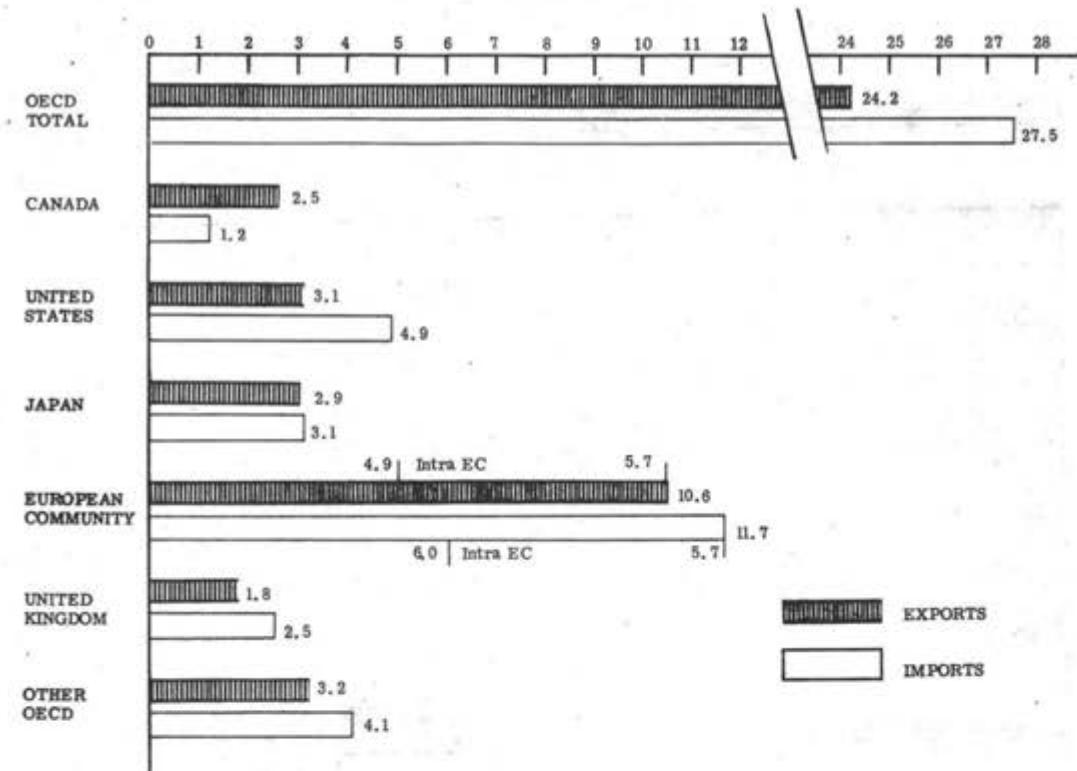
Trade network

The five major countries account for about 85 percent of OECD exports and imports of ores, metals, and metal manufactures. Nearly two-thirds of OECD exports go to the five major countries; over 15 percent to LDC's. Almost 60 percent of OECD imports are supplied by the five major countries.

About one-quarter of U.S. exports go to less developed countries (chart I-3-C), where substantially higher tariffs and other trade barriers generally are encountered. Canada is the principal developed market for U.S. products, followed by the European Community. The United States

Chart I-3-B. -- OECD trade in ores, metals, and metal manufactures, 1969

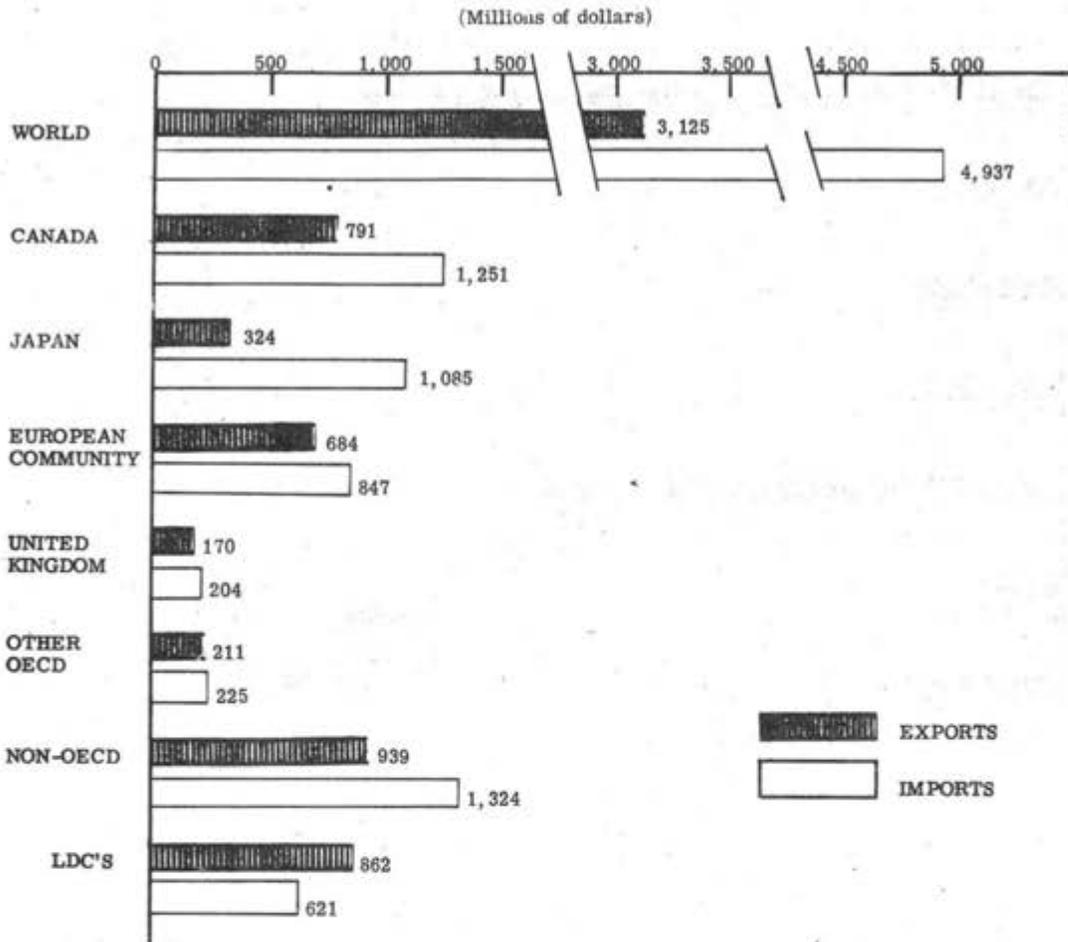
(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

takes one-half of Canada's exports; other import markets for Canada are the United Kingdom, the European Community, and Japan. Japan ships over one-third of its exports to both the United States and to the LDC's. Intra-EC exports are equal to more than half of the Community's total shipments. The LDC's take about one-quarter of the EC's outside exports; nearly 20 percent go to the United States, and about 5 percent to the

Chart I-3-C. -- United States trade in ores, metals, and metal manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

United Kingdom. The United Kingdom ships almost 25 percent of its products to the LDC's, 20 percent to the European Community, and 10 percent to the United States (table I-3-C).

Table I-3-C.--OECD exports of ores, metals and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	24,181	2,548	3,125	2,948	<u>1/</u> 10,537	1,799	3,224
OECD total-----	18,464	2,385	2,180	1,454	8,572	1,117	2,756
Canada-----	1,054	-	791	83	80	73	27
United States---	3,692	1,294	-	1,071	894	197	236
Japan-----	672	256	324	-	47	11	34
European Community-----	<u>1/</u> 8,450	284	684	171	5,651	387	1,273
United Kingdom--	1,280	403	170	22	262	-	423
Other OECD-----	3,316	148	211	107	1,638	449	763
Non-OECD total----	5,647	163	939	1,494	1,892	678	481
LDC's-----	4,081	110	862	1,136	1,323	423	227

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, ores, metals, and metal manufactures ranked first in industrial imports for Canada and the European Community and second for the United States, Japan, and the United Kingdom. United States imports of ores, metals, and metal manufactures were valued at \$4.3 billion in 1967, \$4.9 billion in 1969, and \$6.1 billion in 1971. Canada and Japan each supply about one-quarter of U.S. imports; the European Community and LDC's each about 15 percent (chart I-3-C). The United States supplies about two-thirds of the Canadian market. Non-OECD countries, principally LDC's are the source for three-quarters of Japan's imports. About half of imports into the European Community are from outside sources; chief suppliers are the LDC's, "other" OECD countries, the United States, and the United Kingdom. The non-OECD nations are the major source of

the United Kingdom's imports, followed by "other" OECD countries, Canada, and the European Community. Japan is not a significant supplier to any major country except the United States (see table I-3-D).

Table I-3-D.--OECD imports of ores, metals and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	27,510	1,221	4,937	3,082	^{1/} 11,684	2,513	4,073
OECD total-----	19,005	1,073	3,612	740	8,700	1,412	3,468
Canada-----	2,443	-	1,251	278	313	434	167
United States---	2,312	789	-	378	751	175	219
Japan-----	1,393	75	1,085	-	131	24	78
European Community-----	^{1/} 8,670	81	847	32	5,689	292	1,729
United Kingdom--	1,224	70	204	13	444	-	493
Other OECD-----	2,963	58	225	39	1,372	487	782
Non-OECD total----	8,453	143	1,324	2,342	2,951	1,112	581
LDC's-----	4,429	88	621	1,397	1,645	461	217

^{1/} Includes intra-EC shipments.

Note.--Complete country data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

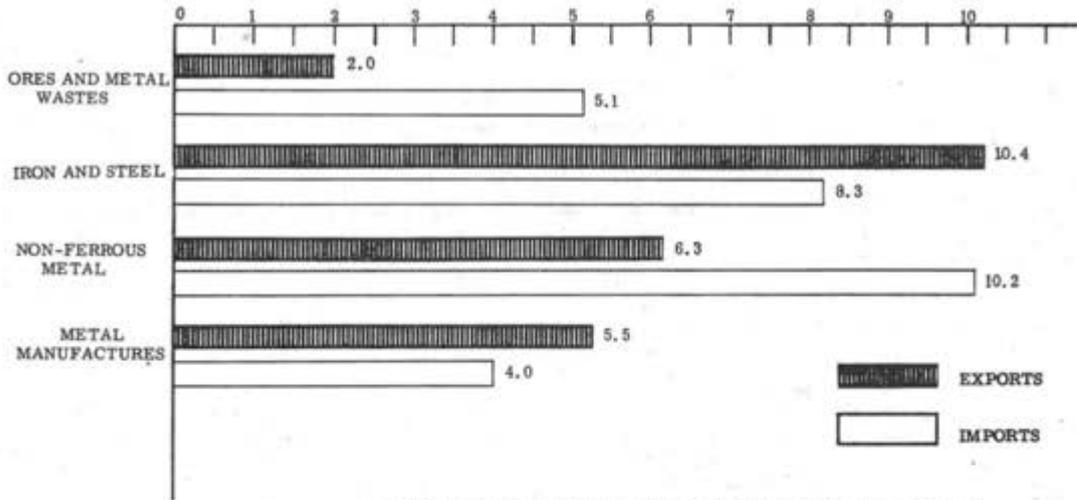
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Ores, metals, and metal manufactures are divided into four subsectors: Ores and metal waste, iron and steel, nonferrous metals, and metal manufactures. The iron and steel subsector is the largest for exports and nonferrous metals the largest for imports in OECD trade. The relative importance of the four subsectors is shown in chart I-3-D.

Chart I-3-D. -- OECD trade in ores, metals and metal manufactures, by type, 1969

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

On January 1, 1972, average tariff levels for ores, metals, and metal manufactures in the United States, the United Kingdom and Canada were substantially below levels existing on pre-trade-agreement base dates.

The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. Specific duties are important for the United States, accounting for about one-third of the tariff lines and covering 47 percent of imports in 1967. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Some of Japan's tariff rates in this sector were unilaterally reduced in 1972, but these reductions are not reflected in the tabulation.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	17.0	4.6
European Community	3.8	2.9
United Kingdom	10.3	4.3
Japan	3.9	2.1
Canada	22.1	8.4

Concessions under the GATT have been made on all MFN provisions for ores, metals, and metal manufactures in the tariff schedules of the United States, as well as on 96 percent of the provisions (covering virtually all imports) in the Community's Common External Tariff. Only 70 percent of Canada's provisions, covering about two-thirds of Canadian imports are under the GATT; Japan's GATT concessions cover about 92 percent of its provisions and 95 percent of imports; and GATT concessions for the United Kingdom have been made on 91 percent of United Kingdom provisions relating to two-thirds of imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on ores, metals and metal manufactures negotiated under the GATT. The number of such concessions totaled 880, of which 608 reflected rates higher than the autonomous rate established in the CXT, 73 were at the CXT rate, and 199 were below the CXT rate.

Trade complaints

In its survey of trade barriers, the Tariff Commission had 369 complaints against practices or policies which affect trade in products in the sector for ores, metals and metal manufactures. Complaints were registered against virtually all developed countries, with the United States, the European Community, Canada and Japan being the object of most of the complaints. The complaints were almost equally divided between the developed countries and LDC's. Half of the complaints against LDC's were lodged against countries in Latin America, especially Mexico, Argentina, Brazil, Colombia, and Venezuela. Outside of Latin America, the countries mentioned most often were Spain, Greece, Egypt, India, and Pakistan. Embargoes, licensing practices and quotas headed the list of complaints, followed by import duties, subsidies, and various taxes or fees. The principal complaints are summarized in the paragraphs which follow.

Embargoes.--Of the many complaints concerning embargoes and similar practices which effectively exclude imports, most dealt with LDC's. However, Japan, the United States and other developed countries were also the subject of complaints. Mexico was most frequently mentioned by U.S. producers for practices which were in effect embargoes. Licenses to import are required by Mexico but it was reported that they are denied if the product is manufactured locally. This applies to a range of products such as clamps, all types of wrenches, pipe cutters, vises, screwdrivers, and hinges. For mechanic's hand tools, it was stated that Mexican officials will not permit imports of products that cannot be

manufactured locally if a substitute product can be produced. It was also reported that Mexico has an embargo on various steel products.

The practice of refusing to grant import licenses for steel products, hammers, and screwdrivers was reported as being common in Portugal and Chile. Ceylon will not permit imports of goods which are considered by the government to be luxury items. U.S. importers criticize the U.S. Maritime Administration's prohibition on the purchase of foreign-built containers by U.S. flag vessels governed by a U.S. operating differential subsidy contract. Another U.S. importer complained that products containing Cuban nickel and/or cobalt, whether produced in Cuba or not, are prohibited entry into the United States. The United States has an embargo on uranium imports for enrichment of domestic ores or use in domestic power reactors. The December 16, 1966, economic sanctions on Southern Rhodesia by the United Nations came under criticism from one U.S. importer of chromite. ^{1/} Other countries specifically mentioned as having embargoes on metals or metal manufactures were: Japan, Kuwait, Malta, South Africa, Senegal, Colombia, and Venezuela.

Licensing practices.--Many complaints were received from both U.S. producers and importers about licensing practices. It was reported that in Mexico and Colombia the availability of a license for steel hand tools depends on the local manufacturing of that product. Pakistan requires an import license for steel hand tools from the United States

^{1/} Since January 1972, imports from Rhodesia of certain strategic and critical materials, including ferrochrome produced from Rhodesian chromite, have been allowed pursuant to a general license issued under the Rhodesian Sanctions Regulations.

but is said to waive this requirement for Communist countries and Denmark. An export license is required to ship thorium compounds from India. In the Republic of Malagasy, prior authorization is needed for the importation of metal casks and drums. The United States requires a special license to buy or sell fissionable materials. Another complaint against the United States centered on the fact that export licenses are required when exporting molybdenum concentrate and oxide and ferromolybdenum to certain countries. Other countries specifically mentioned as having unfavorable licensing practices adverse to U.S. trade were: Australia, Belgium, Luxembourg, Jamaica, Japan, Malta, Mexico, the Netherlands, and New Zealand.

Quantitative restrictions.--Many U.S. producers complained of quantitative restrictions encountered in trading with foreign countries. In the case of steel hand tools, it was reported that South Africa has a system of quotas based on the ability of domestic industries to produce similar products. Australia will only issue an import license for aluminum products when domestically produced products are unavailable. Indonesia and Singapore both implement quotas to protect their local industries. For products such as pliers and wrenches, Mexico and South Africa apply quotas by restricting the amount of licenses issued. One U.S. importer complained that foreign suppliers are persuaded to impose voluntary quotas on products of iron and steel in an effort to discourage more severe restrictions. Other countries mentioned as establishing quotas for iron and steel products were: Egypt, Ireland, Korea, the Netherlands, New Zealand, Yugoslavia, and countries of Latin America.

Special and/or additional taxes and fees.--Numerous complaints were received in this category concerning an assortment of taxes perceived as trade barriers by U.S. producers. A special steel fund tax of 2 to 20 pesos per net kilogram is levied in Argentina on imports of iron and steel. A 0.3 percent tax (based on the customs value) for foreign trade promotion is assessed on iron ore imports into Austria. It was reported that EC and EFTA countries have levied "compensating" and "equalization" taxes on farm tools. As a device to raise additional revenue to supplement its turnover tax, Greece assesses a special tax of 0.5 percent on the c.i.f. value of aluminum for a "university building" fund.

Import duties.--There were numerous complaints against import duties. It was noted that in Mexico duties on metal eyeglass cases can range as high as 550 percent, while duties on mechanic's hand tools are usually 100 percent. For pliers, screwdrivers and testing equipment, it was reported that duties in Latin American and African countries range from a low of 20 percent to a high of 180 percent of the c.i.f. value.

Several objections were raised against the discriminatory aspects of customs unions and other preferential trading arrangements. One U.S. producer of steel complained that the European Community has many preferential agreements for steel products or manufactures with third countries. A producer of metal eyeglass cases complained of discrimination from the Commonwealth preferences in shipments to Australia, Canada, New Zealand, and Western Hemisphere Commonwealth territories. A U.S. producer of steel hand tools reported that, in trading with

Pakistan, he was levied a higher import duty than his competitors from certain other countries. Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua were all mentioned as maintaining excessive duties on goods imported from countries outside of the Central American Common Market.

Subsidies and other government aids.--It was reported that Greece and Italy assist their exports of iron and steel products through direct tax rebates. Australia pays a bounty to encourage local production of pyrites. It was noted that Argentina, Colombia, Peru, and Venezuela have practices which in effect subsidize export products of their local metal industry. A coking coal subsidy in the European Community reduces the cost of EC steel products and thereby enhances their competitive position compared with foreign products. The government of the United Kingdom has set up investment grants for the establishment of domestic production capacity for aluminum. Other countries which furnish some type of subsidy or government assistance to exports include France, India, Italy, Japan, Netherlands, and numerous LDC's including Pakistan, the Philippines and Spain.

Government procurement.--Complaints in this category were registered by U.S. producers as well as by U.S. importers. Several complaints involved the "buy national" policies of the European Community and Japan on steel products. Concerning steel mill products used in construction, it was reported that in Argentina and Canada, manufacturers must use materials and labor of domestic origin on public works projects unless such materials are not available. One U.S. exporter of steel mill products

complained of the provincial regulations found in Canada which restrict bidding by non-Canadian companies for government contracts, unless their head office is in Canada. It was said that in the Netherlands only contractors of the European Community may submit bids for the production of steel mill products. Many U.S. importers complained of the "buy American" restrictions maintained by some states on numerous products. Other importers complained that purchases by the U.S. Department of Defense must be domestically produced products unless there is a 50 percent price advantage in purchasing imported products. For some state-financed projects, one U.S. importer complained of the prohibition on the use of imports.

Export restraints.--Complaints in this category were primarily registered by U.S. importers, but several complaints were received from U.S. producers. A number of countries maintained embargoes or quotas on exports of ores, metals and metal manufactures to the United States. A producer stated that exports of monazite from Brazil and India were prohibited because of the thorium content of monazite. Mexico was cited as having placed export restraints on ores in order to promote the development of domestic processing industries. U.S. importers complained about the "voluntary export restraints" of the European Community and Japan on their shipments of steel mill products to the United States, stating that such limitations restricted competition in the United States and encouraged inflation. 1/

1/ See Chapter VIII for a discussion of "voluntary" export restraints of steel-mill products by certain countries to the United States.

Border tax adjustments.--Taxes on value added (TVA) and turnover taxes drew most of the complaints lodged against border tax adjustments. The EC and EFTA countries were cited for turnover taxes on grass shears, pruning shears, axes, hatchets, hammers, and other miscellaneous garden tools. A number of EC member states and other European countries were similarly cited for turnover taxes on steel and aluminum. Italy was reported to have a compensation tax of 24 percent of c.i.f. value (in addition to duty) plus an administration fee and a state fee on imports of aluminum. Belgium-Luxembourg maintained a transmission tax of 7 percent of c.i.f. value (plus duty); this amount plus supplemental charges were changed to a TVA tax.

Health and safety standards.--Two U.S. producers of enameled products complained of hygienic technical standards that their exported products had to meet. Brazil was cited as requiring imports of certain machines and appliances to be accompanied by two copies of safety certificates issued by competent authorities stating that the goods in question were produced in accordance with specified safety standards. Importers stated that U.S. standards posed problems for imports and cited the Department of Transportation requirement that compressed gas cylinders be checked by official U.S. inspectors during the manufacturing process, but no provision was made for foreign inspections. U.S. importers also stated that high pressure gas cylinders had to be tested in the United States even if they had already been tested in the country of origin. Importers also stated that the standards that are prescribed for boilers, pressure vessels, plumbing and heating equipment, and

fire-fighting equipment often are expensive or difficult for imports to meet. In the case of the boilers and pressure vessels, states and municipalities often require the American Society of Mechanical Engineers seal of approval which is available outside of North America only at great cost.

Port and statistical taxes, etc.--U.S. producers cited a number of instances where countries maintain customs administration fees and statistical fees. Producers of aluminum complained of statistical fees maintained on their products by Austria, Switzerland, and Jamaica. Italy was also cited for such fees by a steel producer. In Jamaica, these statistical fees amounted to 0.5 percent of the c.i.f. value, as compared to 1 percent in Italy. Italy was also mentioned by a steel producer because of its customs administration fee of 0.5 percent of the c.i.f. value. Similarly, a producer of hand, farm and garden tools complained of administration fees maintained by the EC countries. Jamaica was cited by an aluminum producer for its administration fee of 5 percent.

Miscellaneous practices.-- Other areas which drew complaints in smaller numbers than those discussed above are industrial product standards, stamp taxes, and antidumping practices. Government monopolies of the steel industry in many countries were mentioned as major nontariff trade barriers. Direct or indirect government intervention has appeared in most steel industries outside of the United States. It has been stated that as much as 60 to 70 percent of the free world's steel producing capacity is either directly owned or

effectively controlled by governments. Examples of this government ownership or control are visible in the steel industries of Japan, the United Kingdom, Spain, Argentina, the Philippines, Mexico, Yugoslavia and South Korea.

In the Commission's survey, respondents were requested to give their assessment of the restrictive effect of the barriers they reported by indicating whether trade in the affected products would show a "small," "moderate," or "significant" increase if the barrier (either alone or in combination with other barriers) were removed and, if possible, to estimate a dollar value for the increase. Only about 40 percent of the complaints received were accompanied by any assessment of the effect of the barriers encountered in trade in ores, metals and metal manufactures. Ninety-seven of the complaints were accompanied by an estimate of a "significant" increase in trade if the barrier (or barriers) were removed; 50 estimated "moderate" increases and only 10 reported a "small" increase. Estimates of trade increases ranged from \$4,000 to \$20 million annually, and a total of all the estimated increases which were furnished for this category of products amounted to about \$72 million. A considerable number of the respondents who indicated the effect as "small," "moderate," or "large" did not attempt to estimate the value of the increase which might result with a removal of the barrier.

Ores and Metal Waste

Ores and metal waste include iron ore and concentrates; ores and concentrates of nonferrous base metals; iron and steel scrap; and ash and residues of metals or metallic compounds, except those of iron and steel. 1/

MFN tariffs

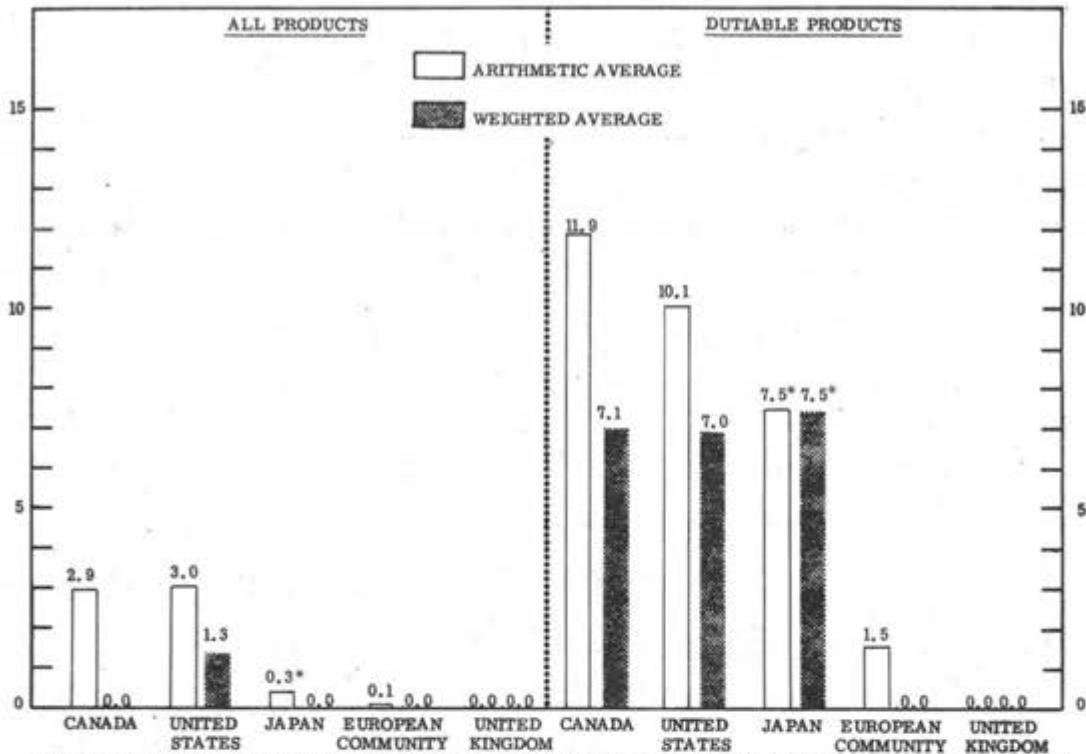
Among the five major countries, only the United States has a weighted average tariff for all MFN imports of ores and metal wastes (1.3 percent ad valorem); all imports of the four other countries enter under duty-free provisions. The United States and Canada have the highest arithmetic averages (3.0 and 2.9 percent ad valorem, respectively), whereas the Japanese rate is 0.3 percent ad valorem and the European Community's rate is 0.1 percent. The United Kingdom has no duty on ores and metal waste.

Canada and the United States have the highest arithmetic average tariffs for MFN dutiable products (11.9 and 10.1 percent ad valorem, respectively) followed by Japan (7.5 percent) and the European Community (1.5 percent). Japan, Canada, and the United States are the only major countries that have imports entered under dutiable provisions and consequently have weighted average tariffs (7.5, 7.1, and 7.0, respectively) (chart I-3-E).

The tariff levels appearing above for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on all Japanese rates in this subsector.

1/ For the specific coverage of this subsector, see BTN heading 26.01, 26.03, and 73.03.

Chart I-3-E. -- Average MFN tariff rates on ores and metal waste
(Percent ad valorem)



* Nearly all items in this sector are duty free; figures for Japan do not reflect the unilateral reduction (by 20 percent) made in 1972 on the dutiable Japanese items in this sector.

Source: Compiled from national tariffs and trade statistics.

Virtually all imports into the United States, Japan, and Canada were accorded MFN treatment. Preferential treatment is accorded about one-tenth of the European Community's imports and two-fifths of the United Kingdom's imports.

All MFN tariff provisions of the United Kingdom, and virtually all for Japan and the European Community are duty free. About three-quarters of the provisions of Canada and the United States are duty free; the bulk of the remaining provisions for the United States are in the 5.1-10 percent bracket. About one-tenth of the Canadian provisions are in the 5.1-10 percent bracket and another one-tenth in the 10.1-15 percent bracket (table I-3-E).

Table I-3- E.--Distribution, by duty level, of MFN tariff provisions for ores and metal waste

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	75.8	70.0	96.6	95.0	100.0
0.1-5.0 percent---	3.0	7.5	-	5.0	-
5.1-10.0 percent---	9.1	15.0	3.4	-	-
10.1-15.0 percent--	9.1	5.0	-	-	-
15.1-20.0 percent--	3.0	-	-	-	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	2.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

In terms of MFN imports of ores and metal waste, all shipments into the United Kingdom, the European Community, and Canada, and virtually all into Japan are duty free. For the United States, 81 percent of entries are duty free; about one-tenth of U.S. imports are assessed rates ranging from 5.1-10 percent ad valorem (table I-3-F).

Table I-3-F.--Distribution, by duty level, of MFN imports of ores and metal waste

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	<u>1</u> /100.0	81.0	99.9	100.0	100.0
0.1-5.0 percent---	-	7.8	-	-	-
5.1-10.0 percent---	-	10.7	.1	-	-
10.1-15.0 percent--	-	.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

1/ A negligible quantity of imports are dutiable.

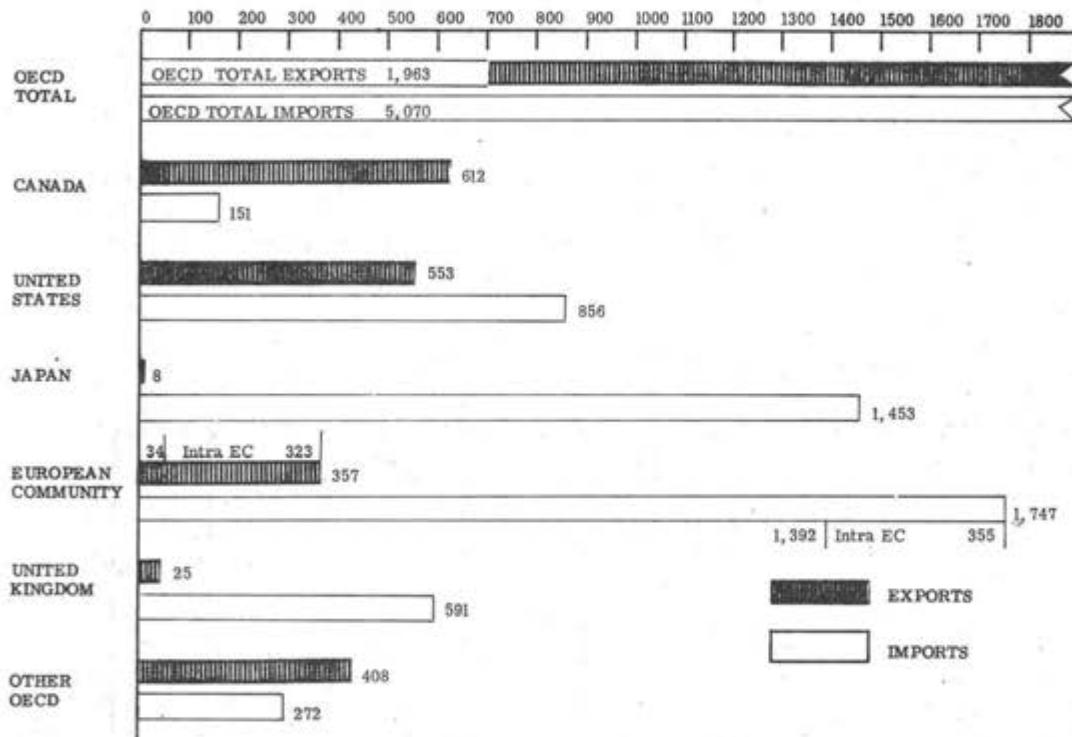
The United States exhibits the most complex tariff schedule for ores and metal waste, with 40 tariff lines; the United Kingdom has the simplest, only 3 lines. Schedules for Canada have 33 lines; for Japan, 29 lines; and for the European Community, 20 lines.

Trade importance

Ores and metal waste account for about 10 percent of OECD exports and about 20 percent of OECD imports of all ores, metals, and metal manufactures. OECD exports totaled \$2 billion in 1969, imports were \$5.1 billion (chart I-3-F). Among the 119 industrial subsectors, ores and

Chart I-3-F . -- OECD trade in ores and metal waste, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

metal waste rank third in value of aggregate imports of the GATT tariff study countries. For Japan it is the most important subsector in imports; for the European Community the rank is third; and for the United States it is fifth. Metallic ores and concentrates and roasted iron pyrites

(BTN 26.01) constitute the most important category in the ores and metal waste subsector in imports of Japan, the European Community and the United States. In 1967, Japanese imports of metallic ores and concentrates and roasted iron pyrites were valued at \$1.2 billion; the European Community at \$886 million; and the United States at \$815 million.

Trade network

The five major countries account for about 80 percent of OECD exports and 95 percent of imports (tables I-3-G and H). The largest supplier to the world is Canada, accounting for about one-third of OECD exports, followed closely by the United States. The principal importing countries are the European Community (including intra-EC shipments), Japan, the United States, and the United Kingdom.

Table I-3-G.--OECD exports of ores and metal waste, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,963	612	553	8	1/ 357	25	408
OECD total-----	1,846	606	483	3	352	23	379
Canada-----	74	-	74	-	X	X	X
United States---	329	318	-	X	X	1	10
Japan-----	243	51	188	-	1	X	3
European Community-----	1/ 891	132	133	1	323	15	287
United Kingdom--	188	92	27	1	9	-	59
Other OECD-----	121	13	61	1	19	7	20
Non-OECD total----	116	6	71	6	5	2	26
LDC's-----	81	3	64	5	4	2	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-3-H.--OECD imports of ores and metal waste, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,070	151	856	1,453	<u>1/</u> 1,747	591	272
OECD total-----	2,051	66	343	289	1,001	214	138
Canada-----	626	-	330	53	145	86	12
United States---	511	65	-	230	116	26	74
Japan-----	4	X	1	-	1	2	X
European Community----	<u>1/</u> 397	X	4	X	355	21	17
United Kingdom--	34	X	1	X	23	-	10
Other OECD-----	479	1	7	6	361	79	25
Non-OECD total----	3,020	86	513	1,164	746	377	134
LDC's-----	2,125	78	460	717	589	204	77

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

About half of Canadian exports go to the United States and one-fifth to the European Community. About one-third of U.S. exports are received by Japan and nearly one-quarter by the European Community. Intra-EC shipments are over nine times greater than external exports.

Eighty percent of Japanese imports are from non-OECD countries, principally from the LDC's. The only other significant supplier to Japan is the United States. Over half of EC outside imports come from non-OECD sources, primarily the LDC's; other principal suppliers to the European Community are Canada and the United States. External shipments to the European Community are four times greater than intra-EC imports. Virtually all U.S. imports come from Canada (over one-third) and from non-OECD countries (three-fifths). About two-thirds of United Kingdom imports come from non-OECD countries, mostly the LDC's; nearly 15 percent is supplied by Canada.

Trade-agreement concessions

The tabulation below shows average rates of duty for the five countries on pre-trade-agreement base dates and on January 1, 1972. All averages are own-trade-weighted, except for Canada, which is an arithmetic average. The European Community, the United Kingdom and Japan had own-trade-weighted averages of zero on both dates. The low average pre-trade-agreement tariff levels for the United States and Canada had been reduced significantly by January 1, 1972. Japan, in November 1972, made unilateral 20 percent reductions in all of its dutiable provisions on ores and metal waste, under which imports have been negligible or nil. Among the five major countries, only for the United States are specific duties important--accounting for slightly more than one-quarter of its tariff lines.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	6.1	1.3
European Community	0.0	0.0
United Kingdom	0.0	0.0
Japan	0.0	0.0
Canada	6.5	2.9

All MFN provisions for ores and metal waste in the tariff schedules of the European Community and the United Kingdom have been the subject of GATT concessions. In the U.S. schedule, 93 percent of the provisions, covering 98 percent of MFN imports have GATT concessions; and in the Canadian schedule, 33 percent of the provisions, covering 31 percent of MFN imports. In the Japanese schedule, 79 percent of tariff provisions, covering 97 percent of MFN imports are fully covered by GATT concessions;

for 21 percent of the provisions, covering 3 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CET) contained tariff concessions on ores and metal waste negotiated under the GATT. The number of such concessions totaled 23, of which all were at the CET rate.

The major category of ores and metal waste is metallic ores and concentrates (BTN heading 26.01) accounting for about 80 percent of such imports for the GATT tariff study countries. The major MFN importers are Japan, the European Community, and the United States. Tariff rates, including specific reductions are shown in table I-3-I.

Table I-3-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on metallic ores and concentrates

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free; 9%-20.8% AVE ^{2/}	Free; 4.5%-20% AVE	Free--10% AVE ^{3/} ^{4/}	601.03-.66
	Free; 23.8% AVE ^{2/}	Free--9.6% AVE	Free--9.6% AVE ^{3/} ^{4/}	602.10-.30
	0.3%-65% AVE ^{2/}	0.3%-26% AVE	Free--13% AVE ^{3/} ^{4/}	603.10-.40; 521.17
Canada-----	Free; 25% ^{5/}	Free; 15% ^{5/}	Free; 15% ^{5/}	32900-1---33400-1
European Community--	Free	Free	Free	26.01
United Kingdom-----	Free	Free; 10%	Free	26.01
Japan-----	Free	Free	Free	26.01-1---01-6(1); 26.01-7---01-8
	Free	15%	7.5%	26.01-6(2) ^{6/}

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Range of ad valorem equivalents of specific rates of duty of 0.05 cents to 50 cents per pound, calculated on 1971 import values.

^{3/} About 88 percent by value of U.S. imports in 1971 were duty free, and most of the remainder were dutiable at 9.6 percent AVE.

^{4/} Range of ad valorem equivalents of specific rates of 0.12 cents to 25 cents per pound.

^{5/} Eight of the 9 tariff classes were duty free.

^{6/} Temporary duties in effect on imports of ores of over 39 percent manganese content and for imports exceeding the stipulated quota for certain other manganese and tungsten ores.

Iron and Steel

The iron and steel subsector includes (1) unworked iron and steel (such items as pig iron, powders, and ingots), (2) ferroalloys, and (3) mill products of iron and carbon, high-carbon and alloy steel, such as bars, rods, angles, shapes, sections, sheets and plates, wire, railway tracks, and tubes and pipes. ^{1/}

MFN tariffs

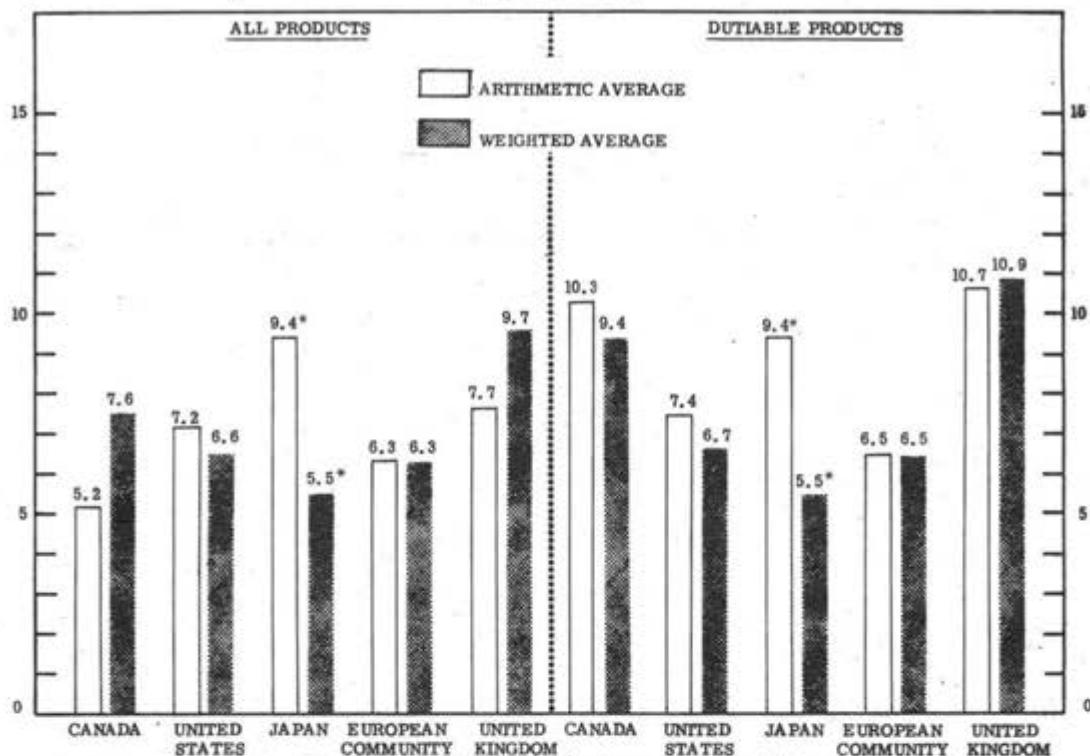
Among the five major countries, Canada and the European Community have the lowest MFN arithmetic tariff averages (5.2 and 6.3 percent ad valorem, respectively) for all iron and steel products; Japan has the highest average (9.4 percent). However, on a weighted basis, Japan has the lowest average (5.5 percent) and the United Kingdom, the highest (9.7 percent) (chart I-3-G).

For dutiable products, the European Community has the lowest MFN arithmetic tariff average (6.5 percent ad valorem); the United Kingdom has the highest (10.7 percent). On a weighted basis, Japan has the lowest average (5.5 percent) and the United Kingdom again the highest (10.9 percent).

The average MFN tariff rates on iron and steel are about the same for all products and dutiable products for the United States, Japan, and the European Community. There are significant differences in these tariffs for Canada and the United Kingdom, reflecting a number of duty-free provisions (affecting the arithmetic average) and duty-free entries (affecting the weighted average).

^{1/} For the specific coverage of this subsector, see BTN headings 73.01-.02 and 73.04-.18.

Chart I-3-G. -- Average MFN tariff rates on iron and steel
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reduction (by 20 percent) made in 1972 on most Japanese rates in this sector; several rates were made duty-free.

Source: Compiled from national tariffs and trade statistics.

The bulk of all imports by all of the five major countries, except the United Kingdom and excluding intra-EC shipments, receive MFN treatment; preferential rates are important in the United Kingdom where over one-half of iron and steel imports in 1967 received preferential tariff treatment. Intra-EC shipments, which move free of duty, are several times larger than EC imports from outside sources.

Most of the MFN tariff provisions of Japan, the European Community, and the United States are in the 5.1-10 percent ad valorem bracket. The principal bracket for the United Kingdom is 5.1-10 percent, whereas almost half of the Canadian provisions are duty free. The European Community has no provisions over 10 percent ad valorem, the U.S. provisions do not exceed

15 percent, Canadian and Japanese provisions are not above the 20 percent bracket, and the United Kingdom has its highest rates (4 percent of its provisions) in the 20.1-25 percent bracket. Canada and the United Kingdom have significant duty-free provisions; the European Community and the United States have a few duty-free provisions; and Japan has no duty-free provisions (table I-3-J).

Table I-3-J.--Distribution, by duty level, of MFN tariff provisions for iron and steel

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	49.1	3.0	-	3.6	27.6
0.1-5.0 percent----	9.6	17.1	10.2	23.6	1.3
5.1-10.0 percent---	20.6	69.1	73.5	72.6	44.6
10.1-15.0 percent--	13.9	10.5	14.3	-	17.0
15.1-20.0 percent--	6.7	-	2.0	-	5.2
20.1-25.0 percent--	-	-	-	-	3.9
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

For MFN imports of iron and steel, 85 percent of shipments into Japan are assessed rates between 0.1-5 percent ad valorem; three-fifths of U.S. imports and two-thirds of EC imports are in the 5.1-10 percent bracket; about half of United Kingdom entries are in the 0.1-15 percent bracket; and over one-third of Canadian imports are in the 5.1-10 percent bracket and one-quarter in the 0.1-5 percent bracket (table I-3-K).

Table I-3-K.--Distribution, by duty level, of MFN imports of iron and steel

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	18.7	2.4	-	3.1	10.9
0.1-5.0 percent----	24.4	30.6	85.3	31.2	.6
5.1-10.0 percent---	36.4	61.0	13.8	65.8	29.7
10.1-15.0 percent--	12.8	6.3	.9	-	48.0
15.1-20.0 percent--	7.6	-	-	-	9.8
20.1-25.0 percent--	-	-	-	-	.9
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

Of the five major countries, the United States exhibits the most complex schedule for iron and steel, with 198 lines; the United Kingdom has the simplest, 76 lines. Schedules for the European Community and Canada have 165 lines; and for Japan, 98 lines.

World production

In 1969, world production of pig iron (unworked iron) and ferroalloys combined amounted to 460 million short tons, of which an estimated 410 million tons were consumed in the production of 633 million tons of raw steel, including steel ingots and castings (unworked steel). World output of mill products from raw steel is estimated at 450 million short tons. The quantity of world production of pig iron (including ferroalloys), raw steel, and steel-mill products in 1969, in millions of short tons, by selected countries, was as follows:

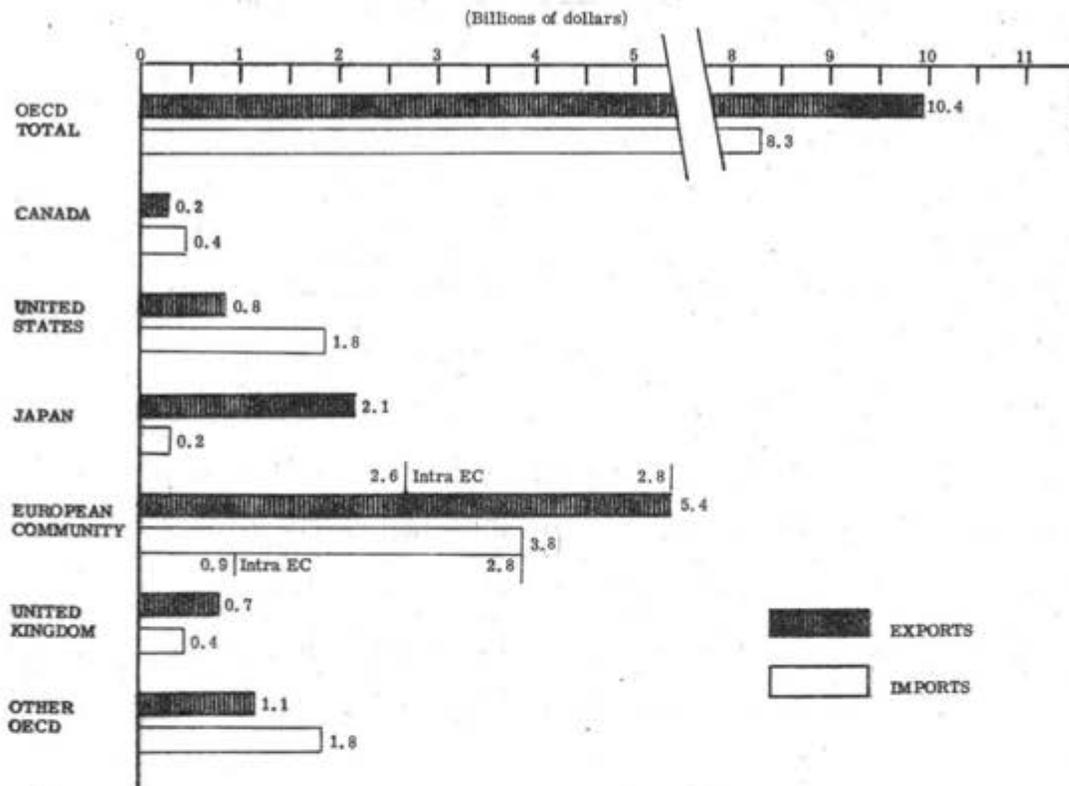
<u>Country</u>	<u>Pig iron (including ferroalloys)</u>	<u>Raw steel</u>	<u>Steel-mill products</u>
	(Millions of short tons)		
Canada	8	10	6
United States	98	141	94
Japan	66	91	74
European Community	87	118	96
United Kingdom	18	30	24
All other	183	243	156
Total	460	633	450

The figures for "all others" in this tabulation include 1969 U.S.S.R. production of 90 million tons of pig iron, 122 million tons of raw steel, and 85 million tons of steel-mill products.

Trade importance

Iron and steel account for about one-third of OECD trade in ores, metals, and metal manufactures. OECD exports totaled \$10.4 billion in

Chart I-3-H. -- OECD trade in iron and steel, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

1969, imports were \$8.3 billion (chart I-3-H). By 1970, OECD exports and imports had risen to \$13.1 and \$10.4 billion, respectively. About three-quarters of iron and steel imports by the GATT tariff study countries consist of mill products. Among the 119 industrial subsectors, iron and steel mill products rank fifth in value of aggregate imports of the GATT tariff study countries. For Canada it is the ninth most important subsector in imports; for the United States it is third. U.S. imports of iron and steel amounted to \$1.8 billion in 1969, and increased to \$2.7 billion in 1971. Among the combined most-favored-nation imports of iron and steel, the most important BTN heading is

73.13, sheets and plates of iron and steel, hot-rolled or cold-rolled. The major MFN importers of such iron and steel are the United States (\$989 million in 1971), the European Community, and Canada.

Trade network

The five major countries account for about 90 percent of OECD exports and nearly 80 percent of imports (tables I-3-L and M). The largest supplier to the world is the European Community (excluding intra-EC exports), followed by Japan. The principal importing countries are the United States and the European Community (excluding intra-EC imports). The European Community exports principally to "other" OECD countries, the LDC's, and the United States; Japan ships chiefly to the LDC's and the United States. Intra-EC shipments are about equal to the Community's exports to outside sources. EC imports from outside sources are about one-third of intra-EC imports.

Table I-3-L.--OECD exports of iron and steel, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	10,423	230	831	2,135	<u>1/</u> 5,440	650	1,137
OECD total-----	7,464	200	475	1,006	4,432	417	934
Canada-----	358	-	218	54	45	28	13
United States---	1,627	166	-	724	549	113	75
Japan-----	36	7	4	-	9	2	14
European Community-----	<u>1/</u> 3,561	11	145	126	2,799	77	403
United Kingdom--	320	12	34	10	127	-	137
Other OECD-----	1,562	4	74	92	903	197	292
Non-OECD total----	3,011	30	360	1,129	1,056	233	203
LDC's-----	2,121	25	332	837	675	168	84

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-3-M.--OECD imports of iron and steel, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	8,297	374	1,778	230	1/ 3,771	388	1,756
OECD total-----	7,655	391	1,687	41	3,568	349	1,619
Canada-----	193	-	160	5	9	14	5
United States---	435	250	-	6	134	42	53
Japan-----	369	48	759	-	90	10	62
European Community----	1/ 4,570	48	580	10	2,831	122	979
United Kingdom--	436	30	114	3	81	-	208
Other OECD-----	1,002	15	74	17	423	161	312
Non-OECD total----	736	23	102	189	234	43	145
LDC's-----	197	X	58	42	83	4	10

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, were substantially below levels existing on pre-trade-agreement base dates. The lower levels, in part, reflect concessions granted in reciprocal negotiations. However, the use of specific duties is significant in the schedules of the United States, the United Kingdom, and Canada, particularly in the subdivision of iron and steel mill products. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figures are arithmetic averages.

Pre-trade-agreement January 1, 1972

(Percent ad valorem)

United States	18.5	6.6
European Community	8.2	6.3
United Kingdom	31.5	9.7
Japan	10.1	5.5
Canada	18.7	5.2

All MFN provisions for iron and steel semimanufactured products (accounting for about three-quarters of total iron and steel imports by the GATT tariff study countries) in the tariff schedules of the European Community, the United States, and the United Kingdom have been the subject of GATT concessions. In the Japanese schedule, 85 percent of the provisions covering 95 percent of MFN imports have GATT concessions; in the Canadian schedule, 53 percent of the provisions, covering 78 percent of MFN imports.

All the national tariffs of European Community members prior to adoption of the Common External Tariff contained concessions under the GATT. Of 200 concessions in the national tariffs, 170 were at rates above the CXT autonomous rates, 5 at the CXT rate, and 25 were below the CXT rate.

Carbon steel pipes and tubes and angles, shapes, and sections are important imports for the United States. Tariff rates for these products, including specific reductions, for the United States and certain other major countries are shown in tables I-3-N and I-3-O.

For certain carbon steel pipes and tubes, trade-agreement concessions resulted in reductions from the statutory levels by 60 percent by the United States, 41 or 50 percent by Canada, 50 percent by Japan, 29 or 36 percent by the European Community, and 15 percent by the United Kingdom. Carbon steel pipes and tubes were excluded from the Kennedy Round by the United States and one of the two classes covering such items was excluded by Canada. Rates for the other class were cut by 8 percent. As with other steel-mill products, the aggregate of trade-agreement concessions granted by the European Community and Japan on steel pipes and tubes were granted during the Kennedy Round. Reductions during the Kennedy Round by the United Kingdom were by 3 percent.

Table I-3-N.--Pre-trade-agreement tariff rates compared with January 1, 1972
 MFN tariff rates on carbon steel pipes and tubes
 (% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	<u>10%-23% AVE 2/</u>	<u>4%-11.7% AVE 3/</u>	<u>4%-11.7% AVE 3/</u>	610.30-.32
Canada-----	10%-30%	5%-20%	5%-17.5% <u>4/</u>	39700-1; 39705-1
European Community--	14%	14%	9%; 10%	73.18AI, 73.18AII(b)
United Kingdom-----	20%	17.5%	17%	73.18
Japan-----	15%	15%	7.5%	73.18-2

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ The ad valorem equivalents (AVE) shown are based on U.S. imports during 1970 and represent specific rates of duty of 0.75¢, 1.25¢, and 1.75¢ per pound. The AVE which is underlined represents the rate for the principal items of trade.

3/ The ad valorem equivalents shown are based on U.S. imports during 1970 and represent specific rates of duty of 0.3¢, 0.625¢, and 0.875¢ per pound. These items were not subject to concessions in the Kennedy Round. The AVE which is underlined represents the rate for the principal items of trade.

4/ Only one of the two tariff classes was subject to concessions in the Kennedy Round.

For angles, shapes, and sections, overall reductions from statutory rates by the United States were among the most significant of the five major countries--50, 68, 70 or 78 percent. Canadian reductions were by 56 percent; for the European Community, by 30 to 44 percent; for the United Kingdom, 20 percent; and for Japan, 50 percent. During the Kennedy Round, the following percentage reductions in duties came into force: The United States, 13, 26 or 50 percent; Canada, 22 percent; the European Community, 30 to 44 percent; Japan, 50 percent; and the United Kingdom, 20 percent. For the European Community, the United Kingdom, and Japan, all reductions from "autonomous" or general rates were accomplished during the Kennedy Round of negotiations.

Table I-3-0.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on angles, shapes, and sections

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	3.4%; 8.9% AVE; <u>2/</u> 20%; 28%	1.7%; 4% AVE <u>3/</u> 7.5%; 11.5% <u>4/</u>	1.7%; 2% AVE <u>5/</u> 6.5%; 8.5% <u>4/</u>	609.80, 82; 609.84, .86
Canada-----	40%	22.5%	17.5%	38010-1
European Community--	9%-10%	9%-10%	5%-7%	73.11AI, II, III, IV(a) 1
United Kingdom-----	10%	10%	8% <u>6/</u>	73.11(B)(2)
Japan-----	15%	15%	7.5%	73.11-1

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ The ad valorem equivalents (AVE) shown are based on U.S. imports during 1970 and represent specific rates of .2 cents per pound and .2 cents per pound plus 8 percent ad valorem.

3/ The ad valorem equivalents shown are based on U.S. imports during 1970 and represent specific rates of .1 cent per pound and .1 cent per pound plus ¹/₄ percent ad valorem.

4/ Additional duties are applied in class 609.86 and are based on content of chromium, molybdenum, tungsten, or vanadium.

5/ The ad valorem equivalents shown are based on U.S. imports during 1970 and represent specific rates of .1 cent per pound plus 2 percent ad valorem.

6/ The official rate was the greater of either a specific rate of B7 10s per ton and B6 per ton for the pre- and post-Kennedy Round periods, respectively, or the ad valorem rate as shown.

Nonferrous Metals

The nonferrous metals subsector includes both unwrought and semi-manufactured (worked) metals. The principal nonferrous metals are copper, lead, zinc, nickel, aluminum, tin, manganese, and uranium. ^{1/}

MFN tariffs

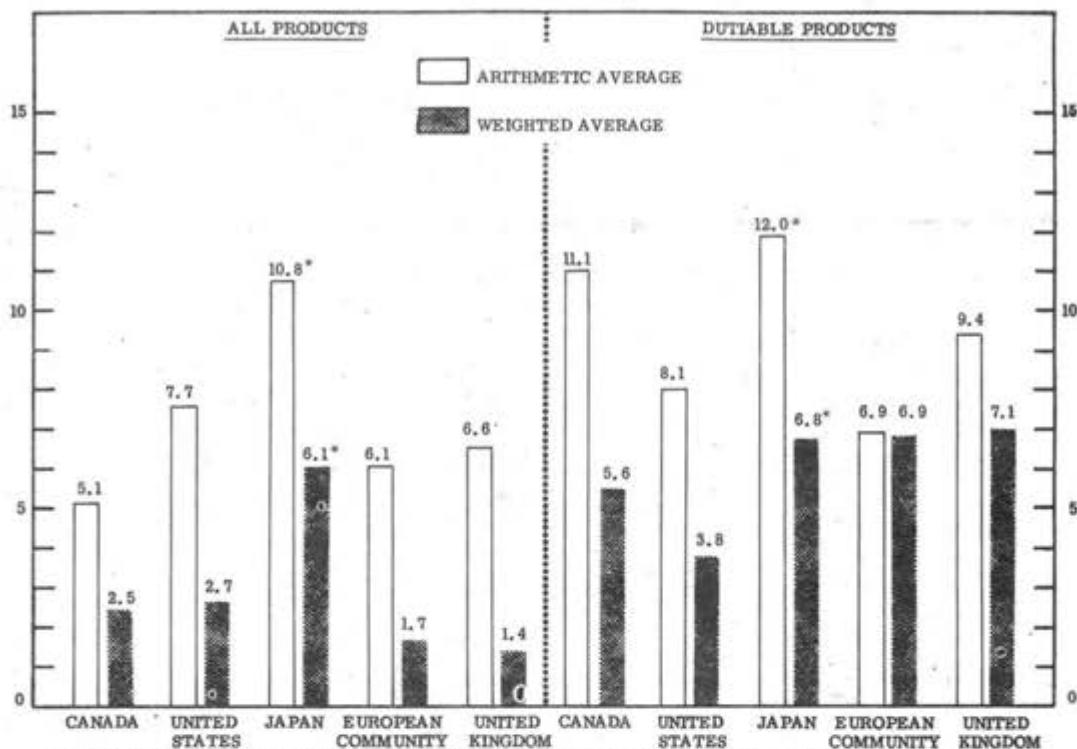
Among the five major countries, tariff averages for nonferrous metals on January 1, 1972, ranged from a 1.4 percent weighted ad valorem average for all products in the United Kingdom to a 12 percent arithmetic average for dutiable products in Japan. For most countries, arithmetic averages are significantly higher than weighted averages (chart I-3-I).

For all nonferrous metal products, Canada has the lowest arithmetic average tariff (5.1 percent ad valorem) and Japan the highest (10.8 percent). The United Kingdom and the European Community have the lowest weighted average tariffs (1.4 and 1.7 percent, respectively); Japan again has the highest (6.1 percent).

For nonferrous metal dutiable products, the European Community has the lowest arithmetic average tariff (6.9 percent ad valorem) and Japan the highest (12 percent). The United States has the lowest weighted average (3.8 percent); the highest weighted averages are 7.1 percent (the United Kingdom), 6.9 percent (the European Community), and 6.8 percent (Japan).

^{1/} For the specific coverage of this subsector, see BTN headings 74.01-.08, 75.01-.05, 76.01-.07, 77.01-.02, 77.04, 78.01-.05, 79.01-.04, 80.01-.05, and 81.01-.04.

Chart I-3-1. -- Average MFN tariff rates on non-ferrous metals
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions made in 1972 on three-fifths of the Japanese rates in this sector; about 17 percent of the rates were excepted from unilateral reductions, while the remainder were reduced by amounts ranging from 5 percent to 100 percent.

Source: Compiled from national tariffs and trade statistics.

Arithmetic tariff averages for dutiable products are significantly higher than for all products for Canada and the United Kingdom, reflecting a number of duty-free provisions. In the schedules of the United Kingdom, the European Community, and Canada, where the bulk of nonferrous metal imports enter duty free, weighted tariff averages for dutiable products are well above averages for all products.

About half of the MFN tariff provisions for the United States, the European Community and the United Kingdom are in the 5.1-10 percent bracket;

over half of the Canadian provisions are duty free; and, for Japan, one-third are in the 10.1-15 percent bracket and one-quarter in the 5.1-10 percent bracket. All of the five major countries have some duty-free provisions. The European Community has no provisions above the 10.1-15 percent bracket; Canada and Japan have about 15 percent of their rate provisions above 15 percent ad valorem (table I-3-P).

Table I-3- P.--Distribution, by duty level, of MFN tariff provisions for non-ferrous metals

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	54.4	4.9	10.0	11.7	29.8
0.1-5.0 percent----	15.4	22.9	16.3	30.6	10.7
5.1-10.0 percent---	7.7	48.9	25.4	49.5	50.0
10.1-15.0 percent--	7.2	16.9	30.8	8.1	7.2
15.1-20.0 percent--	15.4	6.1	13.6	-	1.2
20.1-25.0 percent--	-	.4	3.6	-	1.2
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

In terms of MFN imports of nonferrous metals, duty-free entries are important for the United Kingdom (four-fifths of all entries), the European Community (three-quarters), and Canada (one-half). Two-thirds of Japanese entries are in the 5.1-10 percent bracket; over half of U.S. imports are in the 0.1-5 percent bracket and over one-fourth are duty free (table I-3-Q).

Table I-3- Q.--Distribution, by duty level, of MFN imports of non-ferrous metals

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	55.1	28.2	11.0	75.7	80.8
0.1-5.0 percent----	36.9	56.7	21.9	8.3	5.6
5.1-10.0 percent---	.9	13.7	62.2	14.1	13.2
10.1-15.0 percent--	2.2	.3	2.6	1.9	.2
15.1-20.0 percent--	4.8	1.1	1.2	-	.2
20.1-25.0 percent--	-	-	1.0	-	.1
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Imports of nonferrous metals by all of the major five countries except the United Kingdom are primarily on an MFN basis; in 1967, about two-thirds of United Kingdom imports were entered on a preferential basis.

Of the major countries, the United States exhibits the most complex schedule for nonferrous metals with 266 lines; the United Kingdom has the simplest, 84 lines. Schedules for Canada have 169 lines; for the European Community, 111 lines; and for Japan, 110 lines.

World production

The United States is the principal free-world producer of nonferrous metals, with an estimated annual value of output exceeding \$4 billion, the greater part of which is accounted for by the production of aluminum and copper. Canada, the European Community, and Japan are believed to produce nonferrous metals valued at somewhat less than half that of the United States. The United Kingdom is a relatively small producer. Among other world producers, the output of nonferrous metals by the U.S.S.R.

is nearly comparable in total value to that of the United States and derives most of its value from the production of copper, aluminum, and manganese. Zambia and Chile produce large amounts of copper, and Australia has a substantial output of aluminum, copper, lead, and zinc.

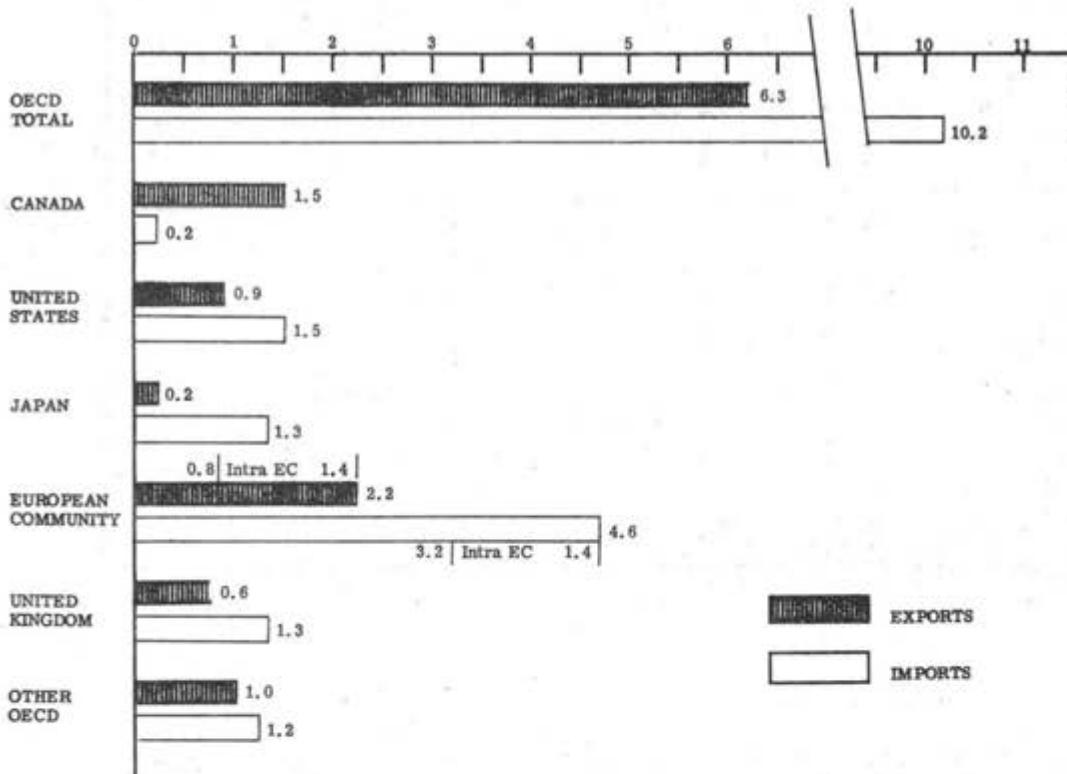
Trade importance

In 1969, nonferrous metals accounted for 26 percent of OECD exports and 37 percent of OECD imports of the ores, metals, and metal manufactures sector. OECD exports totaled \$6.3 billion; imports were \$10.2 billion (chart I-3-J). In 1967, unwrought copper, an important commodity in the nonferrous metal group, ranked sixth in value of aggregate imports of the GATT tariff study countries. For the European Community it is the second most important subsector in imports; for the United Kingdom, the rank is fifth; and for the United States, eighth. United States imports of all nonferrous metals amounted to \$1.5 billion in 1969 and 1971. Copper matte, unwrought copper, and copper waste and scrap (BTN 74.01) is by far the most important category in trade terms. In 1967, the major importing countries—the European Community (\$878 million), the United States (\$543 million), Japan (\$371 million), and the United Kingdom (\$178 million)—accounted for 92 percent of combined MFN imports.

Trade network

The five major countries account for 85 percent of OECD exports and 88 percent of imports (tables I-3-R and I-3-S). The major OECD exporter

Chart I-3-J . -- OECD trade in non-ferrous metals, 1969
(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

to the world is the European Community, accounting for about one-third of OECD exports (including intra-EC shipments), followed by Canada and the United States. The principal OECD importer is the European Community (even excluding intra-EC imports), followed by the United States, Japan, and the United Kingdom.

Intra-EC imports which move duty free, are about half as large as imports from outside sources. Imports by the European Community from outside sources are supplied principally by the LDC's. United States imports are furnished primarily by Canada and the LDC's.

Table I-3-R.--OECD exports of non-ferrous metals, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	6,281	1,516	870	179	<u>1/</u> 2,188	560	968
OECD total-----	5,427	1,412	702	79	1,951	389	894
Canada-----	181	-	158	2	8	12	1
United States---	958	655	-	58	142	31	72
Japan-----	352	198	113	-	23	5	13
European Community-----	<u>1/</u> 2,519	136	321	14	1,429	217	402
United Kingdom--	591	294	66	5	56	-	170
Other OECD-----	826	129	44	X	293	124	236
Non-OECD total----	853	104	167	100	237	171	74
IDC's-----	539	67	158	78	128	58	50

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-3-S.--OECD imports of non-ferrous metals, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	10,187	233	1,531	1,346	<u>1/</u> 4,583	1,315	1,179
OECD total-----	5,633	207	882	360	2,642	653	889
Canada-----	1,471	-	621	220	155	328	147
United States---	780	158	-	115	388	69	50
Japan-----	76	1	55	-	12	6	2
European Community-----	<u>1/</u> 1,917	6	92	8	1,432	68	311
United Kingdom--	432	10	39	5	241	-	137
Other OECD-----	957	32	75	12	414	182	242
Non-OECD total----	4,545	26	648	986	1,934	662	289
IDC's-----	3,724	18	546	843	1,623	473	221

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

On January 1, 1972, as the tabulation below shows, average tariff levels for nonferrous metals in the United States, Canada, and the United Kingdom were substantially below levels existing on pre-trade-agreement base dates. Of the five major countries, specific duties are important for the United States and Japan.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	9.9	2.7
European Community	2.2	1.7
United Kingdom	3.7	1.4
Japan	9.4	6.1
Canada	17.6	5.1

All MFN provisions for unwrought copper (an important commodity group within the nonferrous metal subsector) in the tariff schedules of the European Community, the United States, and Japan have been the subject of GATT concessions. In the Canadian schedule, 45 percent of the provisions, covering 78 percent of MFN imports have GATT concessions; in the United Kingdom schedule, 40 percent of the provisions, cover none of MFN imports.

All EC member state national tariffs prior to adoption of the Common External Tariff contained concessions under the GATT. Of 200 concessions in the national tariffs, 149 were at rates above the CXT autonomous rates, 25 were at the CXT rate, and 26 were below the CXT rate.

Tariffs on unwrought copper, the largest import category in this subsector for the OECD countries, have been reduced through trade-agreement concessions for the United States and Canada and for certain provisions

in the Japanese schedule. In the schedules of the European Community and the United Kingdom, unwrought copper remained duty free throughout the period (table I-3-T).

Table I-3-T.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on unwrought copper

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	0.44%-6.84% AVE	0.22%-3.42% AVE	0.1%-1.7% AVE ^{2/}	612.02-612.06
Canada-----	10%	9%	5%	34815-1; 34820-1
European Community--	Free	Free	Free	74.01
United Kingdom-----	Free	Free	Free	74.01(B)
Japan-----	Free 10%	Free 10% 7.8%; 8.7% AVE ^{3/}	Free 8.5% 6.9% AVE ^{3/}	74.01-1 74.01-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About 98 percent of U.S. imports were dutiable at 1.6 percent or 1.7 percent ad valorem equivalent based on imports in 1971.

^{3/} Ad valorem equivalents of specific rates of 24 yen, 27 yen, or 30 yen per kilogram, calculated on average unit value of 1972 imports.

Metal Manufactures

Metal manufactures include a variety of articles of iron and steel, copper, nickel, aluminum, and certain articles of magnesium, lead, zinc, and tin. Also included are tools (e.g., spades, saws, and drills), cutlery and parts thereof, household equipment (e.g., saucepans, non-electric cooking and heating apparatus, and picture frames of base metal), metal containers, and other metal manufactures (e.g., barbed wire, nails, springs, and lamps of base metal). ^{1/}

MFN tariffs

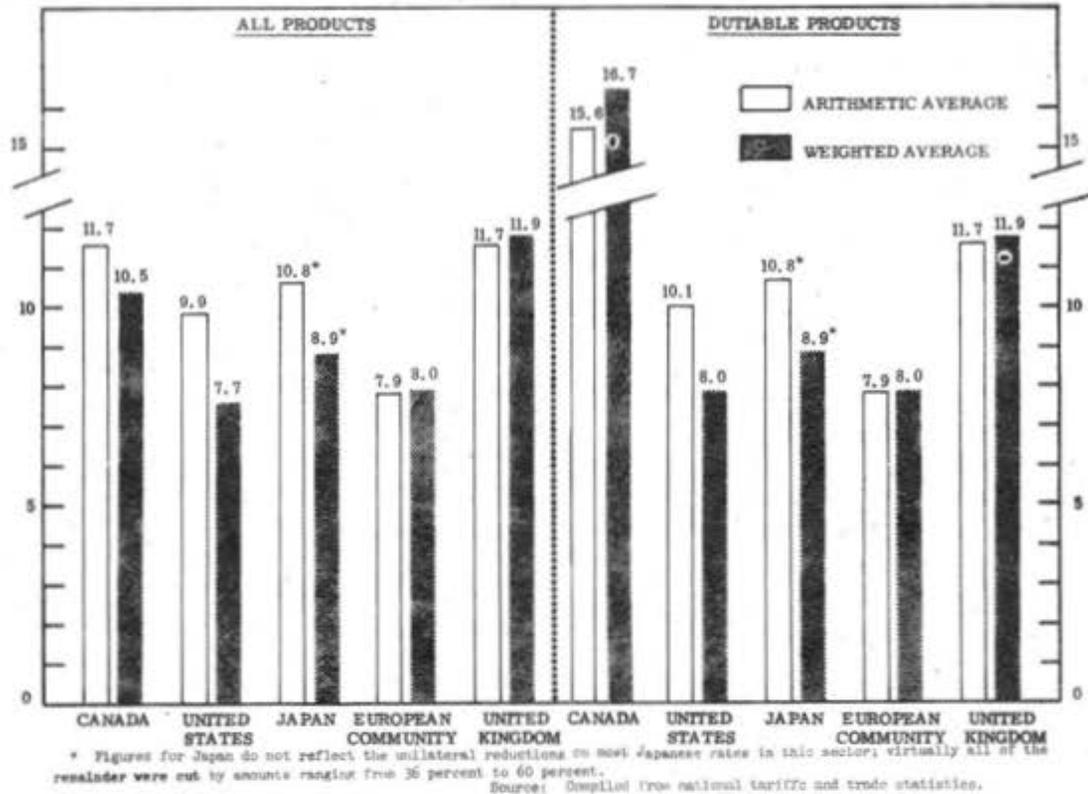
Among the five major countries, tariff averages for metal manufactures on January 1, 1972, ranged from a weighted average of 7.7 percent ad valorem for all products for the United States to a 16.7 percent weighted average for dutiable products for Canada. For all of the major countries, except Canada, average tariffs for all products and dutiable products are the same, or only slightly different, reflecting few duty-free provisions and little duty-free trade (chart I-3-K).

For all metal manufactures, the European Community has the lowest arithmetic average tariff (7.9 percent ad valorem); Canada and the United Kingdom have the highest (11.7 percent). The United States has the lowest weighted average tariff (7.7 percent); the United Kingdom again has the highest (11.9 percent).

For dutiable metal manufactures, the European Community has the lowest arithmetic average tariff (7.9 percent ad valorem) and Canada the highest (15.6 percent). The United States and the European Community have the lowest weighted average tariffs (8 percent); the highest weighted average is 16.7 percent (Canada).

^{1/} For the specific coverage of this subsector, see BTN headings 73.19-.35; 73.38-.40; 74.09-.19; 75.06; 76.08-.16; 77.03; 78.06; 79.05-.06; 80.06; 82.01-.15; 83.01-.03; 83.06-.05.

Chart I-3-K. -- Average MFN tariff rates on metal manufactures
(Percent ad valorem)



For Canada and the United States, the arithmetic average tariffs for dutiable products are higher than such averages for all products, reflecting one-quarter of the Canadian provisions and two percent of the U. S. provisions that are duty free. Weighted tariff averages for dutiable products are above such averages for all products for Canada, and to a limited extent, for the United States, as the result of duty-free entries of metal manufactures.

The bulk of all imports by all of the five major countries, except the United Kingdom and excluding intra-EC shipments, receive MFN treatment; preferential rates are important in the United Kingdom, covering about one-third of its metal manufacture imports in 1967. Intra-EC shipments, which move free of duty, are twice as large as EC imports from outside sources in 1969.

Most of the MFN tariff provisions of Japan, the European Community, and the United Kingdom, as well as about half of the U.S. provisions, are in the 5.1-10 percent ad valorem bracket. For the United States, about one-fifth of its provisions are in the 0.1-5 percent bracket. For Canada, about half of its provisions are in the 15.1-20 percent bracket; another quarter of Canada's provisions are duty free. The only other duty-free provisions are in the U.S. schedule, accounting for about two percent of its provisions (table I-3-U).

Table I-3-U.--Distribution, by duty level, of MFN tariff provisions for metal manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	24.9	2.3	-	-	-
0.1-5.0 percent----	4.2	19.1	3.1	6.3	1.1
5.1-10.0 percent----	11.4	48.2	80.1	86.4	70.1
10.1-15.0 percent---	7.5	14.6	3.1	5.4	6.4
15.1-20.0 percent---	51.2	8.9	8.4	1.8	18.1
20.1-25.0 percent---	.8	3.9	5.3	-	3.2
25.1-30.0 percent---	.3	1.0	-	-	1.1
30.1-40.0 percent---	-	1.0	-	-	-
40.1-50.0 percent---	-	.8	-	-	-
Over 50 percent----	-	.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

For MFN imports of metal manufactures, the majority of entries for Japan and the European Community are assessed rates between 5.1-10 percent ad valorem, as are 61 percent of the entries for the United Kingdom. Half of Canadian imports are in the 15.1-20 percent bracket; over one-third are duty free. The United States is the only other major country with duty-free entries; one-third of U.S. imports are in the 0.1-5 percent bracket and another third in the 5.1-10 percent bracket (table I-3-V).

Of the five major countries, the United States exhibits the most complex schedule for metal manufactures with 514 tariff lines; the United Kingdom has the simplest, 94 lines. The Canadian schedule has 389 lines; Japan, 131 lines; and the European Community, 111 lines.

Table I-3- V.--Distribution, by duty level, of MFN imports of metal manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	36.8	3.3	-	-	-
0.1-5.0 percent----	.4	36.6	0.2	3.2	-
5.1-10.0 percent----	6.8	37.2	92.8	88.8	60.7
10.1-15.0 percent--	5.9	15.5	6.4	5.3	8.2
15.1-20.0 percent--	49.5	4.6	.3	2.8	29.6
20.1-25.0 percent--	.7	.9	.3	-	1.5
25.1-30.0 percent--	-	.3	-	-	-
30.1-40.0 percent--	-	.5	-	-	-
40.1-50.0 percent--	-	1.2	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

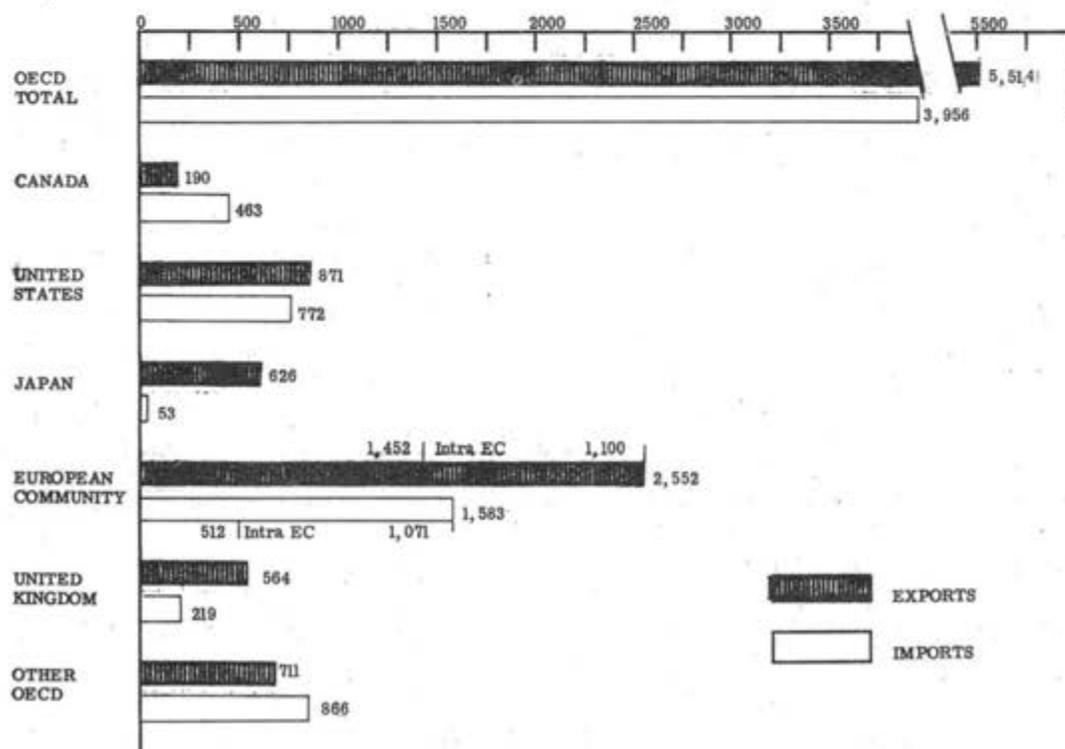
Note.--Due to rounding, figures may not add to 100 percent.

Trade importance

In 1969, metal manufactures account for 23 percent of OECD exports and 14 percent of OECD imports of ores, metals, and metal manufactures. OECD exports of metal manufactures totaled \$5.5 billion in 1969 (chart I-3-L) and \$6.5 billion in 1970. OECD imports of metal manufactures

Chart I-3-L . -- OECD trade in metal manufactures, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

totalled \$4 billion in 1969, and \$4.8 billion in 1970. United States imports amounted to \$772 million in 1969 and \$953 million in 1971. The most important BTN heading in this subsector is 73.32, iron or steel bolts, nuts, screws, rivets, and washers. The United States is the largest single MFN importer of the products included in this BTN heading (\$105 million in 1971), followed by Canada; combined imports by these two countries accounted for the bulk of imports by all GATT tariff study countries.

Trade network

The five major countries account for about 87 percent of OECD exports and three-fourths of OECD imports (tables I-3-W and I-3-X). The

Table I-3-W.--OECD exports of metal manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,514	190	871	626	^{1/} 2,552	564	711
OECD total-----	3,727	167	520	366	1,837	288	549
Canada-----	441	-	341	27	27	33	13
United States---	778	155	-	289	203	52	79
Japan-----	41	X	19	-	14	4	4
European Community----	^{1/} 1,479	5	85	30	1,100	78	181
United Kingdom--	181	5	43	6	70	-	57
Other OECD-----	807	2	32	14	423	121	215
Non-OECD total----	1,667	23	341	259	634	272	138
IDC's-----	1,340	15	308	216	516	195	90

^{1/} Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-3-X.--OECD imports of metal manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,956	463	772	53	<u>1/</u> 1,583	219	866
OECD total-----	3,666	409	700	50	1,489	196	822
Canada-----	153	-	140	X	4	6	3
United States---	536	316	-	27	113	38	42
Japan-----	344	26	270	-	28	6	14
European Community-----	<u>1/</u> 1,786	27	171	14	1,071	81	422
United Kingdom--	322	29	50	5	99	-	139
Other OECD-----	525	10	69	4	174	65	203
Non-OECD total----	152	8	61	3	37	17	6
LDC's-----	96	5	53	1	17	12	8

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 10 percent of Canadian imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

major OECD exporter is the European Community, accounting for almost half of OECD exports, followed by the United States, Japan, and the United Kingdom. The principal OECD importer is the European Community (including intra-EC imports), followed by the United States.

Intra-EC imports, which move duty free, are twice as large as imports from outside sources. Imports by the European Community from outside sources are supplied principally by "other" OECD countries, the United States, and the United Kingdom. U.S. imports are furnished primarily by Japan, the European Community, and Canada.

Trade-agreement concessions

On January 1, 1972, as the tabulation below shows, average tariff levels for metal manufactures in all major countries were substantially below levels existing on pre-trade-agreement base dates.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	34.8	7.7
European Community	15.8	8.0
United Kingdom	17.5	11.9
Japan	17.9	8.9
Canada	27.1	11.7

All MFN tariff provisions for metal manufactures in the tariff schedules of the United States and the United Kingdom have been the subject of GATT concessions. In the EC and Japanese schedules, all provisions are bound in GATT except in the area of cutlery. Canada's GATT concessions range from 76 percent of the provisions, covering 59 percent of MFN imports, in the "other" metal manufactures groups to 95 percent of the provisions covering 100 percent of MFN imports in the cutlery area.

All EC member state national tariffs prior to adoption of the Common External Tariff contained concessions under the GATT. Of 457 concessions, for metal manufactures 289 were at rates above the CXT autonomous rates, 20 were at the CXT rate, and 148 were below the CXT rate.

Tariffs on stainless steel cutlery, an important type of import for the OECD countries, have been reduced through trade-agreement concessions for all of the five major countries, except the European Community (table I-3-Y). The most significant reductions, overall, were made by the

Table I-3-Y.--Pre-trade-agreement tariff rates compared with January 1, 1972 •
 MFN tariff rates on certain stainless steel cutlery
 (% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%	17%	17% ^{2/}	650.08; .10; .38; .40 650.54; .7515
	58.9%-62.2% AVE ^{3/}	19.8%-26.1% AVE ^{4/}	19.8%-26.1% AVE ^{2/} ^{4/}	
Canada-----	35%	25% ^{2/}	25% ^{2/}	42902-1
European Community--	17% or 19%	17% or 19% ^{2/}	17% or 19% ^{2/}	82.09; 82.14A
United Kingdom-----	20%	25% or 20%	18% ^{5/}	82.09(A); 82.14
Japan-----	20%	18% or 20%	9% or 10%	82.09-2; 82.14-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} All items were excluded from trade-agreement concessions in the Kennedy Round.

^{3/} The ad valorem equivalents (AVE) shown are based on U.S. imports in 1970 and represent a compound rate of duty of 2¢ each plus 45% ad valorem.

^{4/} The ad valorem equivalents shown are based on U.S. imports in 1970 and represent a compound rate of duty of 1¢ each plus 12.5% or 17.5% ad valorem.

^{5/} When the official rate is either a specific or an ad valorem rate, the latter is shown here.

United States (cuts ranged from 58 to 67 percent below statutory levels) and Japan (50 percent). Canada reduced rates from general levels by 29 percent, and the United Kingdom had reductions of 10 or 28 percent. Cutlery was not subjected to concessions in the Kennedy Round by the United States, Canada, or the European Community. The Japanese overall reductions of 50 percent were negotiated during the Kennedy Round, as was the reduction of the duty of one class of cutlery by the United Kingdom (10 percent); the other class underwent a 28 percent duty reduction; however, the pre-Kennedy Round rate on this latter class was the result of an earlier increase from the general rate.

CHEMICALS

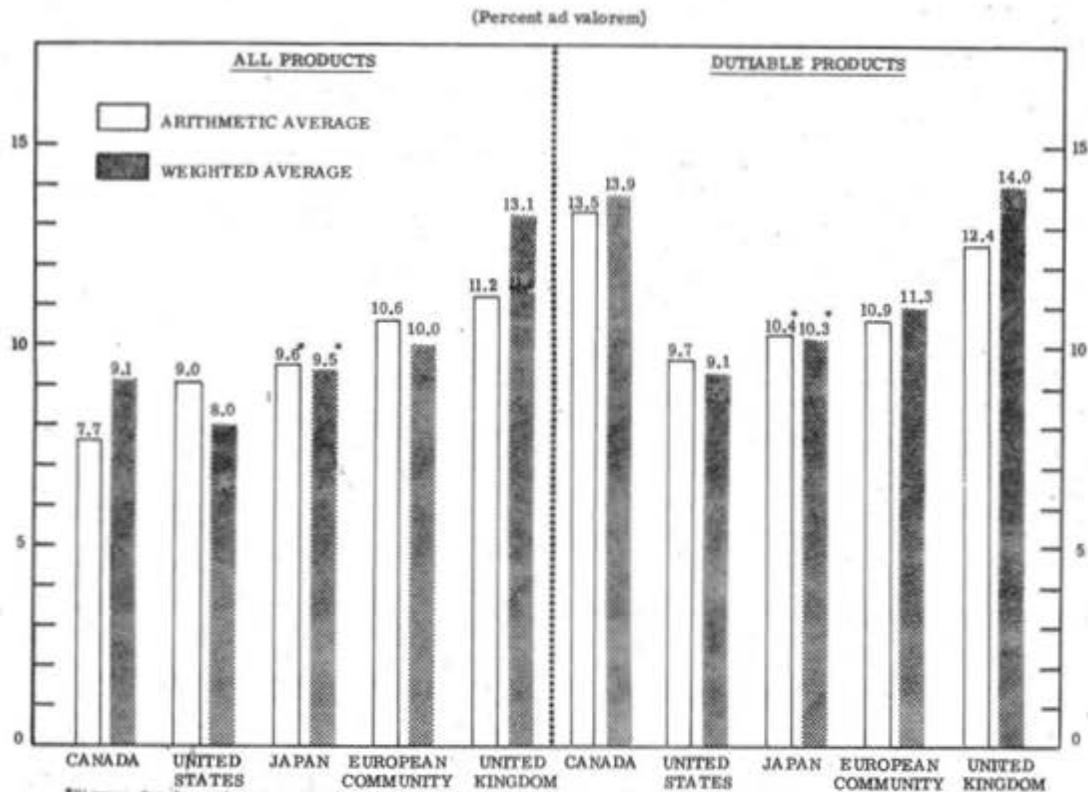
The chemicals sector covers chemical elements, organic and inorganic chemical compounds, and semimanufactured and finished chemical products, including dyeing, tanning, and coloring materials, medical and pharmaceutical products, plastics, and perfume and toilet preparations. ^{1/}

MFN tariffs

World MFN imports of chemicals face average tariff rates in the five major countries very similar to those for industrial products taken as a whole. The arithmetic averages range from 7.7 percent ad valorem (Canada) to 11.2 percent (United Kingdom) for all products and from 9.7 percent (United States) to 13.5 percent (Canada) for dutiable products. The weighted averages range from 8 percent (United States) to 13.1 percent (United Kingdom) for all products and from 9.1 percent (United States) to 14 percent (United Kingdom) for dutiable products (chart I-4-A). All tariff averages or rates for the United States shown in this product sector which cover certain benzenoid chemicals reflect the effect of assessing U.S. duties on those benzenoid chemicals on the American Selling Price system of customs valuation through the conversion of the amount of duty collected on

^{1/} For the specific coverage of this sector, see BTN headings 15.11; 27.05; 28.01-.58; 29.01-.45; 30.01-.05; 32.01-.13; 33.01-.06; 34.01-.02, -.04, -.05, -.07; 35.03-.04, -.06; 36.01-.05, -.09; 38.01-.03; 38.05-.19; and 39.01-.07. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-4-A.--Average MFN tariff rates on chemicals



*Figures for Japan do not reflect the unilateral reductions made in 1970 on more than 85 percent of the Japanese rates in this sector; of the remaining rates about two-thirds were cut by amounts ranging from 25 percent to 100 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-4-A.--Distribution, by duty level, of MFN tariff provisions for chemicals

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	42.6	7.6	7.1	2.5	9.5
0.1-5.0 percent----	2.6	39.5	13.1	5.3	1.9
5.1-10.0 percent---	13.6	25.3	53.9	33.0	51.3
10.1-15.0 percent--	31.7	7.4	18.8	48.7	6.7
15.1-20.0 percent--	8.3	9.2	5.2	10.1	14.9
20.1-25.0 percent--	.9	6.7	1.1	.3	15.2
25.1-30.0 percent--	.1	3.5	.3	-	.3
30.1-40.0 percent--	.1	.6	.3	-	.3
40.1-50.0 percent--	-	.3	-	-	-
Over 50 percent----	.1	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

such chemicals to the equivalent percentage on a valuation base comparable to that used for other products.

The averages for all products and dutiable products do not differ significantly except for Canada, which has tariff averages for all products considerably below averages for dutiable products, indicating a substantial proportion of duty-free provisions and imports.

Table I-4-A illustrates the distribution of MFN tariff provisions, by duty level, for chemicals. About one-half of the provisions in the schedules of Japan and the United Kingdom range from 5.1 to 10 percent ad valorem; one-fifth of Japanese provisions are in the 10.1-15 percent bracket and 13 percent in the 0.1-5 percent bracket. About one-third of United Kingdom provisions are equally divided in the 15.1-20 and 20.1-25 percent brackets. The European Community's provisions are chiefly in the 10.1-15 percent ad valorem bracket (one-half) and in the 5.1-10 percent bracket (one-third). The United States has the highest concentration of rate provisions in the 0.1-5 percent ad valorem bracket, while Canada's heaviest allotment (43 percent) is in duty-free provisions.

In 1970, imports of chemicals receiving preferential tariff treatment were nil or negligible for four of the major countries; the United Kingdom applied preferential rates on 28 percent of imports. EC imports from outside sources are equal to two-thirds of intra-EC imports which move free of duty.

Over 70 percent of MFN imports by Japan and 45 percent of United Kingdom entries are under rates ranging from 5.1 to 10 percent ad valorem. For the European Community, two-thirds of its entries are distributed in the two brackets of 5.1-10 and 10.1-15 percent ad valorem. About one-third of U.S. imports are at rates within the 0.1-5 percent bracket; about one-fifth of imports are duty free and almost one-fourth pay duties of 5.1 to 10 percent ad valorem. For Canada, one-third of its imports are duty free and one-third are assessed rates in the 10.1-15 percent ad valorem range (table I-4-B).

All of the major countries have relatively detailed tariff schedules for chemicals. The European Community's tariff contains 756 line provisions in the chemicals sector, Japan has 616 lines, and the United Kingdom has 603 lines. Products covered in the chemicals sector are provided for in 849 rate provisions in the U.S. tariff schedule and 524 provisions in the Canadian schedule. The basic classification principles for chemicals in the U.S. and parts of the Canadian schedules differ significantly from those of the Brussels Tariff Nomenclature. Consequently, a completely accurate rearrangement of U.S. and Canadian provisions into the BTN system frequently requires multiple fractionalization of single U.S. and Canadian items and would produce a "tariff line" count of about 2,200 for the United States and 822 for Canada. However, for the United States, only about 1,073 of these lines would be meaningful in a commercial sense,

Table I-4 B.--Distribution by duty level, of MFN imports of chemicals

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	34.0	22.4	7.8	9.5	14.6
0.1-5.0 percent----	1.7	35.1	3.9	6.3	3.0
5.1-10.0 percent---	13.3	23.9	71.2	30.4	45.4
10.1-15.0 percent--	34.2	6.7	13.5	37.2	9.5
15.1-20.0 percent--	16.3	3.7	2.8	16.4	5.2
20.1-25.0 percent--	.5	4.2	.3	.2	22.2
25.1-30.0 percent--	-	3.8	.5	-	.1
30.1-40.0 percent--	-	.1	.1	-	-
40.1-50.0 percent--	-	.1	-	-	-
Over 50 percent----	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

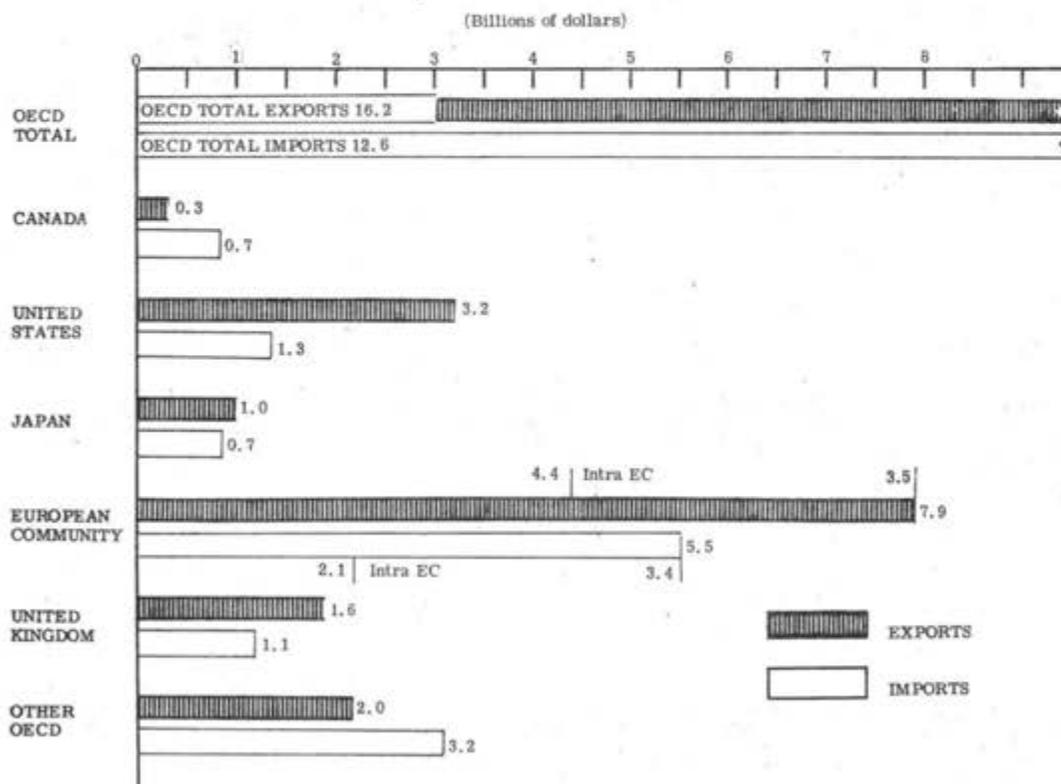
and throughout the remainder of this sector, references to U.S. tariff line count will be based on this figure. Because of the absence of better information, however, the Canadian line count is based on the figure of 822 lines for the sector.

Trade importance

Chemicals comprise one of the more important industrial sectors, ranking fourth in OECD exports and sixth in OECD imports. The sector accounts for 10 percent of OECD industrial exports and 8 percent of OECD industrial imports. For the United States, the sector is the third most important in exports. It ranked eighth in U.S. imports in 1967, 1969, and 1970. Chemicals ranked fourth in industrial imports for Canada in 1970, fifth for the United Kingdom and the European Community, and sixth for Japan. U.S. imports of chemicals were valued at \$773 million in 1967, \$1.3 billion in 1969, and \$1.5 billion in 1971.

Imports by the GATT tariff study countries were valued at \$6 billion in 1967 and \$9.8 billion in 1970. Intra-European Community shipments were an additional \$2.1 billion in 1967 and \$3.9 billion in 1970. Imports by the OECD countries in 1969 were \$12.6 billion (including \$3.4 billion of intra-EC shipments) and exports were \$16.2 billion (chart I-4-B). By 1970, imports by the OECD countries had risen to \$14.6 billion (including \$3.9 billion of intra-EC shipments) and exports totaled \$18.6 billion.

Chart I-4-B. --OECD trade in chemicals, 1969

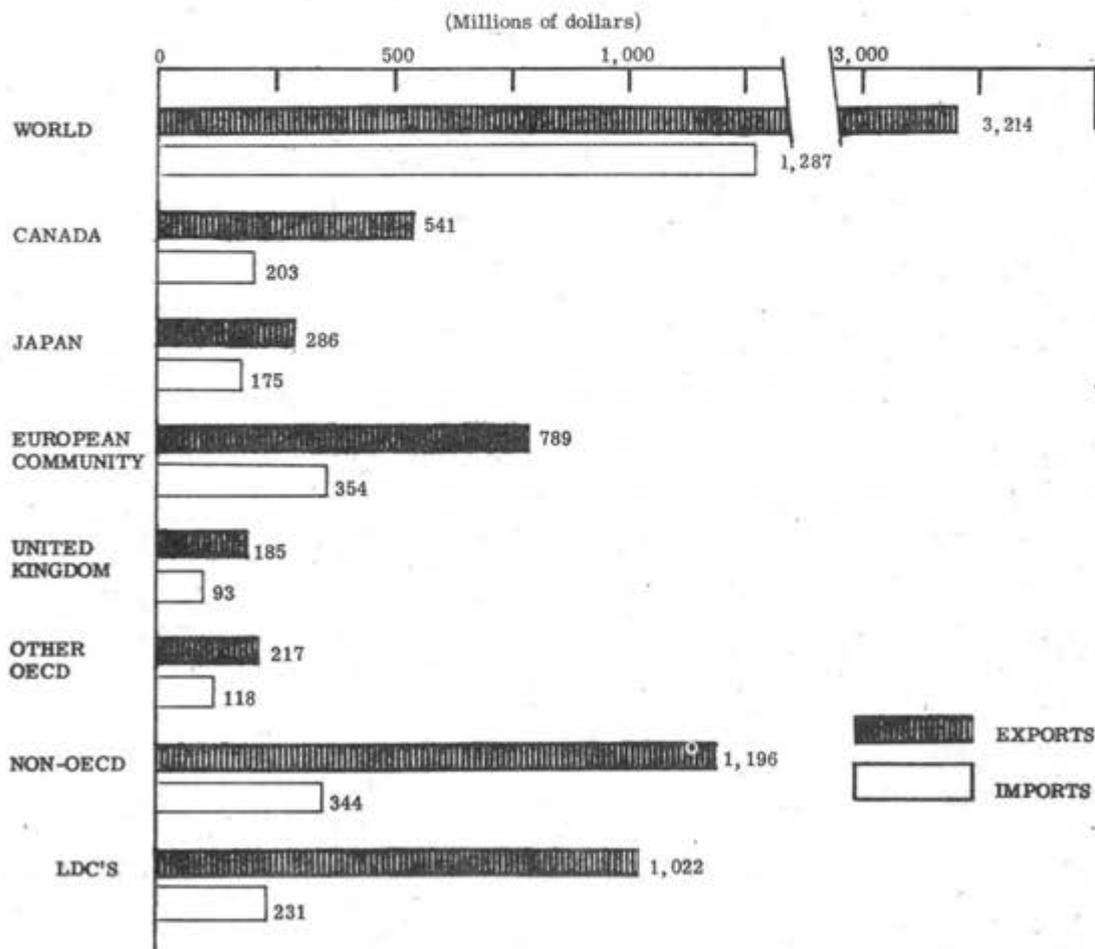


Source: Compiled from OECD Statistics of Foreign Trade, Series 5, 1969.

Trade network

The five major countries account for over 85 percent of OECD exports and 75 percent of OECD imports. About half of OECD exports go to the five major countries; about one-quarter to LDC's. About 80 percent of OECD imports are supplied by the five major countries. The United States imports principally from the European Community, the LDC's, and Canada; U.S. exports chiefly go to the LDC's, the European Community, and Canada (chart I-4-C).

Chart I-4-C.--United States trade in chemicals, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community is the principal exporter, accounting for almost half of OECD exports, followed by the United States, the United Kingdom, and Japan. Forty-four percent of EC exports are intra-Community shipments; one-third of EC shipments to outside destinations go to LDC's and one-third to "other" OECD countries. Almost one-third of U.S. exports are shipped to LDC's, one-fourth go to the European Community, and 17 percent to Canada. The United Kingdom exports principally to LDC's, "other" OECD countries, and the European Community. The major markets for Japan are LDC's and the United States (table I-4-C).

The European Community supplies over one-quarter of U.S. imports; LDC's nearly one-fifth; and Canada and Japan, 14 to 16 percent each (table I-4-D). Only 38 percent of EC imports come from non-member countries, the principal suppliers being the United States and "other"

Table I-4-C.--OECD exports of chemicals, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	16,158	300	3,214	1,029	^{1/} 7,916	1,649	2,050
OECD total-----	10,865	259	2,018	329	5,884	865	1,476
Canada-----	687	-	541	12	61	65	28
United States---	844	184	-	166	308	71	115
Japan-----	567	5	286	-	170	46	60
European Community-----	^{1/} 5,262	22	789	96	3,455	326	574
United Kingdom--	788	40	185	25	359	-	179
Other OECD-----	2,717	8	217	30	1,531	411	520
Non-OECD total----	5,293	41	1,196	700	2,032	750	574
LDC's-----	3,816	29	1,022	480	1,445	471	369

^{1/} Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-D.--OECD imports of chemicals, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	12,563	734	1,287	738	<u>1/</u> 5,541	1,112	3,151
OECD total-----	11,476	721	943	652	5,272	963	2,925
Canada-----	299	-	203	5	22	58	11
United States---	2,248	567	-	326	817	229	309
Japan-----	319	11	175	-	74	24	35
European Community-----	<u>1/</u> 6,070	64	354	205	3,433	443	1,571
United Kingdom--	1,029	47	93	55	366	-	468
Other OECD-----	1,511	32	118	61	560	209	531
Non-OECD total----	1,087	13	344	86	269	149	226
LDC's-----	633	7	231	31	134	106	124

1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

OECD countries. The United Kingdom imports 40 percent of its supply from the European Community and one-fifth each from the United States and "other" OECD countries. The United States is the principal supplier to Canada and Japan, and the largest outside supplier to the European Community.

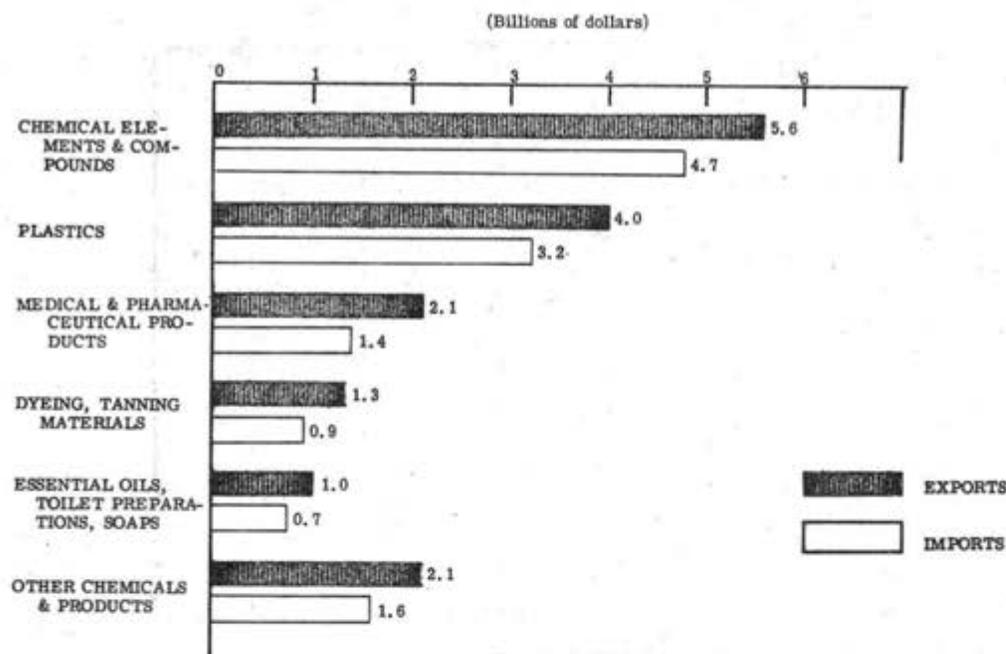
Trade composition

The chemicals sector is divided into six subsectors, two of which--chemical elements and compounds, and plastics--combined, account for 60 percent of OECD chemical exports and 65 percent of OECD chemical imports. The relative importance of the six subsectors is shown in chart I-4-D.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, were substantially below levels existing on pre-trade-agreement

Chart I-4-D. -- OECD trade in chemicals, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

base dates. The lower levels, in large part, reflect concessions granted in reciprocal negotiations. Among the major five countries, specific rates are significant only for the United States, affecting about one-third of its tariff lines and MFN imports. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figures are arithmetic averages. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 7.6 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	30.2	8.0
European Community	13.7	10.0
United Kingdom	18.2	13.1
Japan	20.0	9.5
Canada	16.5	7.7

At the Kennedy Round of GATT tariff negotiations, a separate agreement relating principally to chemicals was negotiated (the so-called "ASP package"). Under this agreement, the European Community and the United Kingdom were to make further reductions in most of their chemical rates in return for U.S. removal of its system of customs valuation for benzenoid chemicals, under which the United States assesses duties based on the value of competitive U.S. products rather than the value of the imported chemical (the American Selling Price system of customs valuation). In making the shift to normal customs valuation procedures, certain changes in tariff rates were also to be made. The Congress did not enact legislation providing authority to implement the agreement, and consequently, the agreement never came into force. If the agreement had been implemented, the weighted average duties of the three principal signatories on January 1, 1972, would have been as follows: United States, 7.3 percent ad valorem; European Community, 6.8 percent; United Kingdom, 8.6 percent.

Concessions under the GATT have been made on all MFN provisions for chemicals in the U.S. tariff schedule. For the European Community, 99 percent of the provisions, accounting for 97 percent of MFN imports, are covered by GATT concessions. The United Kingdom has 95 percent of its chemical provisions, covering 93 percent of MFN imports, under GATT concessions; for Japan, 94 percent of its provisions, covering 91 percent of MFN imports, and for Canada, 77 percent of its provisions, covering 87 percent of imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on chemicals negotiated under the GATT. The number of such concessions totaled 1,609, of which 833 reflected rates higher than the autonomous rate established in the CXT, 95 were at the CXT rate, and 681 were below the CXT rate.

Trade complaints

The very large number of complaints submitted to the Tariff Commission by manufacturers and traders of chemicals covered a wide array of policies and practices generally described as barriers to trade. Complaints were made against practices in every developed country and in a large number of less developed countries. The United States and Japan were the individual countries drawing the most complaints (49 and 47, respectively) but complaints against European Community countries (individually and collectively) totaled more than all those leveled at the United States and Japan combined. Among LDC's, the greatest number of complaints were against Colombia (38), Brazil (36), Mexico (34) and Spain (29).

The numerous forms of specific limitations on trade (quotas, embargoes, licensing, exchange controls, etc.) drew the largest number of complaints. Tariff and nontariff charges on imports were second in number of complaints, followed by customs procedures and practices, various forms of government participation in trade, and standards requirements. The complaints are summarized under major topic headings in the paragraphs below.

Quantitative limitations and licensing.--Complaints involving quantitative restrictions, embargoes and licensing procedures constituted the largest group of trade complaints concerning chemicals. The complaints covered most types of chemicals including pharmaceuticals, photographic chemicals, dyes, pesticides and other agricultural chemicals, intermediate chemicals, plastics materials and products, detergents, toilet goods and certain inorganic chemicals.

Japan, the country cited most for the use of quantitative restrictions, was charged by complainants with the occasional use of this kind of barrier against unspecified chemicals and with the use of quotas on sulfur and pharmaceutical products in general. Penicillin and antibiotics were specified in some complaints as objects of Japanese quantitative control. In still another complaint, Japan was reported to have applied quotas to imports of dextrine starch glues. One U.S. producer who was critical of Japan also complained that most European countries also utilized quantitative barriers in restricting entry of his products. In other complaints against European countries, both Italy and Ireland were charged with placing quantitative restrictions on tetraethyl lead and the Netherlands for a quota on penicillin. Complaints were also received concerning the quotas by Austria on antibiotics, Spain on high-density polyethylene, Finland on coal-tar distillates and Ireland on superphosphates. The United States was the target of criticism by a large U.S. importer who stated that strong protectionist views expressed in the Congress had caused his foreign suppliers informally to establish voluntary export quotas in certain industries, including the chemical industry. Quotas employed

by Spain were described as based on historic sales; those used by Japan for sulfur and by Haiti for detergents were said to be inversely related to the domestic production of the respective products; and the restriction by Singapore on detergents and certain toilet products was described as being for the protection of infant industries. Complaints against less developed countries involved Mexico, Colombia, Brazil, Cyprus, Malaysia, Singapore and Haiti; the imposition of quantitative restrictions by Colombia was said to be for balance of payments reasons.

Embargoes reported in many of the complaints were actually extremely rigid registration or other requirements by the importing country which had the effect of an embargo for the complainant's products. Such is the case with embargoes reported in a complaint against Japan, France and the United States regarding imports of pharmaceuticals. This complaint by a U.S. trade association was also directed at numerous other countries including seven countries of Central and South America as well as the Central American Common Market (CACM). In several instances complaints stated that embargoes on imports were instituted where the product was produced domestically. Mexico was involved in six of these complaints which applied to pesticides, benzoic acid, high-density polyethylene, polypropylene, tall oil, fatty acids and other chemicals. Several other countries of Central and South America were also mentioned as maintaining this type of embargo. In other complaints where embargoes were maintained to protect local production, Italy, Norway, Finland, Spain, Portugal and Turkey were named in connection with pharmaceuticals; certain underdeveloped countries prohibited imports

of U.S. reagent chemicals; and France and Japan were barred as a market for the line of chemicals of one U.S. producer. Other complaints charged that: Argentina embargoes chemicals for balance of payments reasons; Iraq and Syria refuse entry of U.S. chemicals and dyes, while Egypt permits entry of many chemical items only with special government approval; Israel bars citric acid and certain other chemicals; Italy prohibits imports of sulfur; and the United States prohibits the importation of uranium for domestic consumption.

About 50 complaints were recorded regarding restrictive licensing practices for either imports or exports of chemicals. The United States, named in six complaints, and India, named in five, were the countries most criticized for such practices; Japan, Brazil, Columbia and Pakistan were each cited in three complaints. Three U.S. complainants and one United Kingdom trade association objected to U.S. export licensing requirements, in one instance involving exports of lithium bromide, where licenses were required on shipments valued under \$500. One source pointed out that special U.S. licenses are required to buy or sell uranium, thorium or radium, while another source noted that U.S. import licenses for serums, toxins and biological products, including veterinary products, are only granted to foreign firms from lists previously approved by the U.S. Department of Health, Education and Welfare or the U.S. Department of Agriculture. Among complaints against India, one U.S. producer of furfural and furfural alcohol spoke of the complex system involved in obtaining import permits and

permits for letters of credit, while another complaint stated that import licenses were granted on the basis of the applicant's export of Indian goods.

The issuance of a license to import sulfur into Japan was reported to be related to the level of domestic production at the time of request. In Colombia, according to a U.S. producer, a license is required for imports of pharmaceuticals and agricultural and industrial chemicals valued in excess of \$20, and 45 days is required for approval. For the importation of chemicals and dyes into Pakistan, a large U.S. producer states that a license is only granted after receipt of material covered by the applicant's previous license. Complaints were reported concerning licensing restrictions by the Netherlands on penicillin, by Belgium on sodium anhydride and penicillin, and by Italy on sulfur, citric acid and crude calcium citrate. Most of the other complaints registered concerned less developed countries.

Import duties and tariff discrimination.--A number of U.S. producers of chemicals complained generally concerning the preferential treatment afforded member states within customs unions such as the European Community, the European Free Trade Association and others (LAFTA, CACM, CARIFTA) and the British Commonwealth. The preferential duties involved were noted to be particularly restrictive in regard to U.S. exports of pharmaceuticals, pesticides, dyestuffs, tires, rubber and plastics goods and certain toiletry items. However, the greatest number of complaints by far came from U.S. producers of plastics materials, mainly concerning discriminatory duties on cellulose acetate, polyester film and high-density polyethylene, but also including polypropylene, polystyrene and

polyterpene resins. Five complaints by these producers were directed against the European Community, three against Greece, two against Sweden and one against nine other countries, because of duties ranging from 7.5 percent for polyester film entering Australia to 60 percent for cellulose acetate entering Spain. Included in this range was a 36 percent duty applied by Greece to high-density polyethylene from non-EC countries; a 35 percent duty by Finland and Greece on cellulose acetate from non-EFTA and non-EC countries, respectively; a 32 percent duty by the Community on imports of polyethylene ^{1/} and polypropylene resins from non-EC countries; and, a 25 percent duty by Israel on high density polyethylene from non-EC countries.

In addition to the complaints on discriminatory tariff treatment, some 20 instances of nondiscriminatory high tariffs were reported by U.S. producers of chemicals. The product most often involved was high density polyethylene and the countries involved included Australia, Argentina, Spain, Mexico, Taiwan and the United Kingdom. Other U.S. chemicals confronted with high duties in certain foreign markets were: melamine resins in Taiwan and Korea; polyacrylamid in Australia; oral polio vaccine in the United Kingdom; black ink in Argentina, Brazil, Australia, Japan and Spain; and polyvinylchloride trays for packing fruit and vegetables in Mexico. High U.S. rates of duty were cited by an importer in regard to textile assistants, chemically treated starches, sodium alginate and cream of tartar.

^{1/} The rate of duty on U.S. polyethylene entering the European Community was reduced from 32 percent to 16 percent on January 1, 1973. The higher rate had been imposed to compensate for higher U.S. tariffs applied to imports of carpets and glass as the result of escape-clause action.

Customs valuation and customs administrative procedures.--Complaints involving customs procedures in relation to imports of chemicals numbered well over 100. A large portion of these complaints pertained to customs valuation, and particularly to the U.S. practice of assessing duties on certain chemicals on the basis of the value of a competitive U.S. product rather than the actual value of the imported chemical--the so-called American Selling Price (ASP) system of customs valuation. The complainants, mainly subsidiaries of foreign producers, foreign trade associations and U.S. importers, stated that ASP discriminated excessively against foreign goods; that ASP increased rates to levels exceeding 100 percent ad valorem; that ASP values used for customs purposes frequently are higher than prices actually existing in the United States; and that the excessive complexity of administering ASP hinders trade. In several complaints, U.S. producers felt they were discriminated against because the United States uses an f.o.b. basis of customs valuation while most other countries use a c.i.f. basis. A United Kingdom trade association added that the U.S. definition of f.o.b. was different from that of the rest of the world. In charges against other countries, a U.S. producer alleged that, in the United Kingdom, valuation for his products was made on open market value instead of invoice value; a United States trade association charged France and Japan with the use of uplift in valuation; and another U.S. producer claimed that duties are assessed in Canada, Australia and New Zealand on the basis of invoice price to the importer or on the price of the goods in the country of origin, whichever is higher.

Documentation requirements were the subject of more than 20 complaints. Japan, the United States, the South American countries (particularly Brazil) and Greece were mentioned in two or more of these complaints which dealt mainly with excessive and complex documentation, as well as with unusual and cumbersome documentary requirements. Some instances of complaints in the latter category are: The requirement by Japan that forms must be submitted showing the distribution network for imports, the price of the product at each stage of distribution up to the final purchaser and the names and commissions of all middlemen; the requirement for the importation of pharmaceuticals into Greece that price data and trade names be provided on home market and third country sales, and in some instances a certificate written in Greek and signed by the health ministry of the exporting country be provided stating that the product is authorized for sale in the home market; and, the requirement by Brazil that invoices on imports have a signature from the Chamber of Commerce of the port of export.

To many U.S. exporters and importers, the customs restrictions on the entry of chemical and pharmaceutical samples into many countries were unreasonable and much too complex. Criticism of sample import restrictions was directed toward the United States, Japan, the European Community, the larger South American countries, Mexico and Greece. The United States was singled out for its cumbersome and expensive procedure for returned goods and the record keeping required for obtaining U.S. drawback was described as onerous. Six respondents cited consular formalities related to the importation of goods as a burdensome procedure

in most large South American countries as well as Japan. In several complaints involving antidumping procedures, Canada, Australia and South Africa were labelled as strict enforcers of antidumping statutes, i.e., in South Africa the law favors companies with no published price list; in Canada a problem existed because of the difficulty in determining fair trade value.

Standards.--Criticism of standards for pharmaceuticals was the most common category of complaint regarding standards for chemical products. Nonacceptance of pharmaceutical standards of the exporting country by the importing country was frequently cited by complainants; the United States, Japan, Canada and the countries of the European Community were included among importing countries who frequently insisted on applying domestic standards. In many instances this requirement necessitated that research and testing of the product be repeated in the importing country causing considerable added delay and expense for the manufacturer. Other complaints against many of the same countries as well as members of the European Free Trade Association, Australia, New Zealand and countries of Central and South America spoke of excessive requirements and registration and clearance delays which impeded, if not precluded, the importation of pharmaceuticals. In a separate complaint, a U.S. trade association reported that compulsory inspection of the plant which manufactures the product in the exporting country was required by the Canadian, United Kingdom and U.S. governments. France requires that pharmaceuticals sold in France be manufactured under the supervision of French pharmacists and public health officials.

Other complaints regarding pharmaceutical standards pertained to the stringent regulations governing the acceptance of foreign trademarks by Brazil, Greece, Portugal, Rhodesia and Syria and to the lack of patent protection in Italy.

In two complaints against Canada by U.S. producers, labelling and container requirements were named as barriers which in one instance prevented the importation of adhesives into Canada and in the other instance prevented low-volume goods, presumably paints and resins, from entering the country. A complaint was leveled at Japan for standards that prevented the use of food freezing and also the use of aerosol propellants in food containers. In one of two complaints directed against Spain concerning packaging, a U.S. exporter of polyethylene stated that imported goods had to be shipped in the original manufacturer's packing, a requirement that prevented the sale of surplus and other rehandled materials. In more generalized complaints pertaining to the chemical industry, respondents pointed out (1) that the U.S. pollution control requirements had increased the cost of exports and might be the cause of a shift in production location to areas with less stringent regulations; (2) that a trade restriction would be eliminated by the adoption of the metric system as a national standard for weights and measures by the United States and other countries currently not on that standard; (3) that there is a need for international standards to combat local discriminatory standards. The U.S. Government was urged to support international standards organizations.

Subsidies and other governmental aids.--Complaints by U.S. producers regarding subsidization and other forms of assistance given by foreign governments to exports of chemicals were directed frequently toward Japan and the European Community (principally its larger members) and toward the United Kingdom somewhat less frequently. One large U.S. producer charged Japan and the European Community with rebating sales, value-added and excise taxes on exported products; allowing accelerated depreciation and providing low-cost loans on export business; and, not subjecting foreign subsidiaries to taxes on profits generated by reselling the parent company's products in third countries. These countries are also reported to encourage the combining of companies for financial strength and Japan has been reported to permit the operation of cartels, described as "legal" cartels, on a temporary basis to assist new or disoriented industries. 1/

Another large U.S. producer included the United Kingdom along with Japan and certain EC countries in its complaints regarding tax relief, low-interest medium-term loans, concessionary financing and other direct and indirect subsidies for export business. Certain of these complaints by this and other U.S. producers involve several other developed countries--Canada, Sweden, Switzerland, Australia, New Zealand, Ireland, Norway and South Africa--as well as a number of the leading less developed countries, including Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, Spain, India, Pakistan, and the Philippines. In two separate complaints

1/ These cartels known as "anti-depression" cartels officially expired at the end of 1972. They are being replaced, however, particularly in the petrochemicals industry, with a "voluntary supply adjustment" plan which is expected to have an effect similar to the cartel.

against U.S. antitrust laws, a United Kingdom trade association felt that these laws inhibited normal business with U.S. companies, while a U.S. producer saw extraterritorial applications of the antitrust laws as a trade restriction.

Government participation in, and control of, trade.--Complaints regarding "buy national" policies involved mainly the United Kingdom, Japan and France and pertained to certain pharmaceuticals and chemicals. In other complaints by U.S. producers, charges of government monopoly in connection with certain chlorinated insecticides and of exclusive franchises for surfactants and magnesium oxide were leveled against Mexico, Italy in regard to salt, Greece for alcohol and saccharin, Austria for alcohol, Ceylon for caustic soda and Kuwait for industrial gases. State trading practices also were mentioned for Greece, Iceland, Pakistan, India, Indonesia, Tunisia, Kenya and Haiti. In a separate complaint against Egypt, Iraq, Syria, Ghana and Guiana, a trade association stated that these countries assigned purchasing and distribution rights for imports to local agencies and companies.

Several complaints were directed principally against countries of the European Community and other European countries regarding the treatment of pharmaceutical imports under the social security systems of those countries. In general, the social security systems are said to discriminate against imported pharmaceutical products, while strongly encouraging the use of domestic products by methods including the withholding of reimbursement for imported drugs. In another complaint on pharmaceuticals involving Spain, Greece and Turkey, authorities of those

governments were reported to have used extra-legal pressure on doctors to prescribe domestic products. Two other complaints of discrimination against imported pharmaceutical products were directed at several Latin American governments; in one of these complaints, the use of imported products was barred from welfare programs. Among complaints on chemical products, the Mexican government was reported to have required disclosure of proprietary information on imports as a condition of entry; Thailand was said to have exerted pressure on behalf of a domestic producer of polyester to the exclusion of a foreign source; and, Japan was criticized for the use of "administrative guidance" in controlling imports.

Border, port, and statistical taxes and other fees.--Complaints on value-added border taxes were reported almost entirely in connection with European countries, mainly those of the European Community, the European Free Trade Association and Spain. U.S. complainants specified value-added taxes in the range of 10-20 percent on the c.i.f. duty-paid value of the imported goods and turnover or transfer taxes in the range of 2-15 percent. Complaints on taxes and fees of other kinds were directed principally at other areas of the world. Brazil was mentioned in six complaints involving a variety of taxes, including an industrial products tax levied at 10-12 percent of landed cost, a merchant marine renewal tax at 20 percent of freight charges, a merchandise circulation tax amounting to 17 percent of duty and a 2 percent port improvement tax. Taiwan was reported to assess a 4 percent port tax. Customs surtaxes ranging from 3 percent to 30 percent were also attributed to Ecuador, Turkey, Bolivia, Argentina and Switzerland. Consular fees on

the order of 1 to 1-1/2 percent were reported as being common among Latin American and certain other countries and stamp taxes were mentioned in a few complaints.

Minimum and maximum price controls.--Price controls in the chemical area were reported to pertain almost entirely to pharmaceutical products and are rather widespread for these products. Price ceilings were in force for pharmaceuticals in Belgium, Italy, Turkey and Peru while some form of price control was reported in effect for Australia, New Zealand, Greece, India, Mexico, Portugal, Spain, Sweden, most Middle Eastern countries and several countries of South America. Several complainants felt that price controls favored the domestic rather than the imported product. In a separate complaint against Mexico, government cooperatives were reported to set floor prices for exports of lime oil.

Local content requirements.--A U.S. trade association reported that Brazil, Chile, Colombia, Ecuador, India, Peru and Turkey require some local manufacturing by foreign exporting firms in order to make their foreign products eligible for importation. In another complaint, a U.S. exporter of insecticides to Central American and Caribbean markets stated that half of the selling price of the imported product had to be accounted for by expenses incurred in the importing country. It was also reported that pharmaceutical products could only be imported into Spain for three years, after which the products had to be manufactured domestically, and that, in order to be eligible for preferential tariff rates when importing caustic soda into Brazil, the importing firm was required to purchase a certain amount of locally produced caustic soda.

Restrictive business practices.--The close cooperation among Japanese producers, trading companies and the government were given as reasons in one complaint by a U.S. plastics manufacturer for his inability to maintain sales in Japan. The operation of legal cartels in Japan in support of domestic industry, as mentioned above, has been reported in the press. The formation of cartels in the European Community, the United Kingdom and Switzerland for the expansion of export markets was reported in complaints to the Tariff Commission. The existence of cartel operations in the European Community became apparent in 1966-67 when the Senate Antitrust and Monopoly Subcommittee, investigating the high market price of medicinal quinidine, found that control of world supply and prices was held by a cartel dominated by Dutch and German producers.

Exchange controls.--Complaints concerning exchange controls were directed mainly at the countries of Latin America, but also included criticism of Greece, Turkey, Spain, India, Pakistan, the Philippines, Taiwan and Yugoslavia. The most common complaint registered pertained to the delays and other restrictions placed on the remittance of royalty and currency payments to the exporter for goods and services.

Shipping practices.--High ocean freight rates for U.S. shipments to foreign ports, mainly those of Europe and Japan, were the subjects of most complaints on shipping practices. The rates charged on U.S. export shipments were described as being as much as double the rates for the same shipments traveling in the opposite direction. Other complaints registered included one by a foreign trade association which cited the

cabotage rules and flag restrictions affiliated with U.S.-A.I.D. shipments; another by a large U.S. producer related that exports to Brazil, Colombia, Guatemala and Venezuela must be carried in ships belonging to the respective countries; and, in a third complaint, a U.S. producer attributed the refusal of U.S. flag carriers to accept cargoes destined for India to the requirement that certain chemicals carried by non-Indian vessels be off-loaded in the outer harbor of Indian ports.

Miscellaneous practices.--The following practices were objects of criticism by a few complainants: Discriminatory credit restrictions, discriminatory bilateral agreements, discriminatory sourcing, prior import deposits; investment control, and export restraints. Complaints on credit were directed toward the complex systems for obtaining letters of credit in India, Thailand, Hong Kong, the Philippines, and Iron Curtain countries. Bilateral agreements between any of the various customs unions and third countries, as well as preferential trade between Communist and third countries, were considered to result in a substantial loss of trade for the United States. Charges of discriminatory sourcing were made against Mexico and India for refusal to accept imports of certain U.S. chemical products. Restrictions pertaining to import deposits required prior to shipment of goods involved mainly South American countries (excluding Brazil), which exempted members of the Latin American Free Trade Association (LAFTA) from the required deposits, but required them from non-LAFTA countries. In complaints against U.S. export limitations, U.S. investment controls were considered

too inflexible and restraints on shipments covered by Atomic Energy Commission regulations, and on those to politically sensitive areas, were considered too restrictive. In a separate complaint, an importing organization concerned with imports of titanium oxides objected to the voluntary export control program instituted by Japan in order to avoid possible unilateral import restrictions by the United States.

In the Commission survey, respondents were requested to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected chemical products would show a "small," "moderate" or "significant" increase if the barrier (either alone or in combination with other barriers) were removed and, if possible, to estimate a dollar value for the increase. Nearly half (45 percent) of the respondents supplied an assessment of the trade effect in terms of the three broad categories, and nearly a third assigned dollar values to the trade differential. The potential trade increase was described as "significant" in 46 percent of the responses accompanied with an assessment, as "moderate" in 38 percent, and as "small" in 16 percent. These assessments appear to be related to the size of the respondents' operations when compared with the respective dollar values assigned and when the range of dollar values is analyzed. One-fifth of the responses assigning dollar values to the trade effect estimates showed possible annual trade increases of \$1 million or more, ranging as high as \$10 million; 48 percent showed increases from \$100,000 up to \$1 million; and 32 percent showed increases of less than \$100,000. The average potential trade increase of quantified estimates reported

was somewhat above \$500,000 while the average projected increase in trade per quantified response came to about 1,500 percent of the level of trade in 1970 for that item.

Where a substantial response was obtained to the request for an estimate of potential trade increase, the data are discussed in further detail under the respective barrier headings.

Some respondents also indicated their assessment of the effect of certain specific barriers in this sector. Some dollar estimates were given of the trade effect of quantitative restrictions, ranging from \$150,000 to \$400,000 annually and termed "small" to "moderate." Estimates of trade increases that would result from removal of the embargoes in individual complaints were generally "significant," ranging from \$100,000 to \$10 million. Estimates by U.S. producers of the annual trade increase which would result from the removal of discriminatory duties on chemicals generally ranged from \$60,000 to \$500,000, but in one instance to more than \$1 million. The estimated trade increase which would occur if nondiscriminatory duties on chemicals were removed generally amounted to \$100,000 or more and, in one complaint, ranged as high as \$2 million.

Chemical Elements and Compounds

The subsector for chemical elements and compounds includes, in addition to the elements, all inorganic and organic compounds with the exception of vitamins, hormones, glycosides, vegetable alkaloids, and antibiotics. ^{1/}

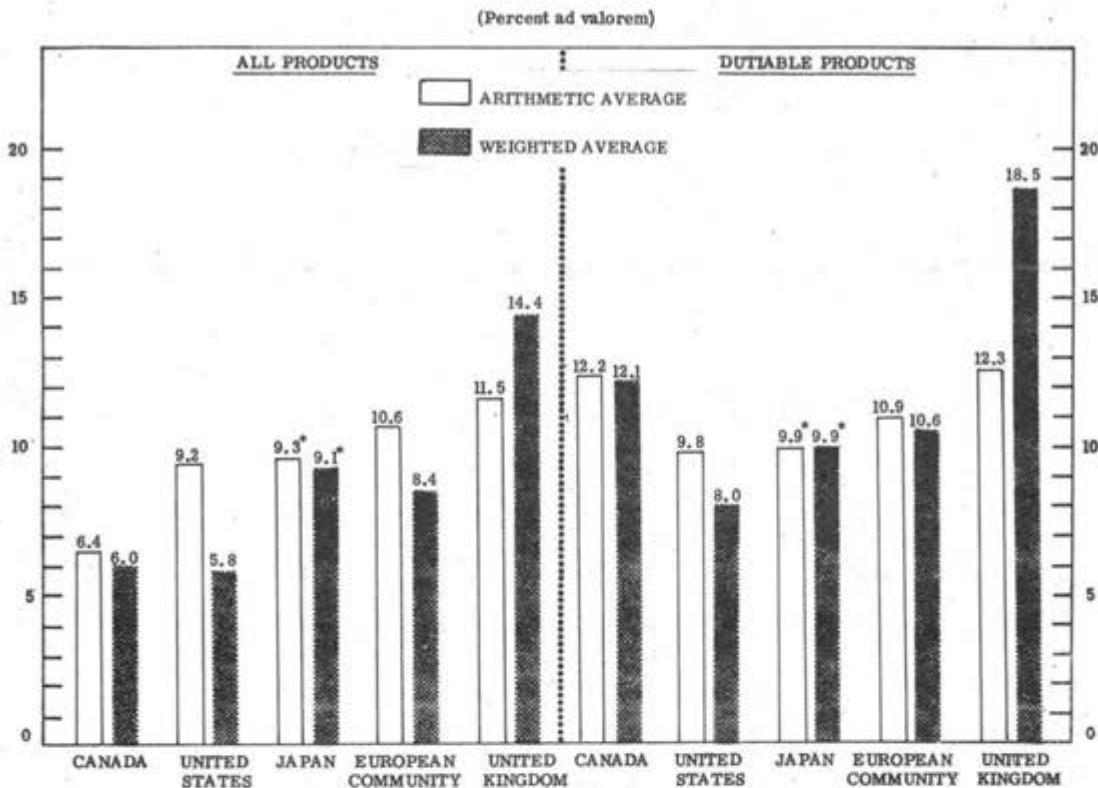
MFN tariffs

Among the five major countries, Canada has the lowest arithmetic average MFN tariff (6.4 percent ad valorem) for all chemical elements and compounds (free and dutiable, combined); the highest is the 11.5 percent average of the United Kingdom. The lowest weighted averages for all products belong to the United States (5.8 percent) and Canada (6 percent); the highest weighted average is 14.4 percent held by the United Kingdom (chart I-4-E). For dutiable products alone, Canada's average MFN tariff rates are significantly higher than those for all products, reflecting substantial duty-free provisions and imports. For dutiable products, the arithmetic and weighted averages of the five countries are all within the relatively same range between 8 and 12.3 percent ad valorem, except for the United Kingdom's weighted average which reaches 18.5 percent ad valorem.

MFN rates are granted to virtually all imports of the United States, Canada, Japan and EC entries from outside sources. Preferential rates were applied to about one-third of United Kingdom entries in 1967. Intra-EC imports, which move free of duty, are slightly larger than EC imports from outside sources.

^{1/} For specific coverage of this subsector see BTN headings 15.11, 27.05, 28.01-.58, 29.01-.37, and 29.40, -.43, -.45.

Chart I-4-E. --Average MFN tariff rates on chemical elements and compounds



*Figures for Japan do not reflect the unilateral reductions made in 1972 on over 90 percent of the Japanese rates in this sector; of the remaining rates less than half were cut by amounts ranging from 22 percent to 60 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Nearly 60 percent of Japanese and United Kingdom MFN tariff provisions have duties ranging from 5.1 to 10 percent ad valorem; half of the EC provisions are in the 10.1-15 percent range and one-third in the 5.1-10 percent bracket. Two-fifths of U.S. provisions are in the 0.1-5 percent range; over one-fifth are in the 5.1-10 percent bracket. Canada is the only major country with significant duty-free provisions (48 percent); one-third of Canada's provisions are in the 10.1-15 percent rate range (table I-4-E).

Table I-4-E.--Distribution, by duty level, of MFN tariff provisions for chemical elements and compounds

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	47.7	6.5	6.9	2.4	6.4
0.1-5.0 percent----	3.3	39.5	13.7	4.9	.7
5.1-10.0 percent---	12.4	22.2	59.5	32.4	58.6
10.1-15.0 percent--	35.7	10.9	13.7	51.8	4.8
15.1-20.0 percent--	.7	9.1	4.4	8.5	12.8
20.1-25.0 percent--	-	7.5	.9	-	16.2
25.1-30.0 percent--	-	3.1	.3	-	.5
30.1-40.0 percent--	-	.6	.3	-	-
40.1-50.0 percent--	-	.5	-	-	-
Over 50 percent----	-	.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

In terms of MFN imports of chemical elements and compounds, more than one-fourth of U.S. imports enter duty free; another two-fifths are assessed at rates in the 0.1-5 percent ad valorem range. Half of Canadian imports enter duty free; another two-fifths are dutiable between 10.1 and 15 percent ad valorem. Almost three-quarters of Japanese imports are assessed at rates between 5.1 and 10 percent. European Community imports are in the 10.1-15 percent bracket (two-fifths), the 5.1-10 percent bracket (one-fifth), and duty free (16 percent). Over half of United Kingdom imports enter at rates in the 20.1-25 percent ad valorem range; another two-fifths are distributed about equally in the 5.1-10 percent and the duty-free bracket (table I-4-F).

Table I-4-F.--Distribution, by duty level, of MFN imports of chemical elements and compounds

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	50.7	28.3	8.1	16.2	21.8
0.1-5.0 percent----	3.8	39.6	8.5	8.7	-
5.1-10.0 percent----	7.2	14.3	72.5	21.2	19.5
10.1-15.0 percent--	38.2	6.6	2.5	43.9	3.6
15.1-20.0 percent--	-	3.7	7.9	10.0	2.9
20.1-25.0 percent--	-	7.0	-	-	52.2
25.1-30.0 percent--	-	.4	-	-	-
30.1-40.0 percent--	-	.1	.4	-	-
40.1-50.0 percent--	-	.1	-	-	-
Over 50 percent----	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

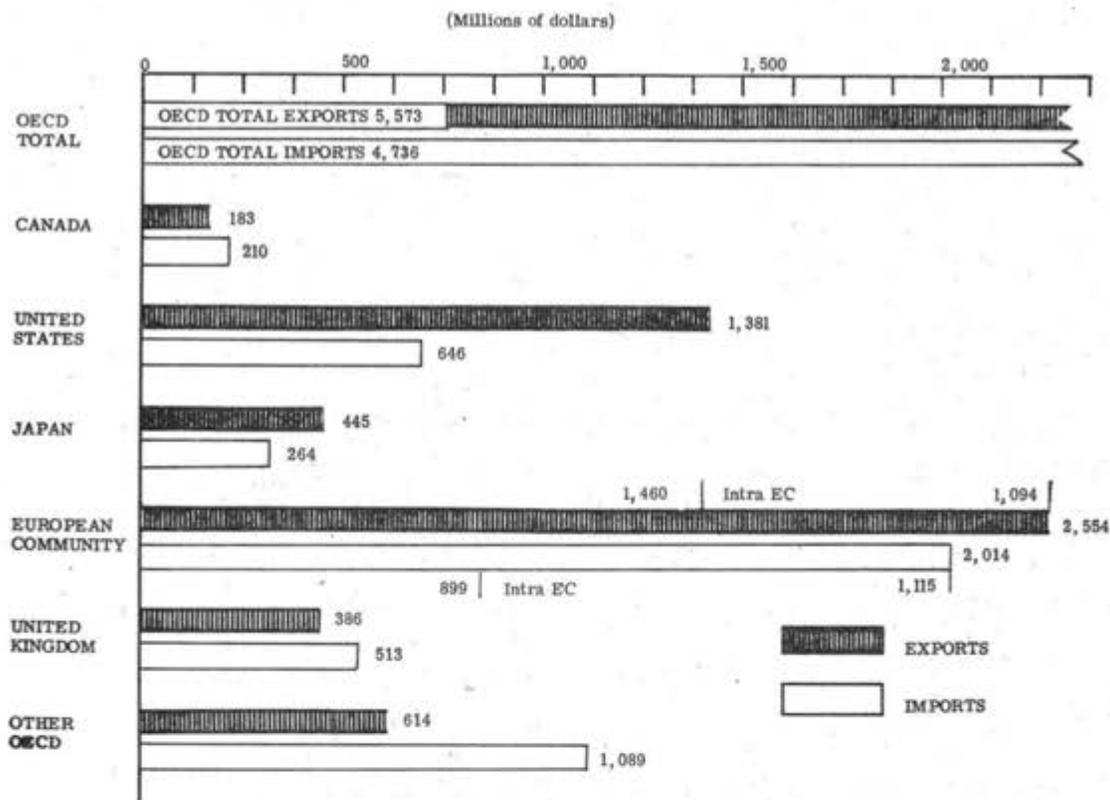
Note.--Due to rounding, figures may not add to 100 percent

Of the five major countries, the United States exhibits the most complex tariff schedule for chemical elements and compounds, with 708 lines; Japan has the simplest, 319 lines. Schedules for the European Community have 505 lines; for Canada, 417 lines; and for the United Kingdom, 396 lines.

Trade importance

In 1969, chemical elements and compounds accounted for about 35 percent of OECD exports and 38 percent of OECD imports in the chemical sector. OECD exports totaled \$5.6 billion in 1969; imports were \$4.7 billion (chart I-4-F). By 1970, OECD exports and imports had increased to \$6.4 billion and \$5.6 billion, respectively. In 1967, organic chemicals, a major component of the chemical elements and compounds group, ranked 15th among the 119 industrial subsectors in value of aggregate imports of the GATT tariff study countries.

Chart 1-4-F.--OECD trade in chemical elements and compounds, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

For the United States, however, the rank is 28th. U.S. imports of chemical elements and compounds amounted to \$645 million in 1969 and increased to \$810 million in 1971. Heterocyclic compounds and nucleic acids (BTN 29.35) are important types of chemical elements and compounds traded. In 1967, the major importer of such chemicals was the European Community (about \$94 million).

World production

The United States is the principal producer of industrial chemicals of the five countries under study. In 1968, the most recent year for which somewhat comparable data are available, production of industrial

chemicals by the United States was valued at about \$15 billion. Similar production by the European Community in that year was valued at nearly three-fifths that of the United States; production by Japan and the United Kingdom was each about a fifth; and Canada about a fifteenth, of that of the United States.

Trade network

The five major countries account for about 90 percent of OECD exports and over 75 percent of OECD imports of chemical elements and compounds (tables I-4-G and I-4-H). The two major suppliers to the world are the European Community and the United States. The European Community takes about 30 percent of U.S. exports; LDC's as a group take slightly less than 30 percent. Non-OECD countries and "other" OECD countries are the principal markets for EC outside shipments.

Table I-4-G.--OECD exports of chemical elements and compounds, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,573	183	1,381	445	<u>1/</u> 2,554	386	614
OECD total-----	3,844	170	906	144	1,925	237	462
Canada-----	247	-	198	4	22	14	9
United States---	393	121	-	74	137	18	43
Japan-----	214	2	129	-	54	7	22
European Community-----	<u>1/</u> 1,888	10	412	42	1,094	113	207
United Kingdom--	325	34	71	11	125	-	84
Other OECD-----	777	3	96	13	485	85	97
Non-OECD total----	1,729	13	475	301	639	149	152
LDC's-----	1,115	8	395	166	376	88	82

1/ Includes intra-EC shipments.

Note.--Complete country data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-H.--OECD imports of chemical elements and compounds, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,736	210	646	264	1/ 2,014	513	1,089
OECD total-----	4,107	206	475	227	1,862	419	918
Canada-----	194	-	141	2	9	37	5
United States---	872	153	-	119	390	88	122
Japan-----	139	4	78	-	31	11	15
European Community-----	1/ 2,118	25	169	68	1,115	184	557
United Kingdom--	307	16	38	13	132	-	108
Other OECD-----	477	8	49	25	185	99	111
Non-OECD total----	629	4	171	37	152	94	171
LDC's-----	350	2	81	14	73	77	103

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The principal importer is the European Community, followed by the United States and the United Kingdom. Imports by the European Community from outside sources are equal to 80 percent of intra-EC shipments, which move duty free. Major outside suppliers to the European Community are the United States, "other" OECD countries, and the United Kingdom. The United States imports principally from the European Community and the non-OECD nations; the major suppliers to the United Kingdom are the European Community, the "other" OECD countries, and the non-OECD nations.

Trade composition

The chemical elements and compounds subsector is made up of three subdivisions: organic chemicals; chemical elements, inorganic acids, oxides and halogens; and other inorganic products. Of these three, organic chemicals is by far the most important, accounting for two-thirds of OECD exports in this subsector and over 60 percent of imports.

Trade-agreement concessions

As the tabulation below shows for all of the five major countries, except the European Community, average tariff levels on January 1, 1972, for chemical elements and compounds were substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Among the major countries, specific duties are significant only for the United States. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 7.3 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972 1/</u>
	(Percent ad valorem)	
United States	22.2	5.8
European Community	11.3	8.4
United Kingdom	22.3	14.4
Japan	19.1	9.1
Canada	13.9	6.4

1/ Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 5.6 percent; European Community, 5.8 percent; United Kingdom, 8.2 percent.

All MFN provisions for organic chemicals (the major subgroup under chemical elements and compounds) in the tariff schedules of the United States have been the subject of GATT concessions. For the European Community, 99 percent of the tariff provisions covering 99 percent of MFN imports, are fully covered by GATT concessions; for 1 percent of the imports, only part of the item is covered. In the United Kingdom schedule, 99 percent of the tariff provisions are covered, although only 89 percent of the trade has entered under these provisions. In the Japanese schedule, 92 percent of the provisions, covering 88 percent of MFN imports have GATT concessions; in the Canadian schedule, 75 percent of the provisions, covering 91 percent of MFN imports.

For chemical elements, inorganic acids, oxides and halogens, all MFN provisions in the tariff schedules of the European Community and Japan, and almost all U.S. and United Kingdom provisions, have been the subject of GATT concessions. For Canada, 83 percent of provisions, covering 87 percent of imports are under the GATT.

All MFN provisions for "other" inorganic products in the tariff schedules of the United States and the United Kingdom are under GATT concessions. For the Community, 98 percent of provisions, covering 62 percent of imports are fully covered (1 percent of the EC provisions, covering 34 percent of imports are partially covered). Eighty-seven percent of Canadian provisions, covering 95 percent of imports have been the subject of GATT concessions, along with 91 percent of Japan's provisions, covering 83 percent of imports.

All EC member state national tariffs prior to adoption of the EC's Common External Tariff contained concessions under the GATT on chemical elements and compounds. Of 643 concessions in the national tariffs, 343 were at rates above the CXT autonomous rate, 41 were at the CXT rate, and 259 were below the CXT rate.

For four important chemicals or chemical compounds in this sub-sector, the actual reductions which have occurred in the rates of the five major countries from the levels existing on pre-trade-agreement base dates can be seen in tables I-4-I (chloroacetic acid), I-4-J (benzenoid amine and amide-function compounds), I-4-K (titanium dioxide), and I-4-L (benzenoid fast color salts).

Table I-4-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on chloroacetic acid

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	45.3% AVE <u>2/</u>	11.4% AVE <u>3/</u>	5.4% AVE <u>4/</u>	425.72
Canada-----	25%	20% <u>5/</u>	15%	92914-1
European Community--	16%	16%	12.8%	29.14 A XI
United Kingdom-----	33.3%	33.3%	23%	29.14 (M)
Japan-----	20%	20%	10%	29.14-7(h)

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Percent is ad valorem equivalent of specific rate of duty (5 cents per pound), calculated on 1971 import values.

3/ Percent is ad valorem equivalent of specific rate of duty (1.25 cents per pound), calculated on 1971 import values.

4/ Percent is ad valorem equivalent of specific rate of duty (0.6 cents per pound), calculated on 1971 import values.

5/ The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

Table I-4-J.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on benzenoid amine and amide-function compounds

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	68.8-96.3% AVE <u>2/</u>	34.4-48.0% AVE <u>3/</u>	17.2-24.0% AVE <u>4/</u>	403.48-.60; 403.80 406.80; 407.85
Canada-----	25%	20% <u>5/</u>	15%	92922-1; 92923-1; 92925-1
European Community--	8-22%	8-22%	6.4-17.6%	29.22 D, E; 29.23 B, C, E; 29.25B
United Kingdom-----	33.3%	33.3%	23%	29.22; 29.23F; 29.25B
Japan-----	20-25%	20-25%	10-20%	29.22-2 thru -5; 29.23 -4; 29.25-6(c)

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ The ad valorem equivalents (AVE) shown are based on the foreign invoice value of U.S. imports during 1970 and represent a compound rate of duty of 7 cents per pound plus 40 or 45 percent ad valorem.

3/ The ad valorem equivalents (AVE) shown are based on the foreign invoice value of U.S. imports during 1970 and represent compound rates of duty which range from 2.8 cents per pound plus 20 percent ad valorem to 3.5 per pound plus 25 percent ad valorem.

4/ The ad valorem equivalents (AVE) shown are based on the foreign invoice value of U.S. imports during 1970 and represent compound rates of duty which range from 1.4 cents per pound plus 10 percent ad valorem to 1.7 cents per pound plus 12.5 percent ad valorem.

5/ The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

Table I-4-K.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on titanium dioxide

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	30%	15%	7.5%	473.70
Canada-----	25%	20% ^{2/}	12.5%	92825-1
European Community--	15%	12%	9.6%	28.25
United Kingdom-----	33.3%	15%	12%	28.25
Japan-----	15%	15%	7.5%	28.25

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} This rate of duty (20 percent ad valorem) applied prior to the Kennedy Round generally to Canadian imports of chemicals and drugs, unless otherwise specified, if of a kind produced in Canada. A rate of 15 percent was generally applicable to imports of those chemicals and drugs for which there was no Canadian production.

Table I-4-L.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on fast color salts (benzenoid)

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	72.0% AVE ^{2/}	36.0% AVE ^{3/}	18.0% AVE ^{4/}	406.8020
Canada-----	25%	20% ^{5/}	15%	92928-1
European Community--	16%	16%	12.8%	29.28
United Kingdom-----	33.3%	33.3%	23%	29.28
Japan-----	20%	20%	10%	29.28

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of compound rate of duty (7 cents per pound plus 40 percent), calculated on the 1971 foreign invoice values of U.S. imports.

^{3/} Percent is ad valorem equivalent of compound rate of duty (3.5 cents per pound plus 20 percent), calculated on the 1971 foreign invoice values of U.S. imports.

^{4/} Percent is ad valorem equivalent of compound rate of duty (1.7 cents per pound plus 10 percent), calculated on the 1971 foreign invoice values of U.S. imports.

^{5/} The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy Round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

Plastics

The subsector for plastics includes artificial resins and plastics materials; cellulose esters and ethers and articles manufactured from these materials. It does not cover a number of important articles made of plastics, such as certain footwear, headgear, umbrellas, and certain types of the following articles: Parts of aircraft and vehicles, musical instruments, furniture, and brushes. ^{1/}

MFN tariffs

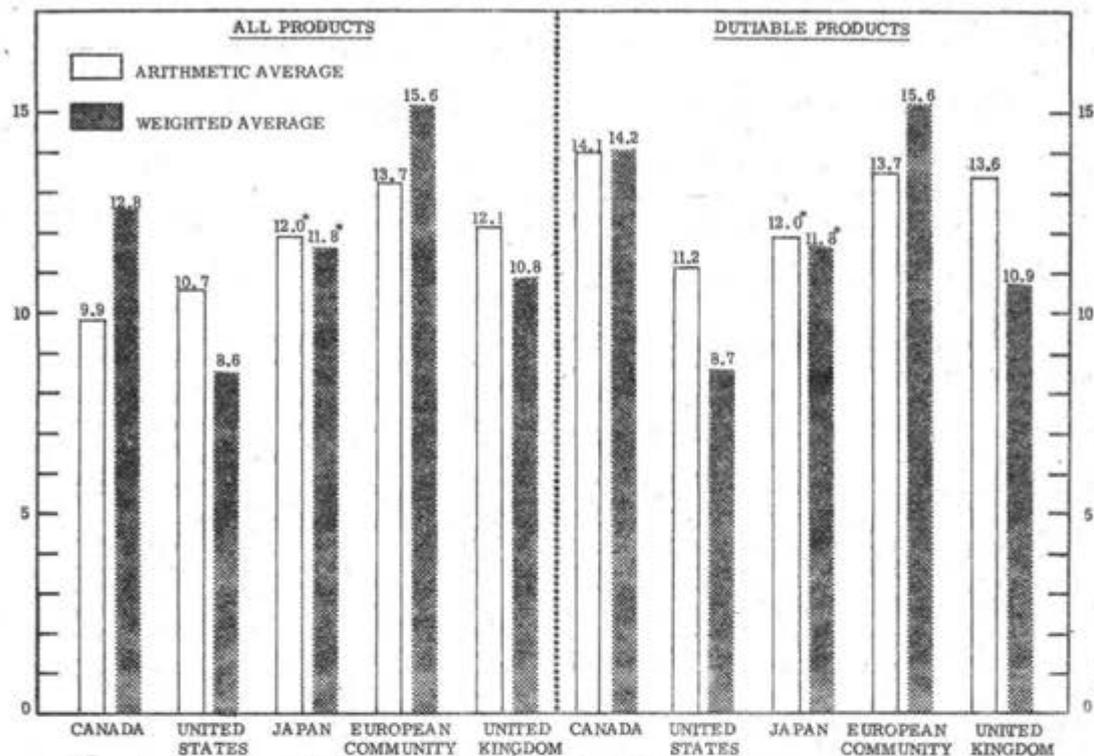
Among the five major countries, Canada and the United States have the lowest MFN arithmetic tariff averages for all plastics (combined free and dutiable) (9.9 and 10.7 percent ad valorem, respectively); the highest arithmetic average is 13.7 percent, held by the European Community. The United States has the lowest weighted tariff average (8.6 percent), about half the level for the highest average (that of the European Community) (chart I-4-G).

The dutiable product averages of the European Community, Japan, and the United States are either the same as, or not significantly different from their averages for all products, indicating the complete or nearly complete absence of duty-free provisions. Canada's dutiable product averages are just above 14 percent ad valorem, and the United Kingdom's arithmetic dutiable average rises to 13.6 percent.

^{1/} For the specific coverage of this subsector, see BTN chapter 39.

Chart I-4-G.--Average MFN tariff rates on plastics

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions made in 1972 on most Japanese rates in this sector; the remaining rates were cut by amounts ranging from 40 percent to 100 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

MFN tariff provisions for plastics are distributed widely among several rate levels, except in the schedules of the European Community and Japan. Half of EC rates fall in the range of 10.1 to 15 percent ad valorem; two-fifths are in the 15.1-20 percent range. Almost half of Japanese provisions are in the 5.1-10 percent range, with about one-third in the 10.1-15 percent bracket. The provisions of the United States are similar to Japan's in that the largest portion (37 percent) falls in the 5.1-10 percent rate range, while the 10.1-15 percent bracket

has about one-quarter of U.S. provisions. Canada has about one-quarter of its provisions in each of the following brackets: Duty free, 5.1-10 percent, and 10.1-15 percent. The United Kingdom, the only other major country with significant duty-free provisions (nearly 14 percent), has one-third of its provisions in the 5.1-10 percent bracket and one-third in the 15.1-20 percent bracket (table I-4-M).

Table I-4-M.--Distribution, by duty level, of MFN tariff provisions for plastics

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	29.4	3.5	-	-	13.5
0.1-5.0 percent----	-	13.2	4.6	-	2.7
5.1-10.0 percent---	24.8	37.5	49.3	9.9	32.4
10.1-15.0 percent--	24.8	25.7	35.3	50.7	8.1
15.1-20.0 percent--	17.4	15.3	11.0	39.4	32.4
20.1-25.0 percent--	2.8	1.4	-	-	10.8
25.1-30.0 percent--	.9	2.8	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

Virtually all imports of Canada, the United States, and Japan, and EC entries from outside sources are assessed MFN rates. About 20 percent of United Kingdom imports have been granted preferential treatment. Intra-EC imports, which move duty free are four times larger than imports from outside countries.

MFN imports of plastics are more concentrated in certain rate ranges than are the rate provisions; over four-fifths of the United Kingdom's imports are assessed rates between 5.1 and 10 percent ad valorem as are two-thirds of U.S. and Japanese imports. Over

two-thirds of EC imports are in the 15.1-20 percent range. Canada is the only major country with significant duty-free imports (one-tenth); the bulk of Canadian imports enter in the 5.1-10 percent bracket (about one-third) and the 15.1-20 percent bracket (about two-fifths) (table I-4-N).

Table I-4-N.--Distribution, by duty level, of MFN imports of plastics

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	9.9	1.0	-	-	0.6
0.1-5.0 percent---	-	6.7	-	-	.3
5.1-10.0 percent---	30.4	67.6	67.5	2.9	83.6
10.1-15.0 percent--	17.2	16.6	24.8	27.3	10.8
15.1-20.0 percent--	41.2	7.3	7.6	69.9	3.1
20.1-25.0 percent--	1.3	.3	-	-	1.5
25.1-30.0 percent--	-	.5	-	-	-
30.1-40.0 percent--	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

For plastic products, the United States has 82 rate lines; the United Kingdom has 62 lines; the European Community, 71 lines; Canada, 109 lines; and Japan, 65 lines.

Trade importance

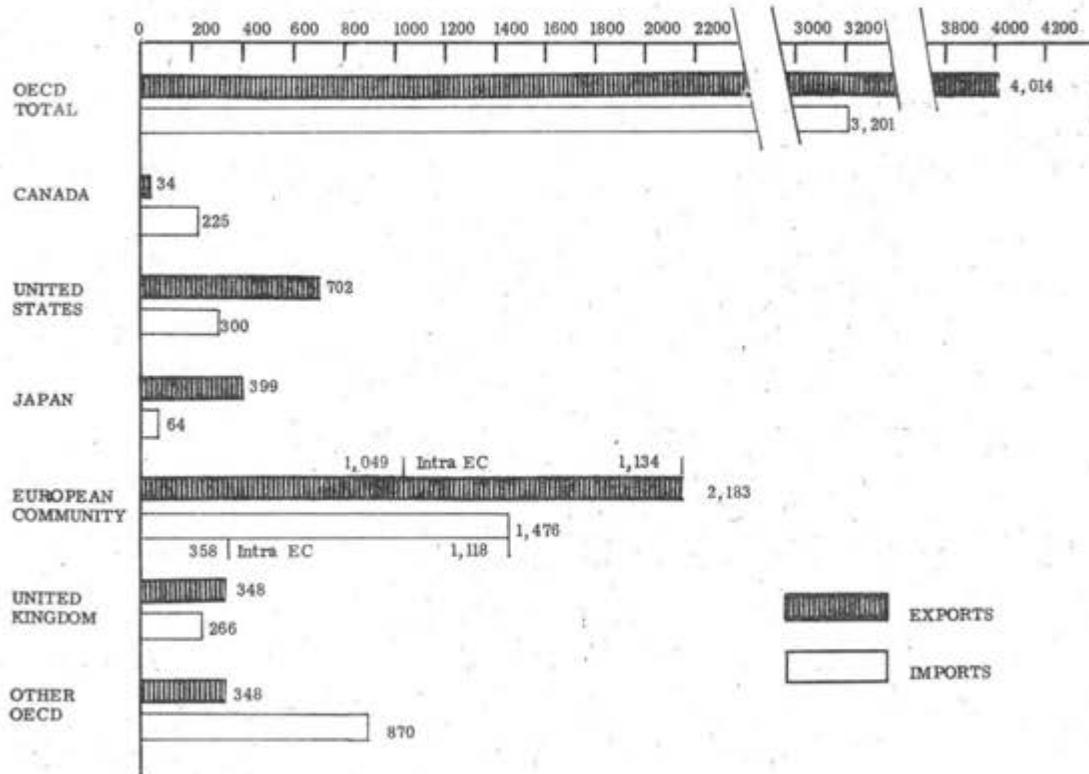
In 1969, plastics accounted for 25 percent of OECD exports and 26 percent of OECD imports in the chemical sector. OECD exports totaled \$4 billion and imports reached \$3.2 billion in 1969 (chart I-4-H). By 1970, exports had risen to \$4.7 billion and imports totaled \$3.8 billion. In 1967, among the 119 industrial subsectors, plastics materials, the major component of all plastics, ranked 27th in value of aggregate

imports of the GATT tariff study countries. For the United States, however, the rank is only 70th; U.S. imports of all plastics amounted to \$300 million in 1969 and \$306 million in 1971.

Polymerization and copolymerization products (BTN 39.02) are the most important type of plastics traded. The major importers of these products are Canada, the European Community, and the United Kingdom.

Chart I-4-H.--OECD trade in plastics, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

World production

The value of U.S. production of plastics materials and products exceeded \$11 billion in both 1969 and 1970; the value of plastics

materials accounted for more than \$4 billion of the total in both years. Comparable data are not available for the combined production of plastics materials and products by the other countries under study; however, in 1969, production of plastics materials by the European Community alone was valued at more than \$3 billion, that by Japan at nearly \$2 billion, and that by the United Kingdom at more than \$1 billion. Production of these materials by Canada is small compared with that of the foregoing countries.

Trade composition

The plastics subsector has two subdivisions: Plastics materials and articles of plastic. Of the two, plastics materials is far more important in terms of trade, accounting for 82 percent of OECD exports of plastics and 77 percent of imports.

Trade network

The five major countries account for over 90 percent of OECD exports and nearly three-quarters of OECD imports of plastics (tables I-4-0 and I-4-P). The major OECD importer and exporter is the European Community, followed by the United States.

The European Community is by far the largest supplier to the world, accounting for over 50 percent of OECD exports. Over half of EC exports are intra-EC shipments; the bulk of the remainder are exported to "other" OECD countries and the LDC's. Canada, the European Community, and the

Table I-4-O.--OECD exports of plastics, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,014	34	702	399	<u>1/</u> 2,183	348	348
OECD total-----	2,946	21	493	146	1,790	207	289
Canada-----	212	-	179	8	15	8	2
United States---	177	15	-	75	55	21	11
Japan-----	57	X	38	-	14	2	3
European Community-----	<u>1/</u> 1,473	2	172	39	1,134	58	68
United Kingdom--	224	3	58	13	115	-	35
Other OECD-----	803	1	46	11	457	118	170
Non-OECD total----	1,066	12	209	254	395	141	57
LDC's-----	704	6	172	187	254	58	27

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-P.--OECD imports of plastics, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,201	225	300	64	<u>1/</u> 1,476	266	870
OECD total-----	3,071	222	210	64	1,464	256	855
Canada-----	45	-	24	X	6	13	2
United States---	553	194	-	44	175	69	71
Japan-----	139	5	83	-	30	12	9
European Community-----	<u>1/</u> 1,805	16	67	13	1,118	125	466
United Kingdom--	245	7	27	3	67	-	141
Other OECD-----	284	X	9	4	68	37	166
Non-OECD total----	130	3	90	1	12	10	14
LDC's-----	110	2	89	X	6	8	5

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

LDC's each take one-fourth of U.S. exports. Nearly half of Japan's exports go to LDC's, while half of the United Kingdom's exports are divided between LDC's and "other" OECD countries. Canada is an insignificant exporter of plastics.

The European Community accounts for about half of OECD imports of which about three-quarters are intra-EC shipments. The United States, the United Kingdom, and Canada each account for about 10 percent of OECD imports. The United States supplies half of EC entries from outside sources, 85 percent of Canada's imports, and two-thirds of Japan's imports. The United Kingdom receives half of its imports from the European Community.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, average tariff levels for plastics were substantially below levels existing on pre-trade-agreement base dates. In large part, the reductions reflect concessions granted in reciprocal negotiations. Of the five major countries, only in the United States are specific duties important. Such duties are applicable to 45 percent of U.S. MFN imports of plastics materials and 21 percent of U.S. MFN imports of plastic articles. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 9.4 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u> ^{1/}
	(Percent ad valorem)	
United States	51.8	8.6
European Community	20.2	15.6
United Kingdom	15.0	10.8
Japan	23.5	11.8
Canada	22.4	9.9

All MFN provisions for plastics in the tariff schedules of the European Community, the United States and Japan have been the subject of GATT concessions. For the United Kingdom, all MFN provisions for plastic articles are under GATT concessions; but for plastics materials 95 percent of provisions and 99 percent of imports are covered. For Canada, 78 percent of the provisions for plastics materials, covering 94 percent of imports are under GATT concessions, while for plastic articles 61 percent of the provisions, covering 95 percent of imports are covered.

All EC member states had made concessions on plastics in their national tariffs prior to adoption of the EC's Common External Tariff. Of 503 GATT concessions in the national tariffs, 282 were at rates above the CXT autonomous rate, 23 were at the CXT rate, and 198 were below the CXT rate.

Tables I-4-Q and I-4-R show actual reductions which have occurred in the major country tariffs on benzenoid plastics materials and selected plastic articles since pre-trade-agreement base dates.

^{1/} Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 8.5 percent; European Community, 9.8 percent; United Kingdom, 9.3 percent.

Table I-4-Q.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on benzenoid plastics materials

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	76.0% AVE ^{2/}	30.4% AVE ^{3/}	15.2% AVE ^{4/}	405.25
Canada-----	20-25%	Free-17.5%	Free-17.5%	93901-1 thru 71; 93902-1,-21,-41, -61 and -71
European Community--	15-22% 16-23%	13-22% 13-23%	10.4-17.6% 10.4-18.4%	39.01 39.02 A, B, and C-VI, XIV
United Kingdom-----	5-25% Free-20%	5-25% Free-20%	5-17.5% Free-14.5%	39.01-A, B, and D 39.02 B
Japan-----	10-30% 20%	10-30% 20%	5-15% 10-17.5%	39.01-1 thru -6 39.02-2(3); 39.02-2 (8)(a)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The AVE shown is based on the foreign invoice value of U.S. imports during 1970 and represents a compound rate of duty of 7 cents per pound plus 45 percent ad valorem.

^{3/} The AVE shown is based on the foreign invoice value of U.S. imports during 1970 and represents a compound rate of duty of 2.8 cents per pound plus 18 percent ad valorem.

^{4/} The AVE shown is based on the foreign invoice value of U.S. imports during 1970 and represents a compound rate of duty of 1.4 cents per pound plus 9 percent ad valorem.

Table I-4-R.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on selected plastic articles ^{1/}

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{2/}	MFN rate ^{2/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25% 25% 80%	15% 12.5% 16-17%	15% 6% 8.5%	705.85 772.35 773.05-10.
Canada-----	30%	20%	17.5%	93907-1
European Community--	19-23%	15-23%	8%-18.4%	39.07 A, B, and E
United Kingdom-----	20%	20%	16%	39.07 D
Japan-----	20-30%	20-30%	10-15%	39.07

^{1/} Includes the following plastic articles: Gloves with fabric, toys for pets, plaques and figurines, and house furnishings.

^{2/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (Post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Medical and Pharmaceutical Products

Medical and pharmaceutical products include vitamins; hormones; glycosides and vegetable alkaloids and their derivatives; antibiotics; animal substances for therapeutic or prophylactic use; antisera, microbial vaccines and similar products; medicaments (including veterinary medicaments); and other medical and surgical goods. Not included are certain aqueous distillates and aqueous solutions of essential oils. 1/

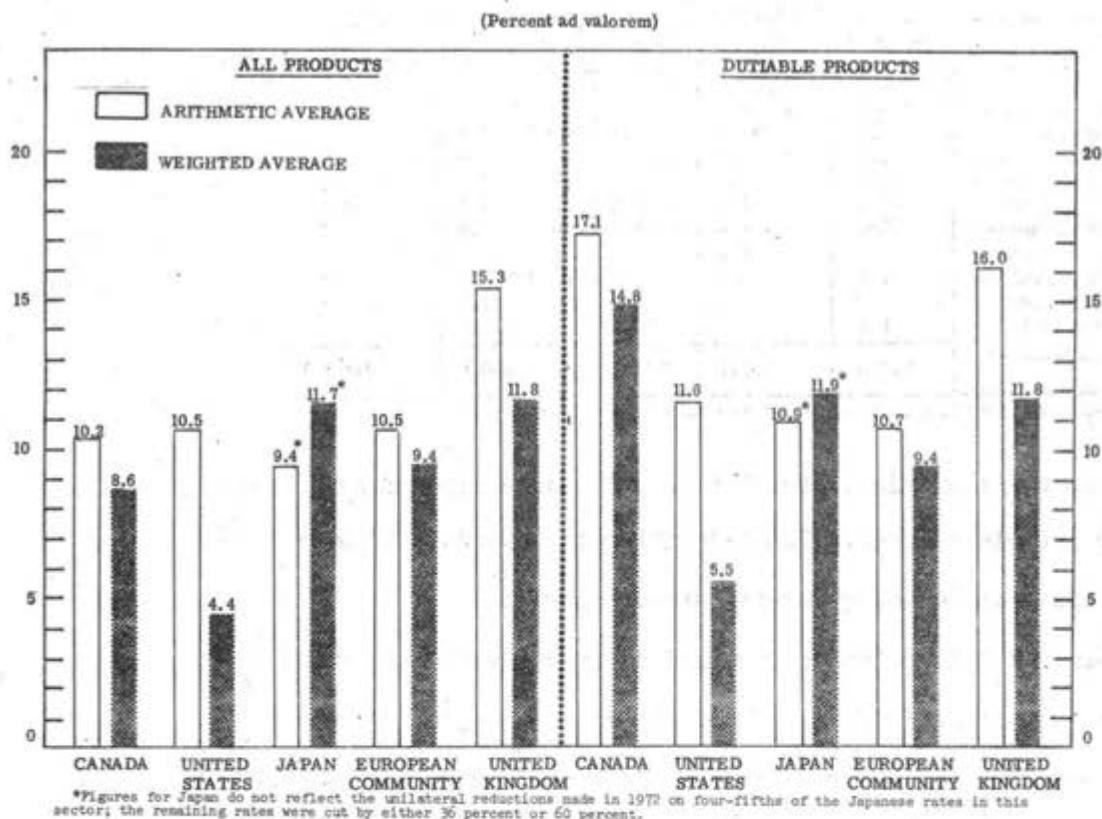
MFN tariffs

Among the five major countries, all except the United Kingdom have MFN arithmetic average tariffs that fall within the narrow range of 9.4 to 10.5 percent ad valorem for all medical and pharmaceutical products (combined free and dutiable); the arithmetic average tariff for the United Kingdom is 15.3 percent. All of the major countries except the United States have weighted average tariffs between 8.6 and 11.8 percent ad valorem; the U.S. average is 4.4 percent (chart I-4-I). Except for Canada, averages for dutiable products alone do not differ significantly from the all products average; Canada's arithmetic average for dutiable products is 17.1 percent and the weighted average is 14.8 percent.

Over half of Japan's MFN tariff provisions for medical and pharmaceutical products are in the range of 5.1 to 10 percent ad valorem, whereas the provisions of the other four major countries are scattered more widely. For Canada, 40 percent of its rates are duty free and

1/ For the specific coverage of this subsector, see BTN headings 29.38-.39, 29.41-.42, 29.44, and 30.01-.05.

Chart I-4-I. --Average MFN tariff rates on medical and pharmaceutical products



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

38 percent are in the 10.1-15 percent rate range. The United States has almost two-fifths of its rates in the 0.1-5 percent ad valorem bracket and about one-fifth in the 5.1-10 percent bracket. European Community rates are principally in the 5.1-10 percent range (two-fifths) and in the 10.1-15 percent bracket (almost one-half). Tariff provisions for the United Kingdom are in the 20.1-25 percent bracket (two-fifths) and one-fifth each in the 5.1-10 and 15.1-20 percent ad valorem ranges (table I-4-S).

Twenty-nine percent of United Kingdom imports and 13 percent of Canadian imports receive preferential tariff treatment. Preferential rate

Table I-4-S.--Distribution, by duty level, of MFN tariff provisions for medical and pharmaceutical products

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	40.4	8.2	13.6	1.9	4.7
0.1-5.0 percent----	1.1	39.1	5.1	3.8	11.6
5.1-10.0 percent---	2.2	17.3	52.6	39.6	20.9
10.1-15.0 percent--	38.1	7.3	20.4	47.2	2.3
15.1-20.0 percent--	12.4	11.8	6.8	3.8	18.6
20.1-25.0 percent--	3.4	6.4	1.7	3.8	41.9
25.1-30.0 percent--	-	8.2	-	-	-
30.1-40.0 percent--	1.1	1.8	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	1.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

treatment is not significant for U.S. and Japanese imports and EC entries from outside sources. Intra-EC shipments, which move duty free, are about equal to EC imports from outside sources.

In terms of MFN imports of medical and pharmaceutical products, almost three-quarters of U.S. entries are assessed rates between 0.1 and 5 percent ad valorem; two-thirds of Japanese and European Community imports are in the 5.1-10 percent bracket; half of Canadian entries are in the 10.1-15 percent bracket and over 40 percent are duty free; half of United Kingdom entries are in the 0.1-5 percent bracket and over one-quarter in the 15.1-20 percent bracket (table I-4-T).

Table I-4-T.--Distribution, by duty level, of MFN imports of medical and pharmaceutical products

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	42.1	19.3	1.8	-	0.1
0.1-5.0 percent----	2.0	72.8	1.2	1.8	48.9
5.1-10.0 percent---	.1	.7	67.4	64.3	5.2
10.1-15.0 percent--	51.2	2.0	9.7	27.6	-
15.1-20.0 percent--	3.7	1.2	18.5	5.2	27.6
20.1-25.0 percent--	.9	1.7	1.4	1.0	18.1
Total-----	100.0	100.0	100.0	100.0	100.0

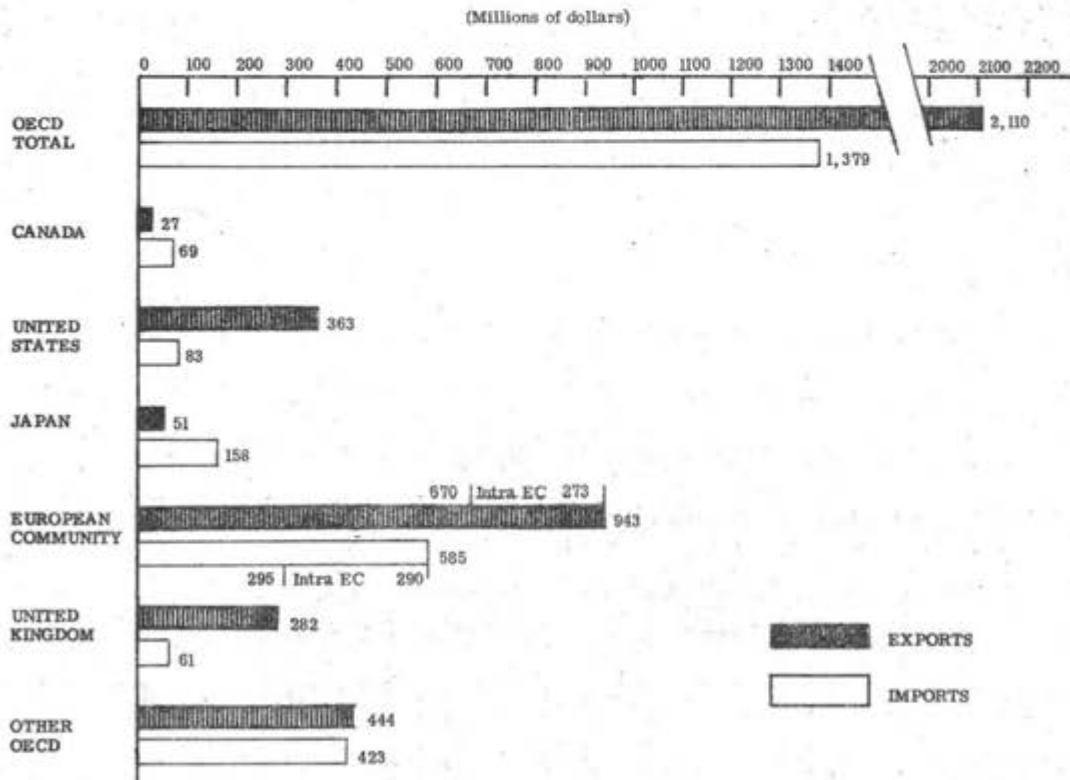
Note.--Due to rounding, figures may not add to 100 percent

For medical and pharmaceutical products, the United States has 58 tariff lines; the United Kingdom has 38 lines. The schedule for Canada has 89 lines; for Japan, 59 lines; and for the European Community, 54 lines.

Trade importance

In 1969, medical and pharmaceutical products accounted for 13 percent of OECD exports and 11 percent of OECD imports in the chemicals sector. OECD exports in 1969 totaled \$2.1 billion and imports were \$1.4 billion (chart I-4-J). By 1970, exports had risen to \$2.5 billion and imports

Chart I-4-J. -- OECD trade in medical and pharmaceutical products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

were \$1.7 billion. U.S. imports amounted to \$83 million in 1969 and increased to \$140 million in 1971. Medicaments, including veterinary medicaments (BTN 30.03), are by far the most important type of medical and pharmaceutical product traded. In 1967 the leading importers were the European Community and Japan.

World production

The United States is the leading producer of medical and pharmaceutical products of the five countries under study and probably the world's leading producer of these products. In 1969, U.S. production of products included in this category was valued at more than \$6 billion. Production by the European Community, the next leading producer of these products among the five countries, was valued at nearly \$4 billion in the same year; production by Japan exceeded \$2 billion and that of the United Kingdom and Canada were each less than \$1 billion.

Trade network

The five major countries account for about 80 percent of OECD exports and nearly 70 percent of OECD imports of medical and pharmaceutical products (tables I-4-U and I-4-V). By far the largest exporter to the world is the European Community, accounting for 45 percent of OECD exports in 1969, followed by the United States. Most of the EC outside exports go to LDC's and "other" OECD countries. Half of U.S. exports go to less developed countries, as do nearly two-fifths of United Kingdom exports.

Table I-4-U.--OECD exports of medical and pharmaceutical products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,110	27	363	51	<u>1/</u> 943	282	444
OECD total-----	1,211	17	170	15	567	138	304
Canada-----	52	-	32	X	5	8	7
United States---	60	5	-	4	24	8	19
Japan-----	118	2	30	-	54	15	17
European Community-----	<u>1/</u> 526	6	62	7	273	46	132
United Kingdom--	47	1	10	X	20	-	16
Other OECD-----	408	3	36	4	191	61	113
Non-OECD total----	894	10	193	32	376	145	138
LDC's-----	794	10	181	30	346	111	116

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-V.--OECD imports of medical and pharmaceutical products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,379	69	83	158	<u>1/</u> 585	61	423
OECD total-----	1,296	66	56	154	560	52	408
Canada-----	11	-	2	2	4	X	3
United States---	208	43	-	48	63	9	45
Japan-----	16	X	5	-	7	X	4
European Community-----	<u>1/</u> 595	4	24	73	290	24	180
United Kingdom--	161	9	8	17	62	-	65
Other OECD-----	305	10	17	14	134	19	111
Non-OECD total----	83	3	27	3	25	9	16
LDC's-----	62	3	25	2	19	7	6

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community also is the principal importer, followed distantly by Japan. Imports by the European Community from outside sources are equal to intra-EC shipments which move duty free. Principal outside suppliers to the Community are "other" OECD countries, the United States, and the United Kingdom. Japan imports principally from the European Community and the United States.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, January 1, 1972, average tariff levels for medical and pharmaceutical products were substantially below levels existing on pre-trade-agreement base dates. The reductions reflect, in large part, concessions granted in reciprocal negotiations. Specific duties are most important for the United States, since such rates occur in one-third of U.S. tariff provisions for medical and pharmaceutical products. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 9.4 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972 1/</u>
	(Percent ad valorem)	
United States	20.7	4.4
European Community	14.2	9.4
United Kingdom	20.6	11.8
Japan	21.0	11.7
Canada	18.5	10.2

1/ Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 4.4 percent; European Community, 6.6 percent; United Kingdom, 8.5 percent.

All MFN provisions for medical and pharmaceutical products in the tariff schedules of the United States, the European Community, and the United Kingdom have been the subject of GATT concessions. For Japan, 86 percent of the provisions, covering 79 percent of MFN imports are covered by GATT concessions; for Canada, 64 percent of the provisions and 73 percent of imports are covered.

All EC member states had negotiated GATT concessions on medical and pharmaceutical products in their national tariffs prior to the adoption of the EC's Common External Tariff. Of 133 GATT concessions in the national tariffs, 37 were at rates above the CXT autonomous rate, 16 were at the CXT rate, and 80 were below the CXT rate.

Tables I-4-W, I-4-X, and I-4-Y show actual reductions which have occurred in the levels of the major country tariffs on synthetic hormones, provitamins and vitamins, and miscellaneous drugs since pre-trade-agreement base dates.

Table I-4-W---Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on synthetic hormones

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%	10.5%	5%; ^{2/} 10.5%	437.56-57
Canada-----	25%	20% ^{3/}	15%	92939-1
European Community--	11-17%	11-17%	8.18-13.6%	29.39
United Kingdom-----	Free; 10%; 33.3%	Free; 10%; 33.3%	Free; 8%; 23%	29.39
Japan-----	20%	20%; 25%	10%; 12.5%	29.39

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} In 1971, about 90 percent of imports of synthetic hormones entered at this rate.

^{3/} The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy Round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

Table I-4-X.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on provitamins and vitamins

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10%; 25%	3%; 8.5%	2%; 4% ^{2/}	437.82-.86
Canada-----	25%	20% ^{3/}	10%	92938-1
European Community--	9-18%	7-18%	4.5-14.4%	29.38
United Kingdom-----	10%; 33.3%	10%; 33.3%	8%; 22%	29.38
Japan-----	15%; 20%	15%; 20%	7.5-15%	29.38

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Nearly all imports of vitamins entered at this rate of duty in 1971-72.

^{3/} The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy Round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

Table I-4-Y.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on miscellaneous drugs

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25% ^{2/}	10.5% ^{2/}	5% ^{2/}	439.5040-.5080; 440.00
Canada-----	25%	20-25% ^{3/}	10%; 15%	22001-1; 22003-1; 22005-1
European Community--	15-34%	12-34%	7.8-23.8%	30.03
United Kingdom-----	10% ^{4/}	10% ^{4/}	6.5% ^{4/}	30.03 (A)(2), (3); (B)
Japan-----	10%; 20%	20%; 25%	10%; 12.5%	30.03-4

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} For item 440.00, the rate shown is the minimum rate; the duty is assessed on the basis of the product when not in dosage form.

^{3/} The Canadian tariff on most dutiable MFN imports of chemicals and drugs was 20 percent ad valorem if the product was made in Canada, but only 15 percent ad valorem if not domestically produced. In a tariff revision following the Kennedy Round, most of these imported chemicals were assigned a rate of 15 percent ad valorem.

^{4/} The rate shown is the minimum rate; the duty is assessed on the basis of components of the mixture, or on the product when not in dosage form.

Dyeing, Tanning, and Coloring Materials

Dyeing, tanning, and coloring materials include tanning and dyeing extracts; tannins and their derivatives; dyes, colors, paints, enamels, varnishes and lacquers; putty; fillers and mastics; and inks. This subsector does not cover certain inorganic products of a kind used as luminophors and certain tannates and other tannin derivatives. 1/

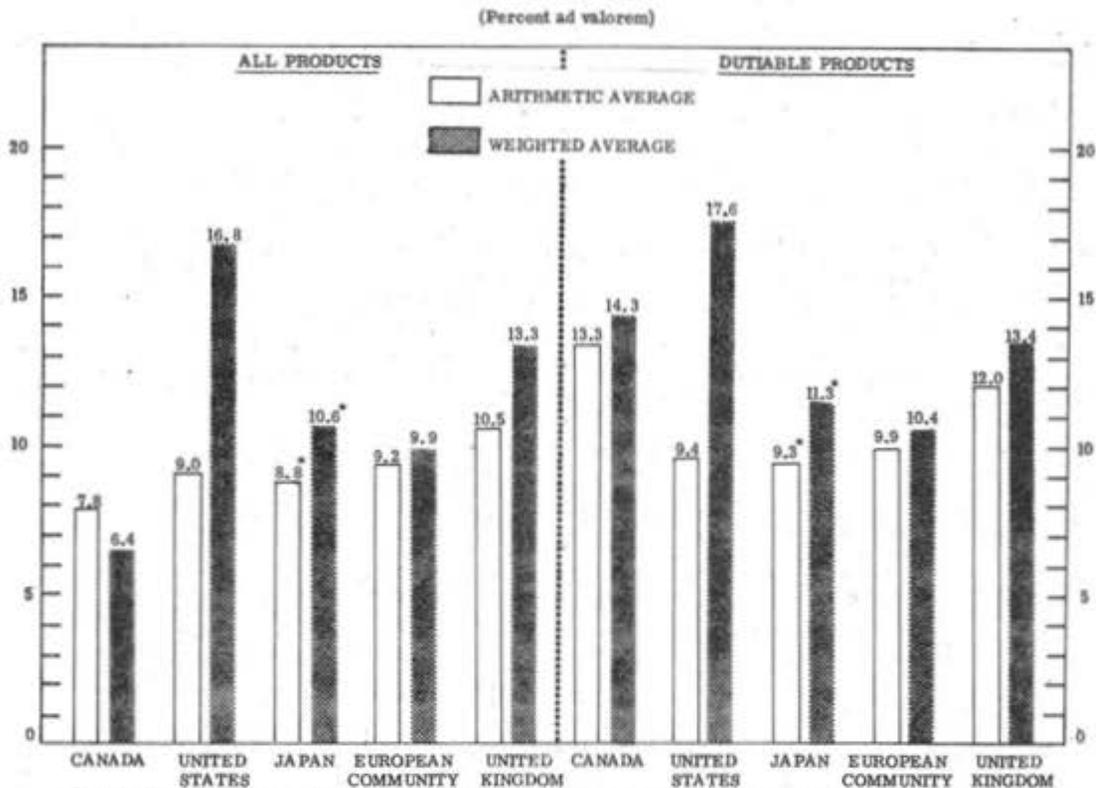
MFN tariffs

The five major countries have somewhat similar MFN arithmetic average tariffs for all dyeing, tanning and coloring materials (free and dutiable combined); such averages range from 7.8 percent for Canada to 10.5 percent for the United Kingdom. Weighted tariff averages for all products are more diverse--6.4 percent for Canada to 16.8 percent for the United States (chart I-4-K). Tariff averages for dutiable products alone do not differ significantly from averages for all products except for Canada, which has a large percentage of duty-free imports. Canada's arithmetic average rose to 13.3 percent for dutiable products and the weighted average to 14.3 percent.

Canadian MFN dutiable provisions for dyeing, tanning and coloring materials are concentrated in the range from 10.1 to 15 percent ad valorem. About half of U.S. provisions are in the 0.1-5 percent range; another one-fifth are in the 5.1-10 percent bracket.

1/ For the specific coverage of this subsector, see BTN chapter 32.

Chart I-4-K.--Average MFN tariff rates on dyeing, tanning, and coloring materials



*Figures for Japan do not reflect the unilateral reductions made in 1972 on most Japanese rates in this sector; nearly all the remainder were reduced by amounts ranging from 29 percent to 47 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Roughly two-fifths of the rates for Japan and the European Community, and one-third of United Kingdom rate provisions fall in the 5.1-10 percent bracket; the next largest concentration of provisions for these countries is the 10.1-15 percent ad valorem range. Although each of the five major countries has some duty-free provisions, free provisions are significant only for Canada (table I-4-2).

About half of imports into the United Kingdom have received preferential tariff treatment. Preferential imports into the United States, Canada, Japan and the European Community (from outside sources) are not

Table I-4-Z.--Distribution, by duty level, of MFN tariff provisions for dyeing, tanning and coloring materials

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	41.2	4.4	5.5	7.3	12.8
0.1-5.0 percent----	5.9	48.9	16.4	7.3	2.6
5.1-10.0 percent---	7.8	21.5	43.6	43.9	33.3
10.1-15.0 percent--	39.2	5.2	34.5	39.0	28.2
15.1-20.0 percent--	5.9	6.7	-	2.4	17.9
20.1-25.0 percent--	-	4.4	-	-	5.1
25.1-30.0 percent--	-	8.1	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

significant. Intra-EC imports, which move duty free, are 70 percent greater than EC imports from outside sources.

The distribution of MFN imports of dyeing, tanning, and coloring materials, by duty level, is shown in table I-4-AA. Canada is the only

Table I-4-AA.--Distribution, by duty level of MFN imports of dyeing, tanning and coloring materials

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	55.2	4.8	5.7	4.4	0.8
0.1-5.0 percent----	2.7	31.4	4.8	.7	-
5.1-10.0 percent---	.2	4.0	16.6	64.5	11.9
10.1-15.0 percent--	41.6	1.0	73.0	29.7	72.8
15.1-20.0 percent--	.3	7.8	-	.7	14.4
20.1-25.0 percent--	-	.2	-	-	.1
25.1-30.0 percent--	-	50.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

one of the five major countries with significant duty free entries--55 percent; the bulk of Canada's remaining imports are assessed rates in the range of 10.1-15 percent ad valorem. About three-quarters of Japanese and United Kingdom imports are in the 10.1-15 percent rate range; two-thirds of EC imports are in the 5.1-10 percent bracket; and one-half of

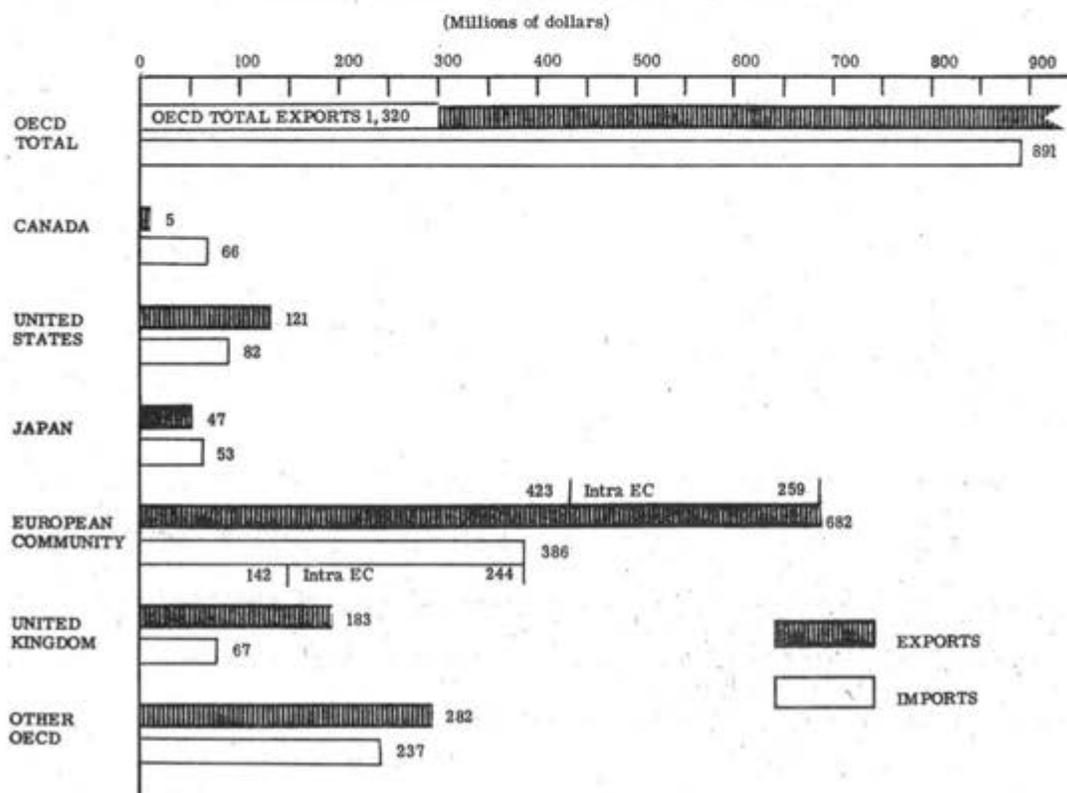
U.S. entries are assessed in the 25.1-30 percent bracket, while one-third of U.S. imports are dutiable in the 0.1-5 percent bracket.

Of the five major countries, the United States exhibits the most complex schedule for dyeing, tanning, and coloring materials, with 60 lines; the United Kingdom has the simplest, 33 lines. Schedules for Japan have 55 lines; for Canada, 51 lines; and for the European Community, 42 lines.

Trade importance

In 1969, dyeing, tanning, and coloring materials accounted for 8 percent of OECD exports and 7 percent of OECD imports of the chemical sector. OECD exports in 1969 totaled \$1.3 billion and imports were \$891 million (chart I-4-L). By 1970, exports had risen to \$1.5 billion and imports

Chart I-4-L.--OECD trade in dyeing, tanning, and coloring materials, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

were \$1 billion. U.S. imports of these chemicals amounted to \$82 million in 1969 and increased to \$123 million in 1971. Synthetic organic dyestuffs and optical bleaching agents (BTN 32.05) are the most important type of dyeing, tanning, and coloring materials traded by the GATT tariff study countries. In 1967, the major importers were the European Community, Japan, the United States, and Canada.

Trade composition

There are three subdivisions which comprise the dyeing, tanning and coloring materials subsector: Tanning materials, coloring materials, and paints and varnishes, etc. Of the three, tanning materials is by far the least important accounting for about 3 percent of imports in this subsector. The other two subdivisions are of about equal importance in the subsector.

Trade network

The five major countries account for about 80 percent of OECD exports and 75 percent of OECD imports (table I-4-BB and I-4-CC). By far the largest supplier to the world is the European Community, accounting for about half of OECD exports in 1969, followed by the United Kingdom exports. EC outside exports go principally to LDC's and the "other" OECD countries. The European Community is also the principal importer, followed distantly by the United States. Imports by the European Community from outside sources are equal to only 58 percent of intra-EC shipments which move duty free. Nearly half of EC imports from outside sources come from "other" OECD countries, while nearly half of U.S. imports come from the Community.

Table I-4-BB.--OECD exports of dyeing, tanning and coloring materials, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,320	5	121	47	1/ 682	183	282
OECD total-----	838	4	76	11	479	97	171
Canada-----	51	-	31	X	10	6	4
United States---	72	3	-	6	30	9	24
Japan-----	44	X	11	-	18	4	11
European Community-----	1/ 381	X	21	3	259	36	62
United Kingdom--	50	1	5	X	25	-	19
Other OECD-----	240	1	8	2	137	42	50
Non-OECD total----	479	1	45	36	201	86	110
LDC's-----	344	1	41	32	148	59	63

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-CC.--OECD imports of dyeing, tanning and coloring materials, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	891	66	82	53	1/ 386	67	237
OECD total-----	858	66	76	49	373	62	232
Canada-----	8	-	3	X	X	5	X
United States---	107	44	-	15	28	9	11
Japan-----	11	1	4	-	2	X	4
European Community-----	1/ 465	11	37	19	244	25	129
United Kingdom--	91	6	8	4	34	-	39
Other OECD-----	176	4	24	11	65	23	49
Non-OECD total----	34	1	6	4	13	4	6
LDC's-----	18	X	5	1	8	1	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

January 1, 1972, average tariff levels of the five major countries for dyeing, tanning and coloring materials are compared with levels existing on pre-trade-agreement base dates in the tabulation below. The reductions which have occurred between these dates in large part reflect concessions granted in reciprocal negotiations. Only in the U.S. tariff schedule are specific rates significant for these products. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 8.5 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972 ^{1/}</u>
	(Percent ad valorem)	
United States	41.8	16.8
European Community	15.8	9.9
United Kingdom	20.9	13.3
Japan	22.0	10.6
Canada	19.0	7.8

All MFN provisions for coloring materials in the tariff schedules of the European Community, the United States, and Japan have been the subject of GATT concessions. For the United Kingdom, 93 percent of the tariff provisions, covering 100 percent of MFN imports, are covered. For Canada, 84 percent of the tariff provisions covering only 24 percent of MFN imports are fully covered by GATT concessions; for 16 percent of the tariff provisions covering 76 percent of MFN imports, only part of an item is covered.

^{1/} Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 18.8 percent; European Community, 8.2 percent; United Kingdom, 11.2 percent.

All MFN provisions for tanning materials in tariff schedules of all of the five major countries except the European Community have been the subject of GATT concessions. For the Community, 86 percent of the provisions and all of the imports are covered. All MFN provisions for paints, varnishes, etc., in the tariff schedules of the Community, the United States and Japan are fully covered by GATT concessions. For Canada, 75 percent of the provisions and 99 percent of imports are covered; for the United Kingdom 80 percent of the provisions and 45 percent of imports. For 13 percent of United Kingdom provisions covering 55 percent, only part of an item is covered.

All EC member states had granted tariff concessions on dyeing, tanning and coloring materials in their national tariffs prior to adoption of the EC's Common External Tariff. Of 135 GATT concessions in the national tariffs, 77 were at rates above the CXT autonomous rate, 3 at the CXT rate, and 55 were below the CXT rate.

Specific reductions which have occurred in rates of the five major countries for synthetic organic dyestuffs since pre-trade-agreement base dates are shown in table I-4-DD.

Table I-4-DD.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on synthetic organic dyestuffs

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35.6-58.8% AVE ^{2/}	35.6-58.8% AVE ^{3/}	17.8-29.4% AVE ^{4/}	406.02-.70; 409.00
Canada-----	10-25%	Free	Free-15%	93205-1 thru -3
European Community--	9-20%	9-19%	8.4-16.8%	32.05
United Kingdom-----	10-33.3%	10-33.3%	8-16%	32.05
Japan-----	15-25%	15-25%	7.5-12.5%	32.05-1 thru -15 (excl. -13)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The ad valorem equivalents (AVE) shown are based on the foreign invoice value of U.S. imports during 1970 and represent compound rates of duty of 3 cents per pound plus 20 percent ad valorem and 7 cents per pound plus 45 percent ad valorem.

^{3/} The ad valorem equivalents (AVE) included are based on the foreign invoice value of U.S. imports during 1970 and represent compound rates of duty ranging from 3 cents per pound plus 20 percent ad valorem to 7 cents per pound plus 45 percent ad valorem; also included are ad valorem rates of 32 and 40 percent.

^{4/} The ad valorem equivalents (AVE) included are based on the foreign invoice value of U.S. imports during 1970 and represent compound rates of duty ranging from 1.5 cents per pound plus 10 percent ad valorem to 3.5 cents per pound plus 22.5 percent ad valorem; also included are ad valorem rates of 16 and 20 percent.

Essential Oils, Perfume Materials,
Toilet Preparations and Soaps

This subsector includes essential oils and resinoids; perfumery, cosmetics and toilet preparations; soap; organic surface-active agents; washing preparations; artificial and prepared waxes; and polishing and scouring preparations. It does not include concentrated extracts, spirits of turpentine, separate chemically defined compounds, dentifrice, and shaving creams or shampoos containing soap or organic surface-active agents. 1/

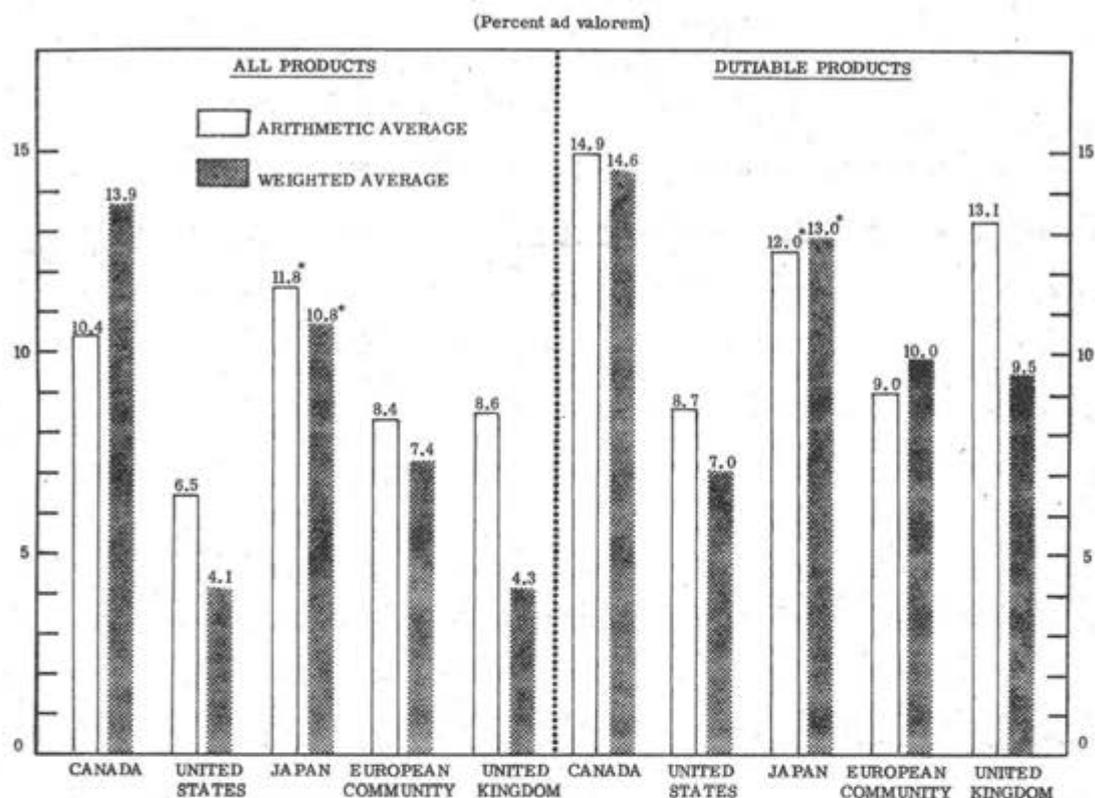
MFN tariffs

Among the five major countries, for combined free and dutiable essential oils, perfume materials, toilet preparations and soaps, the United States has the lowest MFN arithmetic tariff average (6.5 percent ad valorem); Japan has the highest average (11.8 percent). The United States also holds the lowest weighted tariff average (4.1 percent); Canada has the highest average (13.9 percent) (chart I-4-M). For dutiable products, most of the average tariffs are significantly higher than those for all products because of duty-free provisions and imports. The United States again has the lowest arithmetic and weighted tariff averages (8.7 and 7 percent ad valorem, respectively); Canada has the highest arithmetic and weighted averages (14.9 and 14.6 percent, respectively).

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1/ For the specific coverage of this subsector, see BTN headings 33.01-.06, 34.01-.02, and 34.04-.05.

Chart I-4-M. --Average MFN tariff rates on essential oils, perfume materials, toilet preparations, and soaps



*Figures for Japan do not reflect the unilateral reductions made in 1972 on most Japanese rates in this sector; the remaining rates were cut by amounts ranging from 40 percent to 100 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

MFN tariff provisions of the United States are chiefly free (one-fourth), in the 5.1-10 percent ad valorem range (one-third), and the 0.1-5 percent and 10.1-15 percent brackets (18 percent each). Half of the Community's provisions are in the 5.1-10 percent rate range; the bulk of the remainder fall in the 10.1-15 percent bracket. One-third of the United Kingdom's provisions are duty free; another third falls in the 5.1-10 percent bracket. Japanese provisions are one-third in the 5.1-10 percent range, over one-quarter in the 10.1-15 percent bracket and 18 percent in the 0.1-5 percent bracket. Canada has a large proportion of duty-free provisions (nearly one-third); another third of Canada's provisions are in the 15.1-20 percent ad valorem range (table I-4-EE).

Table I-4-EE.--Distribution, by duty level, of MFN tariff provisions for essential oils, perfume materials, toilet preparations, soaps

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	30.0	25.4	3.9	6.3	34.4
0.1-5.0 percent---	-	17.5	17.6	6.3	-
5.1-10.0 percent---	17.5	34.2	33.3	50.0	34.4
10.1-15.0 percent--	20.0	17.5	27.5	37.5	12.5
15.1-20.0 percent--	30.0	2.6	11.8	-	12.5
20.1-25.0 percent--	2.5	2.6	5.9	-	3.1
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	-	-	3.1
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

Imports at preferential rates have been significant in the United Kingdom, where about 16 percent of total imports have been accorded preferential treatment. Preferential imports into the United States, Canada, Japan and the European Community (from outside sources) are not significant. Intra-EC imports, which move free of duty, are twice as large as EC imports from outside sources.

With respect to MFN imports of products in this subsector, a large portion of shipments for the United Kingdom and the United States are duty free (56 and 43 percent respectively). For the United States, the bulk of the remaining entries fall in the 5.1-10 percent ad valorem range; one-third of the United Kingdom imports are assessed at rates between 5.1 and 10 percent. About two-fifths of the imports of Canada, Japan, and the European Community are in the 10.1-15 percent rate range. For Canada, the bulk of the remaining imports are assessed at rates in the 15.1-20 percent range (about one-third) and the 5.1-10 percent bracket (one-quarter). About one-sixth of Japan's entries are in each of the following brackets: Duty-free, 5.1-10 percent, and 15.1-20 percent.

The remainder of the EC's imports are dutiable in the 5.1-10 percent bracket (one-third) and the duty-free bracket (one-quarter) (table I-4-FF).

Table I-4-FF.--Distribution, by duty level, of MFN imports of essential oils, perfume materials, toilet preparations, soaps

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	6.8	42.5	16.9	26.6	55.6
0.1-5.0 percent----	-	8.9	8.7	.6	-
5.1-10.0 percent----	24.1	45.6	16.7	31.6	32.9
10.1-15.0 percent--	37.7	2.9	38.5	41.3	10.4
15.1-20.0 percent--	31.0	.4	17.5	-	.6
20.1-25.0 percent--	.5	-	2.2	-	1.0
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	-	-	.1
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

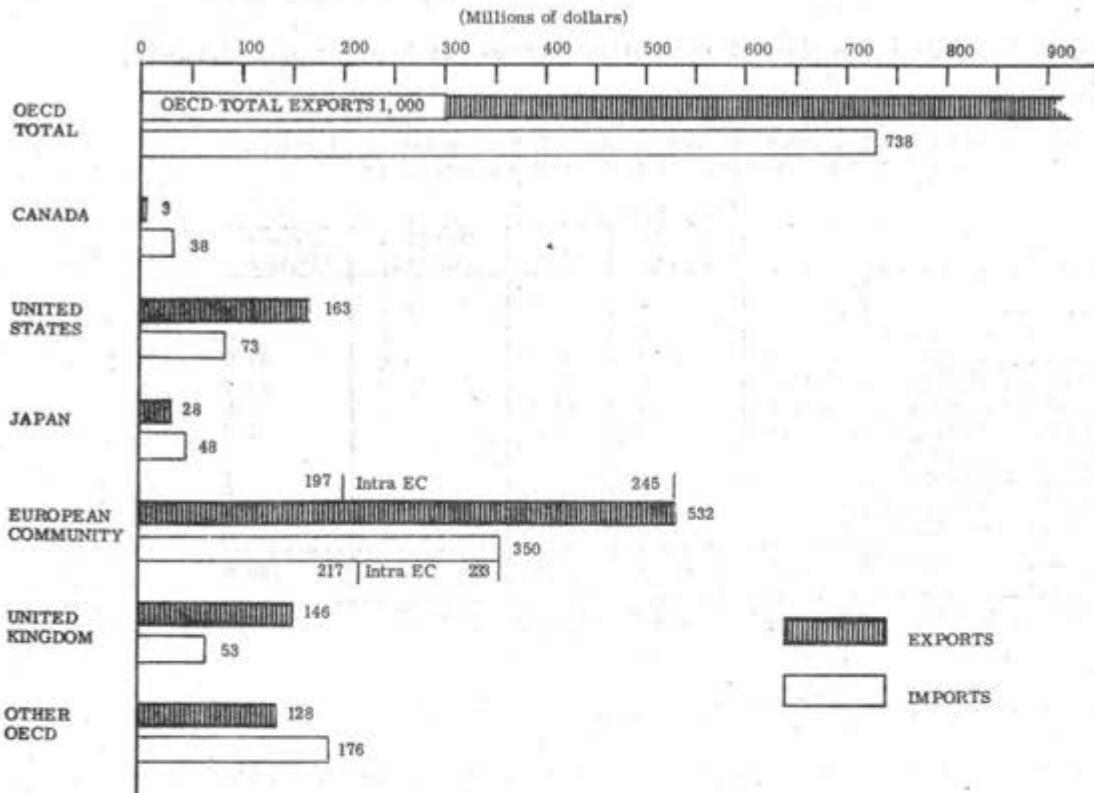
Note.--Due to rounding, figures may not add to 100 percent

Of the five major countries, the United States exhibits the most complex schedule for these chemicals, with 83 lines; the European Community has the simplest, 17 lines. Schedules for Japan have 51 lines; for Canada, 40 lines; and for the United Kingdom, 27 lines.

Trade importance

In 1969, essential oils, perfume materials, toilet preparations and soap accounted for 6 percent of OECD exports and imports of chemicals. OECD exports totaled \$1 billion and imports were \$738 million in 1969 (chart I-4-N). The United States imported \$73 million of these chemicals in 1969; such imports were \$79 million in 1971. BTN heading 33.01 (essential oils; concretes and absolutes; resinoids) is the most heavily traded in this subsector. In 1967, the major importers of products in heading 33.01 were the United States, the European Community, the United Kingdom and Japan.

Chart I-4-N. --OECD trade in essential oils, perfume materials, toilet preparations, and soaps, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Two subdivisions make up the essential oils, perfume materials, toilet preparations and soaps subsector: (1) essential oils and perfume materials and (2) perfumery, cosmetics, soaps, cleaning preparations, etc. Of the two, the latter is the most important accounting for 73 percent of OECD exports and 63 percent of OECD imports in this subsector.

Trade network

The five major countries account for over 85 percent of OECD exports and three-quarters of OECD imports (tables I-4-GG and I-4-HH). By far the

Table I-4-GG.--OECD exports of essential oils, perfume materials,
toilet preparations, soaps, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,000	3	163	28	<u>1/</u> 532	146	128
OECD total-----	662	2	93	3	390	74	100
Canada-----	37	-	30	X	4	2	1
United States---	49	1	-	2	33	3	10
Japan-----	37	X	16	-	16	2	3
European Community-----	<u>1/</u> 330	X	28	1	245	23	33
United Kingdom--	41	X	11	X	20	-	10
Other OECD-----	168	1	8	X	72	44	43
Non-OECD total----	338	1	69	25	141	72	30
IDC's-----	274	1	62	23	110	58	20

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-HH.--OECD imports of essential oils, perfume materials,
toilet preparations, soaps, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	738	38	73	48	<u>1/</u> 350	53	176
OECD total-----	666	38	53	39	320	46	170
Canada-----	5	-	4	X	X	1	X
United States---	103	32	-	17	31	12	11
Japan-----	3	X	2	-	1	X	X
European Community-----	<u>1/</u> 376	4	34	16	233	23	66
United Kingdom--	78	2	3	3	22	-	48
Other OECD-----	101	-	10	3	33	10	45
Non-OECD total----	72	X	20	9	30	7	6
IDC's-----	56	X	20	7	20	5	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

largest supplier to the world is the European Community accounting for 53 percent of OECD exports in 1969, followed distantly by the United States and the United Kingdom. Intra-EC exports equal nearly half of total EC exports. The principal destination for EC outside exports, U.S. and United Kingdom exports are the LDC's. The European Community also is the principal importer, followed by "other" OECD countries. Imports by the European Community from outside sources are equal to about half of intra-EC shipments which move duty free. Imports by "other" OECD countries come principally from the European Community and the United Kingdom.

Trade-agreement concessions

As the tabulation below shows, average tariff levels on January 1, 1972, for essential oils, perfume materials, toilet preparations and soap for the five major countries were substantially below levels existing on pre-trade-agreement base dates. Specific duties are significant in the U.S. and United Kingdom tariff provisions for products in this subsector. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 8.6 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>	<u>1/</u>
	(Percent ad valorem)		
United States	34.3		4.1
European Community	11.8		7.4
United Kingdom	21.3		4.3
Japan	19.3		10.8
Canada	16.2		10.4

1/ Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 3.8 percent; European Community, 4.8 percent; United Kingdom, 2.8 percent.

All MFN provisions for this subsector in the tariff schedules of the European Community, the United States, and Japan have been the subject of GATT concessions. In the Canadian schedule, all provisions for essential oils and perfume materials are covered under GATT, but for perfumery, cosmetics, soaps and cleaning preparations, 68 percent of the tariff provisions, covering 98 percent of MFN imports, are fully covered by GATT concessions. For essential oils and perfume materials in the United Kingdom schedule, 82 percent of the provisions covering 98 percent of imports are fully covered by GATT; for perfumery, cosmetics, soaps and cleaning preparations, 38 percent of the provisions covering 58 percent of imports are covered.

The national tariffs of all EC member states prior to adoption of the EC's Common External Tariff contained tariff concessions on essential oils, perfume materials, toilet preparations, and soaps negotiated under the GATT. The number of such concessions totaled 75, of which 34 reflected rates higher than the autonomous rate established in the CXT, five were at the CXT rate, and 36 were below the CXT rate.

Tariffs on lemon oil, a major product in this subsector, have been reduced through trade-agreement concessions by Canada, the United States, and the European Community (table I-4-II). The United Kingdom and Japan have bound in the GATT their duty-free treatment of lemon oil. Canada has completely removed its duty; the U.S. tariff has been lowered 66 percent; and the EC rate reduction amounts to 8 percent.

Table I-4-II.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on lemon oil

(% = Percent ad valorem)

Country	Pre-trade- agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%	17.5%	8.5%	452.34
Canada-----	7.5%	Free	Free	26400-1
European Community--	12%	12%	11%	33.01 AI
United Kingdom-----	Free	Free	Free	33.01 (A)(3) (a)(ii)
Japan-----	Free	Free	Free	33.01-1 (1)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Other Chemicals

This basket subsector includes chemical products and preparations not included elsewhere in the chemical sector. Among the miscellaneous products included are mineral oil additives, pesticide preparations, rosin and other chemical products derived from wood, animal glue and gelatin, activated carbon, and explosives. 1/

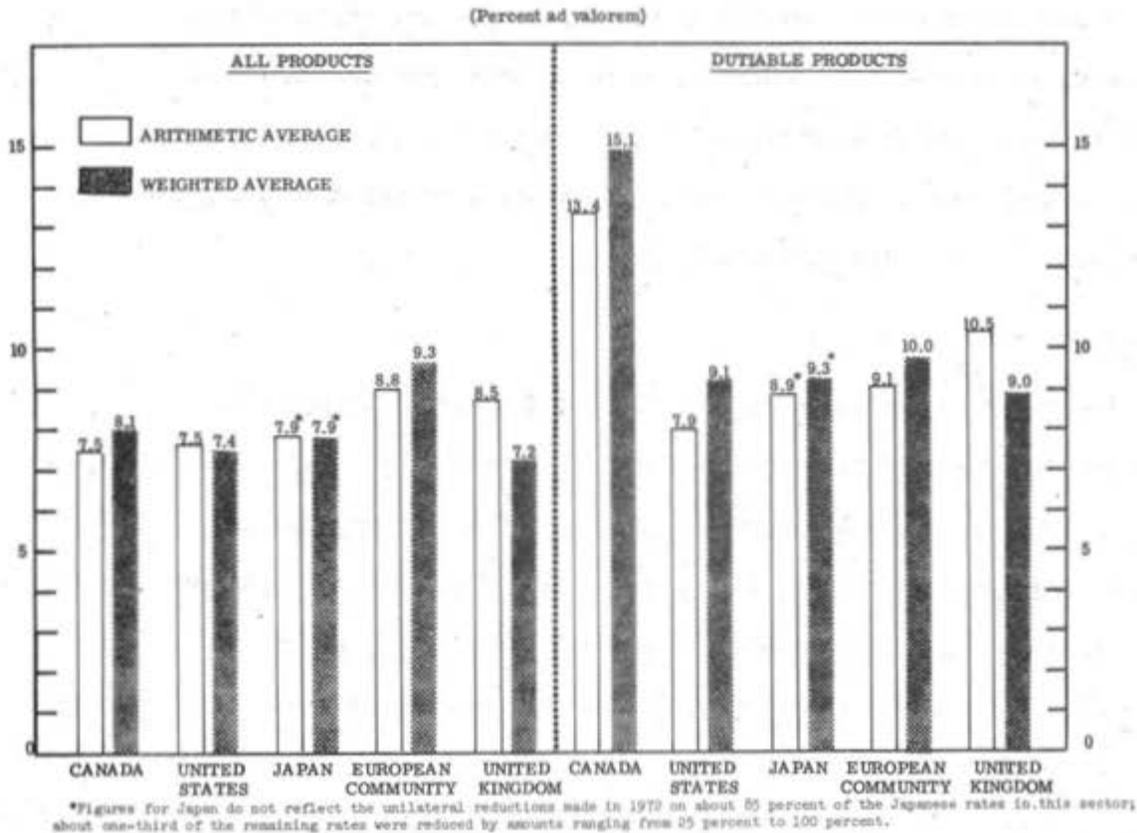
MFN tariffs

There is little variation in the MFN tariff averages of the five major countries for miscellaneous chemicals and chemical products, n.e.s. All of the arithmetic and weighted averages both for all products and for dutiable products alone are within the range of 7.2 and 10.5 percent ad valorem, except for the Canadian averages for dutiable products, which reach 13.4 percent (arithmetic) and 15.1 percent (weighted) (chart I-4-0).

The MFN tariff provisions of Japan, the European Community and the United Kingdom are principally in the range of 5.1 to 10 percent ad valorem; one-third of EC rates are in the 10.1-15 percent bracket; one-fifth of the Japanese rates are in the 0.1-5 percent bracket; and 18 percent of the United Kingdom rates are duty free and 16 percent in the 15.1-20 percent bracket. Over two-fifths of the Canadian rates are duty free; virtually all of the remaining provisions are about equally divided between the following percent brackets: 5.1-10, 10.1-15, and 15.1-20.

1/ For the specific coverage of this subsector, see BTN headings 34.07, 35.03-.04, 35.06, 36.01-.05, 36.07, 38.01-.03, and 38.05-.19.

Chart I-4-O.--Average MFN tariff rates on miscellaneous chemicals and chemical products, n. e. s.



The United States has almost half of its provisions in the 0.1-5 percent ad valorem ranges; one-quarter are in the 5.1-10 percent bracket (table I-4-JJ).

Virtually all imports of the United States, Canada, Japan and EC entries from outside sources receive MFN treatment; preferential rates are important in the United Kingdom where about 21 percent of imports have received preferential treatment. Intra-EC imports, which move free of duty, are 50 percent greater than EC imports from outside sources.

Table I-4-JJ.--Distribution, by duty level of MFN tariff provisions for miscellaneous chemicals and chemical products, n.e.s.

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	44.0	5.6	11.4	2.7	17.5
0.1-5.0 percent----	2.6	46.7	21.4	13.5	3.5
5.1-10.0 percent---	17.3	26.9	58.6	44.6	52.6
10.1-15.0 percent--	19.9	9.1	4.3	35.1	5.3
15.1-20.0 percent--	16.4	5.1	4.3	4.1	15.8
20.1-25.0 percent--	-	5.1	-	-	3.5
25.1-30.0 percent--	-	1.5	-	-	-
30.1-40.0 percent--	-	-	-	-	1.8
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

In terms of MFN imports of these miscellaneous chemicals, three-quarters of shipments into Japan and two-thirds of the entries into the United Kingdom are assessed at rates between 5.1 and 10 percent ad valorem. Two-fifths of the imports into Canada and the European Community are in the 10.1-15 percent bracket; almost one-half of Canadian entries are duty free; and one-third of EC imports are assessed at rates ranging from 5.1 to 10 percent ad valorem. One-third of U.S. entries are in the 0.1-5 percent range, another third in the 5.1-10 percent bracket and one-fifth of U.S. imports are duty free (table I-4-KK).

Table I-4-KK.--Distribution, by duty level, of MFN imports of miscellaneous chemicals and chemical products, n.e.s.

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	46.3	19.2	14.4	7.0	20.4
0.1-5.0 percent----	-	30.9	8.3	17.4	.1
5.1-10.0 percent---	2.2	34.5	75.9	32.3	68.8
10.1-15.0 percent--	44.4	3.2	.5	42.3	3.4
15.1-20.0 percent--	7.1	.5	.9	.9	6.3
20.1-25.0 percent--	-	3.4	-	-	.5
25.1-30.0 percent--	-	8.3	-	-	-
30.1-40.0 percent--	-	-	-	-	.6
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

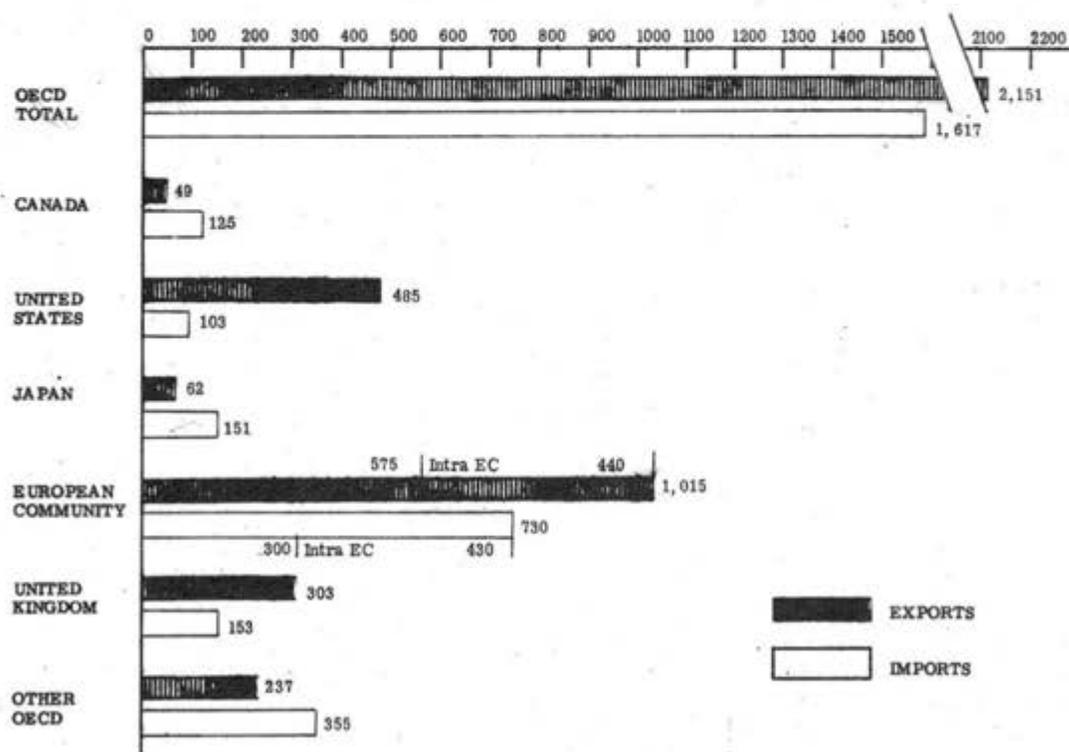
For this miscellaneous chemicals subsector, the United States has 87 tariff line provisions; the United Kingdom has 54 lines; Canada, 116 lines; the European Community, 72 lines; and Japan, 70 lines.

Trade importance

In 1969, the miscellaneous chemicals subsector accounted for 13 percent of OECD exports and imports in the chemical sector. OECD exports totaled nearly \$2.2 billion and imports were \$1.6 billion (chart I-4-P). U.S. imports amounted to \$103 million in 1969;

Chart I-4-P.--OECD trade in miscellaneous chemicals and chemical products, n.e.s., 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

such imports had decreased to \$51 million in 1971. A basket category of chemical products and preparations (BTN 38.19) is the most important in trade in the subsector. In 1967, major MFN importers in this BTN heading were the European Community, Canada, the United Kingdom, and Japan.

World production

The value in 1968 of U.S. production of the chemicals included in this subgroup is estimated at less than \$5 billion. Production of these chemicals by the European Community in that year is estimated to have been valued at a few billion dollars, but less than the value of U.S. production. The values of production by Japan, the United Kingdom, and Canada are each estimated to have been less than \$1 billion in 1968.

Trade composition

Of the two subdivisions of this subsector, semimanufactured products and finished products, the larger is semimanufactured products which accounts for roughly three-fourths of imports in the subsector.

Trade network

The five major countries account for about 90 percent of OECD exports and nearly 80 percent of OECD imports (tables I-4-LL and I-4-MM). The largest supplier to the world is the European Community, followed by the United States. The European Community is also the principal importer, followed distantly by the United Kingdom and Japan. EC exports to outside destinations are more than 25 percent greater than intra-EC exports, but

Table I-4-LL.--OECD exports of miscellaneous chemicals, and chemical products, n.e.s., 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,151	49	485	62	<u>1/</u> 1,015	303	237
OECD total-----	1,364	45	280	10	733	146	150
Canada-----	88	-	71	X	5	7	5
United States---	93	39	-	5	29	12	8
Japan-----	97	1	62	-	14	16	4
European Community----	<u>1/</u> 664	4	94	4	440	50	72
United Kingdom--	101	1	30	1	54	-	15
Other OECD-----	321	X	23	X	191	61	46
Non-OECD total----	787	4	205	52	282	157	87
LDC's-----	586	3	171	42	212	97	61

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-4-MM--OECD imports of miscellaneous chemicals, and chemical products, n.e.s., 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,617	125	103	151	<u>1/</u> 730	153	355
OECD total-----	1,478	123	73	119	693	128	342
Canada-----	36	-	29	1	3	2	1
United States---	405	101	-	83	130	42	49
Japan-----	11	1	3	-	3	1	3
European Community----	<u>1/</u> 711	4	23	16	430	62	176
United Kingdom--	147	7	9	15	49	-	67
Other OECD-----	168	10	9	4	78	21	46
Non-OECD total----	139	2	30	32	37	25	13
LDC's-----	37	X	11	7	8	8	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

imports by the Community from outside sources are equal to only about two-thirds of intra-EC imports. The LDC's as a group and "other" OECD countries are the principal markets for EC external shipments. One-third of U.S. exports also go to LDC's. The United States is the principal supplier of European Community imports from outside sources. United Kingdom imports are primarily furnished by the European Community and the United States; Japanese imports come chiefly from the United States and non-OECD countries.

Trade-agreement concessions

The tabulation below compares January 1, 1972, average tariff levels of the five major countries with average levels existing on pre-trade-agreement base dates. Specific duties are important in the U.S. and United Kingdom tariff provisions for products in this subsector. Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 6.3 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972 ^{1/}</u>
	(Percent ad valorem)	
United States	25.5	7.4
European Community	12.8	9.3
United Kingdom	10.0	7.2
Japan	18.4	7.9
Canada	17.8	7.5

^{1/} Calculations of tariff averages using rates contained in the Kennedy Round "ASP package" (which was never implemented) would show January 1, 1972, rates as follows: United States, 7.2 percent; European Community, 6.1 percent; United Kingdom, 4.2 percent.

All MFN provisions for semimanufactured products of this subsector in the tariff schedules of the European Community and virtually all in the U.S. schedule have been the subject of GATT concessions. In the Japanese schedule, 94 percent of the provisions, covering 92 percent of the imports are under the GATT; for the United Kingdom, 88 percent of the provisions, covering 91 percent of MFN imports; and in the Canadian schedule, 68 percent of the provisions, covering 86 percent of the imports. For finished products in this sector, all MFN provisions in the tariff schedules of the United States and the European Community have been the subject of GATT concessions. In the United Kingdom schedule, 95 percent of the provisions, covering all MFN imports have GATT concessions; in the Japanese schedule, 83 percent of the provisions, covering all MFN imports; in the Canadian schedule, 83 percent of the provisions, covering 94 percent of imports.

All EC member state national tariffs prior to adoption of the EC's Common External Tariff contained concessions under the GATT on miscellaneous chemicals in this subsector. Of 120 concessions in the national tariffs, 60 were at rates above the CXT autonomous rate, 7 were at the CXT rate, and 53 were below the CXT rate. Table I-4-NN shows actual changes which have occurred in the five major country tariffs on animal glue and gelatin since pre-trade-agreement base dates.

Table I-4-NH.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on animal glue and gelatin

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	26.9-32.3(32.3)% AVE <u>2/</u> 32.0; 34.6 (32.0)% AVE <u>5/</u>	12.8-17.4(14.8)% AVE <u>3/</u> 16.0; 19.5 (16.0)% AVE <u>6/</u>	6.4-8.3(7.3)% AVE <u>4/</u> 7.8; 9.7(7.8)% AVE <u>7/</u>	455.16-.24 455.40-.42
Canada-----	35%	22.5% <u>8/</u>	20%	23200-1; 23205-1; 23215-1
European Community--	15%	15%	12%	35.03 B
United Kingdom-----	25% <u>9/</u>	20%	16%	35.03 (B)
Japan-----	10%	10%; 25%	7.5%; 20%	35.03-1

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Range includes ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty of 5 cents per pound plus 12 percent and 7 cents per pound plus 20 percent.

3/ Range includes ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty from 1.6 cents per pound plus 8 percent to 4.25 cents per pound plus 12.5 percent.

4/ Range includes ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty from 0.8 cents per pound plus 4 percent to 2 cents per pound plus 6 percent.

5/ Percents are ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty of 2.5 cents per pound plus 20 percent and 8 cents per pound plus 25 percent.

6/ Percents are ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty of 1.625 cents per pound plus 10 percent and 4 cents per pound plus 12.5 percent.

7/ Percents are ad valorem equivalents, calculated on 1971 import values, representing compound rates of duty of 0.8 cents per pound plus 5 percent and 2 cents per pound plus 6 percent.

8/ Plus 5 cents per pound for item 23200-1 (making an ad valorem equivalent rate of about 50 percent).

9/ Or a specific rate of 10s. 6d. per hundredweight, whichever is the greater.

Note.--Ad valorem equivalents of rates of duty shown in parentheses are those in the range for the principal items of trade.



UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 9 OF 11

PART III. PRODUCT SECTORS: TARIFFS AND OTHER
TRADE BARRIERS

CHAPTER XIV. INDUSTRIAL PRODUCT SECTORS
(Continued)

- I-5. Textiles
- I-6. Electrical machines and apparatus
- I-7. Pulp, paper and paperboard, and manufactures
- I-8. Coal, petroleum, natural gas and certain
derived products
- I-9. Mineral products and fertilizers
- I-10. Professional, scientific and controlling
instruments, photographic apparatus,
clocks and watches



TC Publication 665
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April, 1974

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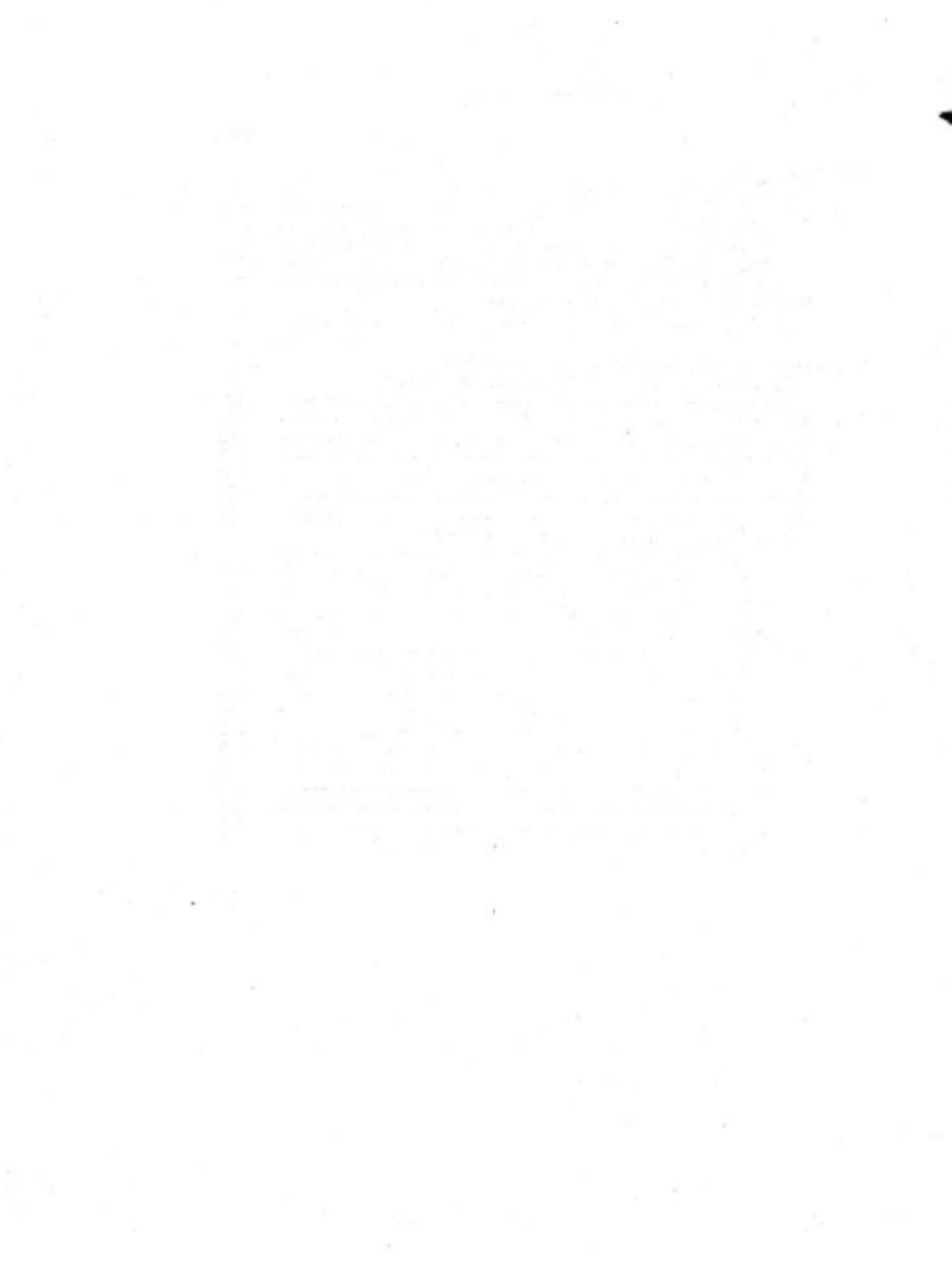
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Chapter XIV (Continued)

INDUSTRIAL PRODUCT SECTORS

Introduction

Industrial products are defined in this report as all products provided for in chapters 25 through 99 of the Brussels Tariff Nomenclature. 1/ The industrial products have been grouped into 23 sectors for the purpose of discussing in detail the applicable tariffs, nontariff trade barriers, and the direction of major trade flows.

The format followed for the presentation for each sector includes an examination of MFN tariffs of the United States, Canada, Japan, the European Community (of six), and the United Kingdom, the sector's trade importance and trade network, the trade composition, trade-agreement concessions which have taken place, and an account of the complaints submitted to the Commission concerning trade barriers affecting products in the sector. Tariff and trade data for the most significant subsectors in each sector are discussed in the same way.

The industrial sectors are numbered according to the order of their importance in total OECD export trade in industrial products in 1969, as follows:

- I-1. Nonelectrical machinery
- I-2. Transport equipment
- I-3. Ores, metals and metal manufactures
- I-4. Chemicals
- I-5. Textiles

1/ See the appendix to chapter XIII.

- I-6. Electrical machinery
- I-7. Pulp, paper and paperboard, and manufactures
- I-8. Coal, petroleum, natural gas and certain derived products
- I-9. Mineral products and fertilizers
- I-10. Professional, scientific and controlling instruments, clocks, and watches
- I-11. Wood and cork and manufactures
- I-12. Precious stones, precious metals and manufactures
- I-13. Rubber and rubber manufactures
- I-14. Raw hides and skins, leather and furskins, and manufactures
- I-15. Footwear and travel goods
- I-16. Musical instruments, sound recording or reproduction apparatus
- I-17. Firearms, ammunition, tanks and other armored fighting vehicles
- I-18. Furniture
- I-19. Toys and sporting goods
- I-20. Photographic and cinematographic supplies
- I-21. Works of art and collectors' pieces
- I-22. Office and stationery supplies
- I-23. Manufactured articles not elsewhere specified

Sectors I-1 through I-4 are found in volume 8, sectors I-5 through I-10 in volume 9, and sectors I-11 through I-23 in volume 10. A comparison of tariffs among sectors is found in chapter IV.

Some general observations on the interpretation of the data presented in the sectors is found in chapter XIII.

Industrial Sector I-5

TEXTILES

Textiles include textile fibers, yarns, fabrics and similar products, made-up articles (covering a wide range of items such as household linens, tapestries, carpets, cordage, and embroidery), and clothing. It does not include medical or surgical materials, travel goods or footwear of textiles, certain rubberized fabrics, glass fibers and yarn, and articles of bedding. ^{1/}

MFN tariffs

The textiles sector is characterized by relatively high tariff rates, and the "world" average ^{2/} tariff level for textiles greatly exceeds the "world" average tariff for all industrial products. The difference is illustrated in the following figures:

	<u>"World" average duty (percent ad valorem)</u>	
	<u>All products</u>	<u>Textiles</u>
All items:		
Arithmetic average-----	9.0	13.7
Weighted average-----	5.9	12.9
Dutiable items:		
Arithmetic average-----	10.7	15.1
Weighted average-----	9.8	17.6

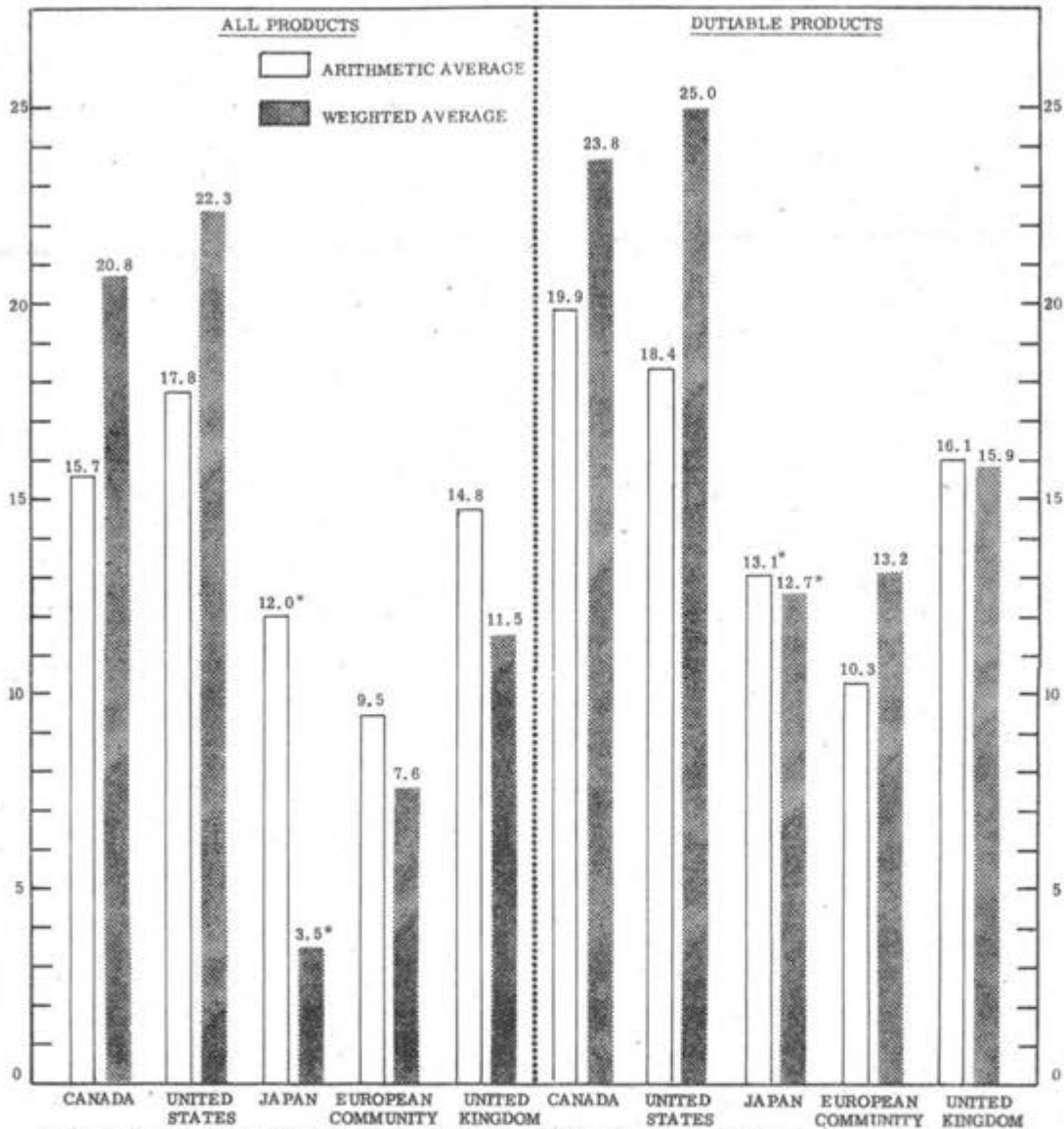
^{1/} For specific coverage of this sector see BTN chapters 50-63, and headings 65.01-.05. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

^{2/} The "world" average is calculated from the combined tariff provisions and imports of the 13 customs areas (12 individual countries plus the European Community) included in the GATT tariff study.

For every product sector, the GATT tariff study calculated eight tariff averages (four for all items, four for dutiable items) for each of the 13 countries or customs unions included in the study, making a total of 104 averages for each sector. Of the 104 averages for the textile sector, all but three were above the country's corresponding average for all industrial products. The differences range from small amounts (less than one percentage point) to over 15 percentage points. Among the five major tariffs, Japan had the smallest differences, and the United States the largest. Of the three textile averages which fell below the country's corresponding average for all industrial products, one belonged to Japan; the remaining seven Japanese averages were above the all products averages by amounts ranging from 0.4 to 2 percentage points. All eight U.S. textile averages were above the all products averages by amounts ranging from 6.3 to 16.2 percentage points.

Among the five major tariffs, for all products (both dutiable and free combined), the highest arithmetic average of MFN tariff rates on textiles is held by the United States (17.8 percent), while the lowest (9.5 percent) is that of the European Community (see chart I-5-A). With regard to weighted averages of rates on all products, the United States again has the highest average (22.3 percent) and Japan the lowest (3.5 percent). For dutiable products only, Canada has the highest arithmetic average at 19.9 percent ad valorem and the second highest weighted average (23.8 percent); the United States has the highest weighted average at 25 percent ad valorem; and Japan has the lowest weighted average, 12.7 percent.

Chart I-5-A. -- Average MFN tariff rates on textiles
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on nearly all Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

The distribution of MFN tariff provisions by duty level is shown in table I-5-A. All five major countries have some MFN duty-free provisions for textiles (chiefly for raw fibers), but Canada has by far the largest proportion (over one-fifth of its provisions in textiles).

Table I-5-A.--Distribution, by duty level, of MFN tariff provisions for textiles and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	21.1	3.4	8.8	7.5	8.5
0.1-5.0 percent----	2.4	5.1	4.2	11.9	7.8
5.1-10.0 percent---	9.9	20.5	33.3	39.4	10.9
10.1-15.0 percent--	4.6	20.7	30.2	30.5	12.9
15.1-20.0 percent--	26.2	16.9	10.5	9.7	54.1
20.1-25.0 percent--	28.6	14.4	10.5	.9	4.8
25.1-30.0 percent--	4.4	7.2	2.1	-	1.0
30.1-40.0 percent--	2.9	6.5	.4	-	-
40.1-50.0 percent--	-	4.1	-	-	-
Over 50 percent----	-	1.4	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The United States has about one-fifth of its tariff provisions at rates over 25 percent ad valorem. Another one-fifth of U.S. rates are in the 5.1-10 percent bracket and an additional fifth in the 10.1-15 percent range. One-third of the Japanese and two-fifths of the Community's tariff provisions are in the 5.1-10 percent bracket; nearly another third for each in the 10.1-15 percent bracket. The Canadian tariff schedule has over one-fourth of its provisions at the 15.1-20 percent duty level and a similar proportion at the 20.1-25 percent level. Over half of the United Kingdom's textile provisions are found in the 15.1-20 percent range.

The distribution of MFN imports by duty level is shown in table I-5-B. All of the five major nations have substantial duty-free MFN imports in the textile sector, especially Japan, with nearly three-quarters of total imports duty free in 1970. It should be noted that all duty-free imports of Japan and the United Kingdom, and virtually all for the European Community, are in raw fibers. The United States and Canada have some duty-free imports in all the textile

Table I-5-B.--Distribution, by duty level, of MFN imports for textiles and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	12.3	10.8	72.5	42.2	27.5
0.1-5.0 percent----	.2	1.2	.5	3.7	4.0
5.1-10.0 percent---	4.8	9.9	13.3	12.5	2.2
10.1-15.0 percent--	.6	11.4	4.2	20.2	15.4
15.1-20.0 percent--	22.3	15.1	5.9	21.0	50.3
20.1-25.0 percent--	28.3	8.5	2.9	.5	.4
25.1-30.0 percent--	16.6	11.2	.7	-	.1
30.1-40.0 percent--	14.8	13.8	-	-	-
40.1-50.0 percent--	-	17.9	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

subsectors except clothing. Sixty percent of Canada's duty-free imports are in raw fibers; about 60 percent of the U.S. duty-free textile imports are in the fabrics subsector, about one-third are raw fibers.

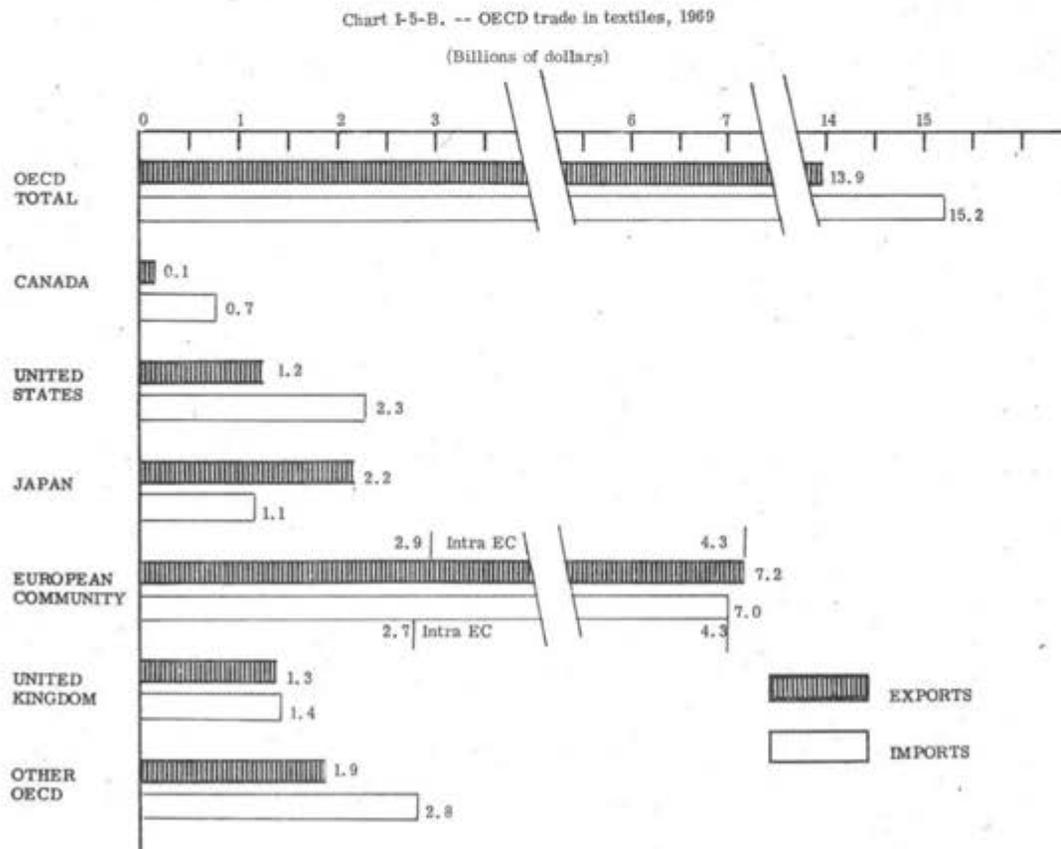
With respect to dutiable imports, for the Community, Japan and the United Kingdom, little or no MFN imports enter at rates of 20 percent ad valorem or above. Canada and the United States have significant portions of their imports dutiable at rates above 20 percent (59.7 and 51.5 percent, respectively, of total textile imports). Imports of textiles receiving preferential tariff treatment are significant only for Canada and the United Kingdom. Preferential treatment was accorded 48 percent of total entries into the United Kingdom and 13 percent into Canada.

The United States has by far the most detailed and complex tariff schedule for textiles with slightly over 2,000 tariff lines, the European Community has the least detailed, with 209 lines. Canada has 192 lines; the United Kingdom, 269 lines; and Japan, 260 lines.

Trade importance

Trade in textiles accounts for nearly 8 percent of world trade in all industrial products. Textiles rank fifth in both OECD imports and exports, accounting for about 9 percent of OECD industrial exports and nearly 10 percent of industrial imports. For the United States, the sector ranked sixth in 1969 U.S. exports. It was fifth most important in U.S. imports in both 1969 and 1970.

Imports by the GATT tariff study countries were valued at \$8.5 billion in 1967, and \$11.2 billion in 1970. OECD 1969 imports were \$15.2 billion (including nearly \$4.3 billion of intra-EC shipments) and exports were \$13.9 billion (see chart I-5-B).



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

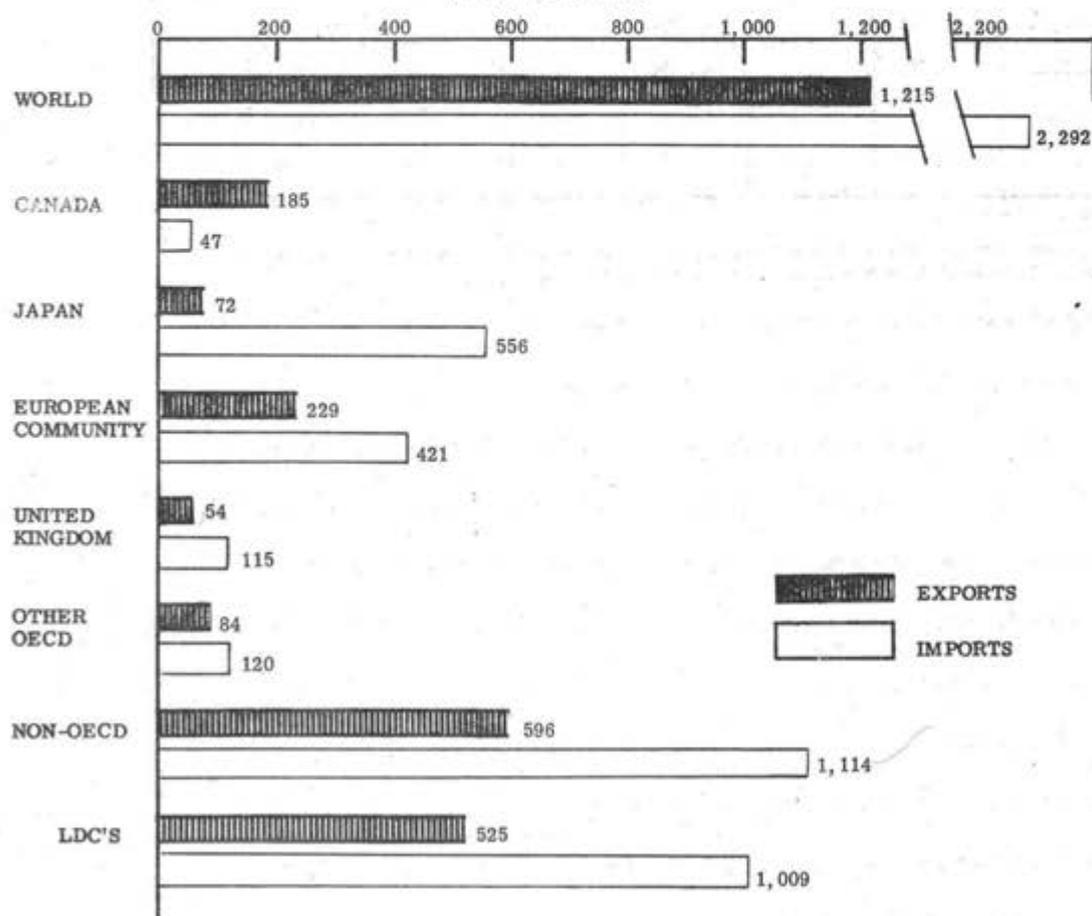
Trade network

The five major countries account for almost 87 percent of OECD exports and about 81 percent of imports. Over half of OECD exports go to the five major nations; over one-fifth to LDC's. Fifty-six percent of OECD imports are supplied by the five major countries.

About 43 percent of U.S. exports go to less developed countries (chart I-5-C), where higher tariffs and other trade barriers are more generally encountered. The European Community is the principal developed

Chart I-5-C. -- United States trade in textiles, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

market for U.S. products, followed by Canada. The United States takes over half of Canada's exports (table I-5-C). Japan ships one-fourth of

Table I-5-c.--OECD exports of textiles and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	13,936	123	1,215	2,232	<u>1/</u> 7,183	1,305	1,878
OECD total-----	10,083	103	624	833	6,083	880	1,560
Canada-----	439	-	185	82	67	83	22
United States---	1,316	66	-	570	444	113	123
Japan-----	176	1	72	-	49	37	17
European Community----	<u>1/</u> 5,249	9	229	100	4,331	206	374
United Kingdom--	583	20	54	21	204	-	284
Other OECD-----	2,320	7	84	60	988	441	740
Non-OECD total----	4,039	22	596	1,437	1,194	441	349
LDC's-----	2,868	14	525	1,125	786	222	196

1/ Includes intra-EC shipments.

Note.--Complete country data are not available for all products covered by this table; country figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

its exports to the United States, 4.5 percent to the European Community, and half to LDC's. Over one-fourth of the EC's outside exports go to LDC's, over 15 percent to the United States, and 7 percent to the United Kingdom. Non-OECD countries take about one-third of the United Kingdom's shipments. The Community is the principal market among the five major nations for the United Kingdom, followed by the United States.

Textiles rank fourth in MFN industrial imports for the Community, the United Kingdom and Japan, fifth for the United States, and seventh for Canada. The United States had imports of textiles valued at \$1.7

billion in 1967, \$2.3 billion in 1969, and \$3.7 billion in 1971. Nearly one-fourth of U.S. imports come from Japan, while 18 percent come from the European Community (table I-5-D). About 37 percent of Canada's imports

Table I-5-D.--OECD imports of textiles and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	15,236	694	2,292	1,119	<u>1/</u> 6,947	1,350	2,834
OECD total-----	10,224	524	1,259	189	5,252	657	2,343
Canada-----	85	-	47	1	8	23	6
United States---	731	257	-	81	227	69	97
Japan-----	832	86	556	-	105	23	62
European Community-----	<u>1/</u> 5,970	64	421	47	4,272	224	942
United Kingdom--	971	92	115	41	228	-	495
Other OECD-----	1,635	25	120	19	412	318	741
Non-OECD total----	5,247	182	1,114	937	1,768	715	531
LDC's-----	3,501	133	1,009	443	1,083	472	361

1/-Includes intra-EC shipments.

Note.--Complete country data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

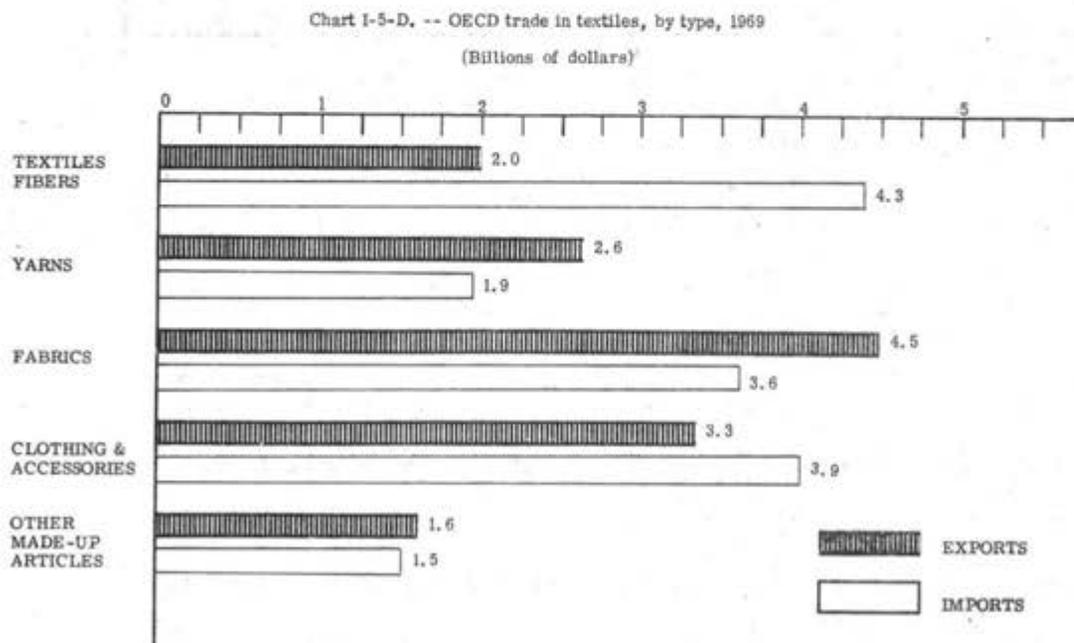
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of textiles have their origin in the United States, as well as 7 percent of Japanese imports. The United Kingdom and the United States each account for 8.5 percent of shipments to the Community from outside sources. The total Community imports from all external sources were less than two-thirds as large as intra-Community shipments. The Community is the chief developed country source for the United Kingdom's imports of textiles, followed by the United States. LDC's are the chief source of textile imports for all the major countries except Canada, for which it is the second most important source, supplying 19 percent of its imports.

Forty-four percent of the imports of the United States are from LDC's, as are 40 percent of Japanese imports and EC imports from outside sources, and 35 percent of shipments to the United Kingdom. Japan is not a very significant supplier to any major country except the United States.

Trade composition

Textiles are divided into five subsectors, of which the fabrics and similar products subsector is the largest in OECD exports (32 percent), the textile fibers and waste subsector is the largest in imports (29 percent), and the clothing and clothing accessories subsector is second in both (about one-fourth of each). The relative importance of the five subsectors is shown in chart I-5-D.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For the United States and Canada, average tariff levels on January 1, 1972, for textiles were substantially below the levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. However, the tariff levels of the Community and the United Kingdom remained much the same, while the Japanese tariff level rose slightly. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 2.8 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	45.5	22.3
European Community	7.9	7.6
United Kingdom	12.2	11.5
Japan	2.1	3.5
Canada	32.7	15.7

Nearly all EC and Japanese tariff rates are ad valorem, as are a high proportion of the Canadian rates. However, about 30 percent of U.S. textile rates are specific duties (covering around 40 percent of MFN imports), and one-fifth of the textile provisions of the United Kingdom entail specific duties (involving 27-38 percent of MFN imports).

Concessions under the GATT have been made on 99 percent of the MFN provisions for textiles in the tariff schedules of the European Community

and the United States, covering virtually all textile trade, as well as 95 percent of the Japanese provisions, covering 99 percent of Japan's imports of textiles. Only 88 percent of Canada's provisions are under the GATT; but these cover 99 percent of Canadian textile imports. A range of 92-95 percent of the tariff provisions of the United Kingdom are under the GATT; however, only 81-85 percent of the United Kingdom's imports enter under these provisions.

The national tariffs of all member states of the European Community prior to the adoption of the EC's Common External Tariff (CET) contained tariff concessions on textiles negotiated under the GATT. The number of such concessions totaled 885, of which 435 were greater than the autonomous rate established in the CET, 94 were at the CET rate, and 356 were below the CET rate.

Trade complaints

Complaints submitted to the Tariff Commission by manufacturers and traders of textiles cover a large array of policies and practices (both government and private) which were reported to constitute barriers to trade. ^{1/} The complaints involved almost every developed country and approximately 50 LDC's, including several South American countries and a large number of countries in Africa and Asia.

^{1/} The nontariff trade barriers affecting textiles and textile products are among the best documented of any of the product sectors. The particular complaints listed here are samples of those submitted to the Commission during its survey for this report. Further details on these complaints and other trade barriers can be found in U.S. Department of Commerce publications Foreign Import Restrictions on Wool/Manmade Fiber Textiles, May 1971, and Foreign Regulations Affecting U.S. Textile/Apparel Exports, September 1968.

Of the total number of complaints, those directed toward LDC's (131) exceeded the total for the developed countries (98). The United States drew more complaints (39) than any other country. Among the LDC's, the greatest number of complaints were against Colombia (18) and Korea (11). Among the developed countries, following far behind the United States, were Japan (10) and South Africa (7). The complaints are summarized under major topic headings in the paragraphs below.

Quotas, embargoes, licensing and other specific limitations.--

The practices and policies most complained of to the Commission in the textile sector were the various measures for specifically limiting trade--particularly quotas, licensing practices, export restraints and embargoes. Mentioned to a lesser extent were exchange controls and minimum and maximum price and process controls.

Quantitative restrictions are widely applied to trade in textiles. Complaints on this type of restriction were directed against 39 countries and some regional trade groups, including the United States, West Germany, France, the Netherlands, Ireland, South Africa, Australia, Taiwan, Korea, and several LDC's in Central and South America and Africa. Of the five major countries, Japan and Canada were the only ones not the object of complaints involving quantitative restrictions. A U.S. manufacturer of textiles complained that South Africa and 15 LDC's, including India, Pakistan, Greece, Turkey and Spain, restricted imports in relation to their available foreign exchange, and another U.S. manufacturer complained that Colombia restricted imports of U.S. textile fibers in order to maintain a positive balance of payments. An exporter in the

United States pointed out that South Africa, in November 1971, reduced permits for imported piece goods of cotton and cotton/synthetic fibers from the United States by 50 percent without prior warning.

A producers trade association complained that restraints on the part of certain European countries vis-a-vis Japanese exports cause the Japanese exporters to concentrate on the U.S. market. A GATT study of international trade problems in textiles also mentioned this possible diversion of exports to the United States, on account of restrictions like those by Greece of Japanese textile fabrics, by Ireland of 47 items of Japanese textiles, by France of Japanese cotton textiles and finished textile goods, by the Cameroons of Japanese synthetic textiles and articles of apparel, and by Upper Volta, of Japanese textiles, by Norway of Japanese cotton textile products, and by West Germany of Japanese and Korean fabrics of synthetic fibers, woolen yarns, and fabrics. A similar complaint was registered against Denmark whose quota restrictions, including individual buyers' quotas for Korean textile exports, were given in such uneconomically small lots that the Koreans were believed to be diverting their exports to the United States.

Complaints, registered by U.S. exporters, stated that Kenya and the Central African Republic had imposed quotas on U.S. clothing exports, and that Korea had import quota restrictions on U.S. woolen textiles. The complaint of quota restrictions on U.S. exports of textiles into France, the Netherlands, and West Germany were registered in the GATT study. Troubling U.S. exporters were quotas imposed by

Australia on knitted coats, and on jute and cloth bags and similar items by the United Kingdom. Complaints by U.S. exporters were made regarding the import quotas on U.S.-made hosiery by Iceland and Ireland.

Quantitative restrictions on imports of textiles into the United States were the objects of complaints by several U.S. importers and importers trade associations, as well as by a producers trade association in the United Kingdom. An American importer of nylon ski clothing complained that quotas for U.S. textile imports added at least 20 to 90 cents per garment, and thus impeded trade; an importer of knitwear similarly complained that U.S. quotas impeded his imports of knit gloves and mittens and other knit wearing apparel. Importers of hard fiber cordage found the U.S. absolute quota of imports of 6 million pounds from the Philippine Republic to be somewhat limiting.

Licensing practices were the second largest category of complaints (after quotas) in the Commission's study in the textile sector. One U.S. exporting company, which is a division of a large textile corporation, complained that licenses which can arbitrarily restrict U.S. exports of cotton and cotton/synthetic fiber piece goods are required by Japan, Italy, Greece, and South Africa; similar arbitrary licensing for textiles in general is required by several South American countries. Another U.S. producer of textiles complained that the granting of import licenses abroad for its exports depended on the availability of foreign exchange in a substantial number of countries (principally LDC's) and affected the quantity exported to a

moderate degree; the countries included Greece, Haiti, India, Israel, Pakistan, Portugal, Rhodesia, South Africa, Spain, Turkey, several countries of Central and South America, Bermuda, Trinidad, Barbados, Bahamas, South Vietnam, Laos, Cambodia, and all Arab countries.

In the experience of yet another U.S. producer, certain fiber exports to Colombia required import licenses which took 45 days for approval. The U.S. importer of knit wearing apparel, who had registered complaints concerning U.S. quotas, complained further that U.S. license requirements cause delays in processing his imports of knit gloves and mittens and other knit wearing apparel. License requirements for imports of textiles in general were the object of complaints by U.S. exporters against Cyprus, Jamaica, Greece, France and West Germany. In the cases of the Malagasy Republic and Malta, license requirements prompted complaints by U.S. exporters of shirts, used clothing, men's clothing, and nylon stockings. Switzerland requires import licenses for cotton fabrics and clothing and for jute textiles. Complaints were made that Nigeria, the Ivory Coast, and Austria discriminate in this import licensing against textiles from Japan and Hong Kong by making licenses difficult to obtain and thus causing these exporters to concentrate on U.S. markets.

Also prominent among the various specific limitations, and following licensing practices in frequency of complaints, were complaints involving export restraints and embargoes. The Noordwijk

Agreement was concluded in 1958 by Austria, Switzerland, Norway, and the EC countries, to protect their cotton textile manufacturing industries. Through this pact restrictions were placed on re-exports to each other's markets of finished fabrics which had been imported duty free in the grey state from Japan, Peoples Republic of China, India, Pakistan, and Hong Kong. In 1967, this agreement was extended to cover such grey fabrics from Eastern Europe and to apply also to grey cellulosic or rayon staple fabric. Since January 1969, the Noordwijk Agreement no longer applies to Switzerland, the European Community, or in re-exportation to associated African countries. The agreement was seen as a barrier to Japanese exports of grey cotton fabric and rayon staple fabric.

The Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA) negotiated under the GATT and in effect since October 1962 ^{1/} has effectively controlled and limited international trade in cotton manufactures. The Arrangement has been extended several times and was in effect through December 31, 1973. The LTA was subsumed by a multifiber "Arrangement Regarding International Trade in Textiles" which entered into force on January 1, 1974.

Embargoes and practices which have the effect of embargoes were the subject of several complaints by U.S. exporters directed principally at the developing countries. A virtual embargo against imports of U.S. cotton/synthetic piece goods was reported by a U.S. producer to exist in several LDC's. India, Pakistan, and Mexico

^{1/} A short-term arrangement was in effect from October 1, 1961, to September 30, 1962. For more details on the operation of the LTA, see Chapter VIII.

were the special objects of complaints of maintaining an embargo since they do not issue import licenses for piece goods. Another producer (with subsidiaries in Colombia and Argentina) complained to the Tariff Commission that U.S. exports to Colombia of finished textile products are impeded since there is an embargo on imports of products similar to those which are produced locally. In Argentina, there has been an official decree since mid-1971 embargoing all luxury products (including textiles). Embargoes maintained by other LDC's were reported as follows: Upper Volta and Haiti embargo used clothing; Malta does not import many textiles that can be produced domestically; the Central African Republic excludes certain shirts; the Malagasy Republic excludes new sacks and bags; Indonesia, Korea, and Senegal prohibit entry of certain textiles (in the case of Senegal, particularly cotton fabrics, certain men's clothing, and blankets).

Other types of specific limitations represented among the complaints, though with less frequency, were exchange controls, minimum and maximum price and process controls, and discriminatory bilateral agreements. One U.S. exporter of cotton and cotton/synthetic piece goods, having registered complaints with respect to several other specific limitations, told the Tariff Commission that past exchange controls by Japan impeded U.S. exports to a moderate degree, estimating the probable trade increase after removal to be \$3 million, or 10 percent of 1970 trade. That same exporter complained, in addition, that in France, the buyer meets a troublesome delay in being unable to remit funds until the shipment has cleared their customs.

Another U.S. producer complained to the Commission that the Banco de Republica of Colombia fixes all rates of exchange at the time of payment for U.S. exports of fibers, though this barrier was evaluated as having small effect. A complaint against Yugoslavia, by a U.S. exporter of wool fabrics, related to the complexity of its global foreign exchange quotas allocated in relation to past imports covering most consumer goods.

In the area of price control complaints, U.S. exporters pointed to the minimum prices allowed on imports by Spain and by Austria, a device for keeping out "market disrupting" low-priced imports. It was reported that the Benelux countries and Switzerland maintain price surveillance and impose a minimum price for imports from Japan. Some of these countries are reported to suspend licenses for imports from Japan when the price of goods is considered too low.

Customs valuation and other customs procedures.--Customs valuation practices by the United States were criticized by some U.S. importers of textile fibers and other textiles as a trade barrier. Objections were made about the increase in valuation for customs purposes to reflect the increase in value of Japanese currency between the date the textile products were contracted for and the date of exportation (the importer had virtually paid for the goods at the old lower exchange rate). Importers of sisal pads from Mexico using rail transportation to the border felt the U.S. method of handling certain transportation costs in determining dutiable value discriminated against him in favor of his competitors whose location

permitted sea transportation from Mexico. Since sisal pads imported by ocean carrier are appraised on an f.o.b. basis at the port in the vicinity of the factory and those imported by rail are appraised on an f.o.b. basis at the port of entry on the border, the rail borne imports assumed a higher dutiable value. Thus rail transportation, the most desirable method of shipment from Mexico, was discouraged, in the view of these U.S. importers. Another U.S. importer of wearing apparel and linens complained that time-consuming customs procedures in the United States are costly, since they cause additional storage and service charges.

A number of objections were received from U.S. exporters concerning the customs valuation of used clothing shipped to certain less developed countries, particularly the Central African Republic, Cameroon, Chad, Congo (Brazzaville), Gabon, and the Ivory Coast. These complaints centered about arbitrary customs valuation procedures resulting in valuation levels so high that imports are virtually prohibited.

Documentation requirements by the United States were considered burdensome both by a U.S. producer exporting raw cotton (in which reports to the USDA and other quality control procedures are required), and by a U.S. importer of linens and other textile fabrics. U.S. producers exporting to LDC's found the documentation requirements for fibers shipped to Colombia burdensome, as well as the special certificates required for importation of raw wool into the United Arab Republic. South Africa requires four invoices each with

an attached 3x6 inch sample of the textile product imported from the United States. Various other complaints involving customs procedures said to impede U.S. textile exports included such devices as arbitrary classification of merchandise by Australia and Colombia. In the former country, if a product is ruled to be a substitute for another product subject to a higher duty than the first product, the duty on the goods for which it is a substitute may be imposed.

Administrative difficulties were reported to hinder U.S. exports of stockings and socks to France, while U.S. importers of polyester knit slacks and linens leveled the same complaint against the U.S. procedures. The latter group reported that it takes "5 working days at customs to log all the entries from Korea to determine if they pass the quota." Such time-consuming procedures create additional charges for storage and service. Other complaints by U.S. exporters involved consular formalities in Colombia, the Philippines, and Taiwan, and the failure of Colombia to return duty on its re-exports, as well as its strict sample regulations.

Tariff and nontariff charges on imports.--Several U.S. exporters found burdensome nondiscriminatory sales taxes imposed by Canada, Sweden, and Nigeria on exports to those countries of raw cotton, rugs, and knitted goods. Prior import deposit requirements by Greece, Indonesia, Korea, Colombia, and certain other South American countries have been the basis for complaints by U.S. exporters of cotton and cotton/synthetic piece goods, raw cotton, various fibers and other textiles. One U.S. exporter of raw cotton to Indonesia and Korea felt that trade was impeded to a significant extent since

the prior import deposits tie up capital and add to the cost of the commodity. Special additional taxes or fees such as luxury taxes, sanitary taxes, and health inspection fees in Togo, the Central African Republic, and Italy are applied to imports of new and used clothing, jute goods, natural wool, and other textiles. An American producer complained that in the course of his exports of fibers to Colombia he encountered not only discriminatory import duties and prior import deposits, but government-controlled insurance rates, 10 percent consular fees, and a \$10.00 stamp tax for each imported item. There were several complaints by U.S. importers of high U.S. import duties for carpets and other textiles; for example, an importers trade association complained that the implementation of escape-clause relief (lasting 10 years in the case of U.S. imports of certain carpets) was excessive. High Canadian and South American duty levels were cited by U.S. exporters for sails and other textiles which in the view of the U.S. producer significantly affected his trade in sails.

Government participation in trade.--Although, as a whole, the group of complaints involving government participation in trade comprised one of the less important categories of complaints for the textiles sector, the most numerous type of complaint registered within this group referred to state trading practices as impeding U.S. exports to Spain, Tanzania, Tunisia, Indonesia, Kenya, Mauritania, Haiti, and India. U.S. importers complained that the "buy American" practices at the federal, state, and local government levels impede U.S. imports, and are costly to the taxpayer in the course of government procurement. An importers association complained that

laws in Alabama and South Carolina requiring stores carrying Japanese textiles to display signs indicating that fact were handicaps to sales of textiles imported from Japan.

Standards.--This group of complaints was the least important in terms of the number of complaints registered in the textile sector. "Significant" adverse trade effects, in the view of a U.S. exporter of various textile products to Canada, were derived from Canada's requirement that, for textile products sold in Canada, the label shows the fiber content and country of origin in French and English and in a permanent and conspicuous manner. U.S. importers, on the other hand, decried U.S. labelling requirements for women's and girls' outerwear made of woven and knitted wool fabrics. Australia's requirement that its imports of raw cotton be insect-free and have a certificate stating so caused U.S. exporters to complain.

In the Commission's survey, respondents were requested to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected products would show a "small," "moderate," or "significant" increase if the barrier (either alone or in combination with others) were removed and, if possible, to estimate a dollar value for the increase. Only relatively few of the respondents in the textile sector gave such assessments, illustrating the difficulties encountered in measuring the actual impact or significance of the majority of governmental policies and nontariff measures which businessmen feel adversely affect their competitive position in trade. Of the assessments received, almost half

estimated a "moderate" trade increase would occur if the barriers were removed, while about one-fifth were estimated as "small," and about one-third, as "significant." In most cases, respondents reported that their estimates represented the cumulative effect of removal of all barriers infringing on the product. Estimates ranging from as low as \$15,000 to \$5 million annually were given by companies as the expected increase in their trade in a textile product or a group of closely related textile products. The individual estimates of dollar value increases characterized as "moderate" equaled from 5 to 75 percent of present trade in each case. Those estimates characterized as "significant" were equivalent to as low as 10 percent in one case, but most frequently ranged from about 40 percent up to 150 percent of present trade. The relatively small number of dollar value estimates received in the textile area totaled only \$20 million.

Textile Fibers and Raw Fiber Wastes

This subsector includes textile fibers of wool, cotton, silk, synthetic and artificial fibers, jute, hard fibers (including flax, hemp, and sisal), and other vegetable fibers. Also included are the wastes derived from processing the aforementioned fibers. 1/

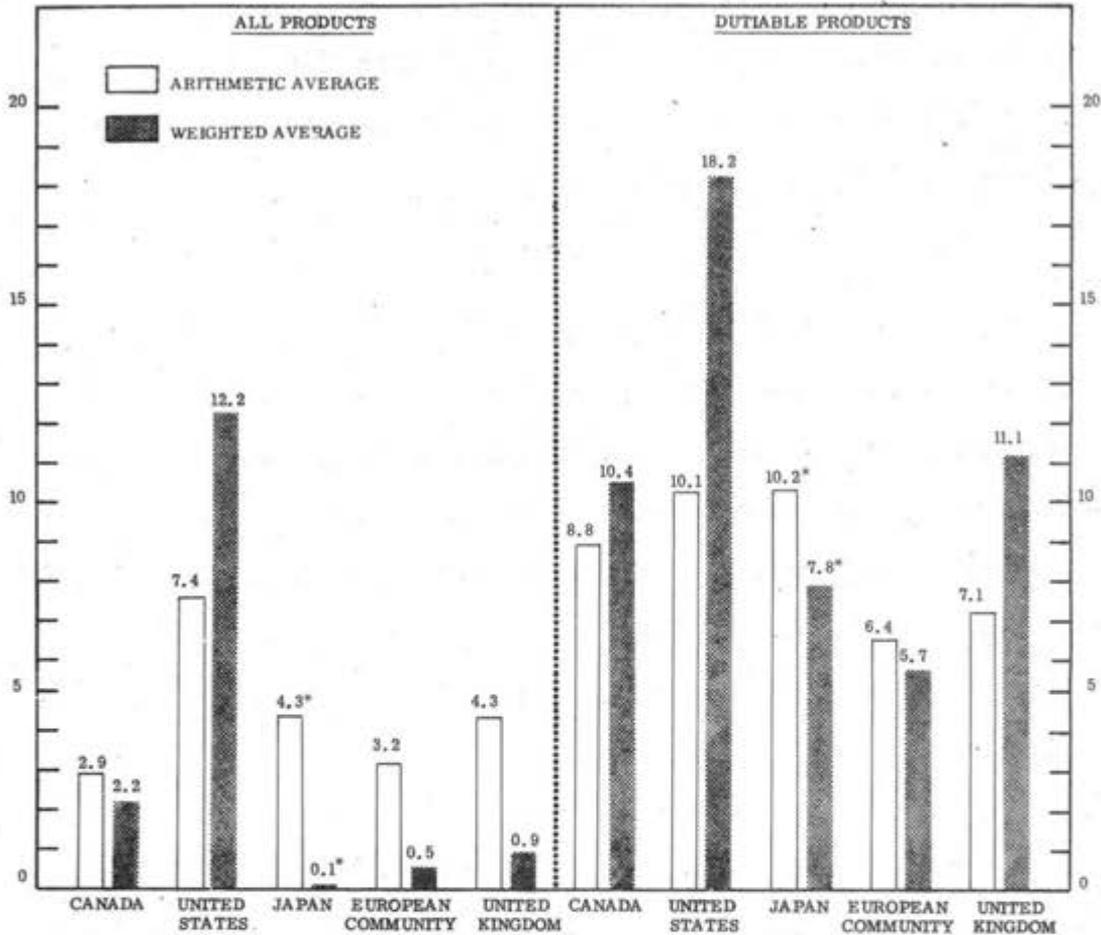
MFN tariffs

Textile fibers, being a raw material, have the lowest tariff averages among the subsectors in textiles. For all products, all the major countries except the United States have their arithmetic averages clustered about the 2.9-4.3 percent range (chart I-5-E). The United States has the highest arithmetic average at 7.4 percent ad valorem. The weighted averages of all countries except the United States are very low, ranging from 0.1-2.2 percent, while the U.S. weighted average is 12.2 percent ad valorem. This high weighted average reflects the comparatively small amount of duty-free U.S. imports and relatively large amount of U.S. imports in high duty brackets, as compared with the other four major nations.

With regard to dutiable products, the European Community has both the lowest arithmetic average (6.4 percent ad valorem) and the lowest weighted average (5.7 percent). Japan has the highest arithmetic average at 10.2 percent ad valorem, just slightly above the U.S. level of 10.1 percent. However, the United States has the highest weighted average, which at 18.2 percent is over twice that of Japan. Over 90 percent of all imports into Canada, the Community, Japan, and the United States were accorded MFN treatment. The United Kingdom had MFN

1/ For specific coverage of this subsector, see BTN headings 50.01-.03; 53.01-.05; 54.01-.02; 55.01-.04; 56.01-.04; 57.01-.04 and 63.01-.02.

Chart-I-5-E. -- Average MFN tariff rates on textile fibers and waste
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1978 on nearly all Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

imports of only 47 percent; however, 53 percent of United Kingdom imports receive preferential treatment under the Commonwealth and EFTA agreements.

As illustrated in table I-5-E, half or more of the rate provisions of Canada, Japan, and the Community for textile fibers and waste are duty free. Over one-fourth of U.S. tariff provisions are free, as are 40 percent of those of the United Kingdom. The Community has no provisions higher than 10 percent ad valorem, which is also true for

Table I-5-E.--Distribution, by duty level, of MFN tariff provisions for textile fibers and waste

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	66.7	26.5	57.9	50.0	40.0
0.1-5.0 percent----	13.3	28.3	2.6	16.6	36.0
5.1-10.0 percent----	17.8	14.6	23.7	33.2	20.0
10.1-15.0 percent--	-	16.3	13.2	-	4.0
15.1-20.0 percent--	-	8.5	-	-	-
20.1-25.0 percent--	2.2	1.7	2.6	-	-
25.1-30.0 percent--	-	1.7	-	-	-
30.1-40.0 percent--	-	.9	-	-	-
40.1-50.0 percent--	-	1.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

nearly all of the rate provisions of the United Kingdom. Only a negligible proportion of Canadian and Japanese provisions are above 15 percent; almost 15 percent of U.S. rates are above this level. Concerning MFN imports of textile fibers and waste, virtually all Japanese imports enter duty free, as do over 90 percent of shipments to the European Community and the United Kingdom (table I-5-F). Over three-quarters of Canadian entries are also duty free. Nearly one-third of

Table I-5-F.--Distribution, by duty level, of MFN imports of textile fibers and waste

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	78.7	33.1	98.6	90.8	91.9
0.1-5.0 percent----	.9	4.4	-	5.6	.2
5.1-10.0 percent----	19.4	22.4	1.3	3.6	3.6
10.1-15.0 percent--	-	8.1	.1	-	4.3
15.1-20.0 percent--	-	.7	-	-	-
20.1-25.0 percent--	1.0	-	-	-	-
25.1-30.0 percent--	-	23.9	-	-	-
30.1-40.0 percent--	-	2.2	-	-	-
40.1-50.0 percent--	-	4.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

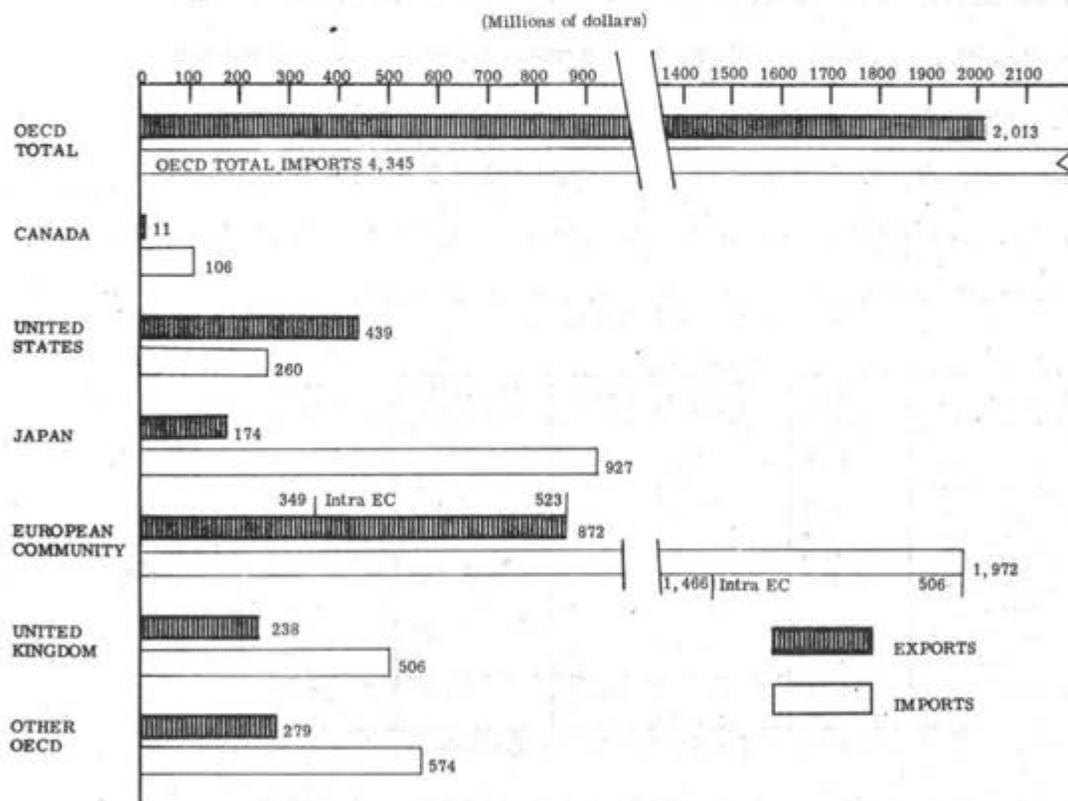
U.S. imports enter duty free, another third are assessed at rates between 0.1 and 15 percent ad valorem, nearly another third at rates between 15 and 30 percent.

The United States has the most complex tariff schedule for textile fibers and waste, with 144 tariff lines; the Community has the simplest with 30 lines. The United Kingdom's schedule has 50 lines; that of Canada, 45 lines; that of Japan, 38 lines.

Trade importance

Textile fibers and waste account for about 14 percent of OECD exports and 29 percent of OECD imports in textiles. OECD exports totaled \$2 billion in 1969, imports were \$4.3 billion (chart I-5-F). Among the

Chart I-5-F. --OECD trade in textile fibers and waste, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

119 industrial subsectors, wool fibers rank 15th and cotton 16th in value of aggregate MFN imports of the GATT tariff study countries.

Wool fibers rank as the sixth most important subsector for the Community and eighth for Japan. Cotton fibers rank fifth for Japan and eighth for the Community. U.S. imports of textile fibers amounted to \$260 million in 1969, and fell to \$172 million in 1971. Cotton fibers are the most important type of textile fiber import for the United Kingdom, Japan, and Canada. United Kingdom imports of cotton fibers are valued at \$120 million, Japanese imports at \$443 million, and Canadian imports at \$40 million. Wool fiber imports are the most important for the United States and the Community. U.S. imports of wool fibers are valued at \$169 million and EC imports at \$533 million.

Trade network

The five major countries account for about 86 percent of OECD exports and nearly 87 percent of OECD imports of textile fibers (tables I-5-G and H.) Of the five major countries, the European Community is the largest supplier to the world, being the source for 43 percent of OECD exports, followed by the United States and the United Kingdom. In 1969, Australia was the most important of all supplying countries (shipping chiefly raw wool), but dropped from this position in 1970. The European Community and Japan are the most important importing countries, followed by the United Kingdom. Canada is, of the five, the least important both as an importer and exporter of textile fibers. Half of U.S. exports go to non-OECD countries as

Table I-5-G.--OECD exports of textile fibers and waste, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,013	11	439	174	<u>1/</u> 872	238	279
OECD total-----	1,353	8	216	51	740	163	175
Canada-----	60	-	38	1	2	19	-
United States---	87	4	-	17	34	24	8
Japan-----	77	X	58	-	6	10	3
European Community-----	<u>1/</u> 750	2	78	18	523	49	80
United Kingdom--	94	X	18	2	39	-	35
Other OECD-----	285	2	24	13	136	61	49
Non-OECD total----	660	4	223	123	132	75	103
LDC's-----	455	2	213	100	73	26	41

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-5-H.-- OECD imports of textile fibers and waste, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,345	106	260	927	<u>1/</u> 1,972	506	574
OECD total-----	1,411	66	92	87	766	112	288
Canada-----	7	-	4	X	2	1	X
United States---	251	42	-	66	88	22	33
Japan-----	47	1	16	-	16	1	13
European Community-----	<u>1/</u> 720	2	39	5	506	46	122
United Kingdom--	174	19	26	11	52	-	66
Other OECD-----	212	2	7	5	102	42	54
Non-OECD total----	2,933	41	168	840	1,205	394	285
LDC's-----	1,493	28	75	375	632	186	197

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

well as nearly three-fifths of Japanese exports. The remainder of U.S. exports go chiefly to the European Community (18 percent) and Japan (13 percent). Almost 65 percent of U.S. imports come from non-OECD nations, 15 percent from the European Community and one-tenth from the United Kingdom.

Intra-EC imports are about one-third the value of EC receipts from outside origins, about 82 percent of which are supplied by non-OECD countries. The United States is the principal developed country supplying imports to Canada and Japan. However, non-OECD countries are the largest suppliers of textile fibers to Japan and the United Kingdom.

Generally, trade flows among the five countries are in the direction of countries having lower tariffs. The principal importers, the Community and Japan, have lower tariff averages when compared with the United States, which has generally higher averages and is the second least important importer.

Trade-agreement concessions

As seen in the following tabulation, for the United States and Canada, average tariff levels for textile fibers and waste are well below levels existing on pre-trade-agreement base dates. The lower current rates largely reflect concessions granted in reciprocal negotiations. The average tariff level for the Community is only slightly lower than the already low base date level, and that of the United Kingdom has not changed. Japan's average tariff level rose from zero to one-tenth of a percent. In November 1972, Japan made unilateral 20 percent reductions on all of its rates on textile fibers and wastes (except rates on silk worm cocoons and raw silk), thereby reducing the Japanese average level to about .08 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent	ad valorem)
United States	23.0	12.2
European Community	0.9	0.5
United Kingdom	0.9	0.9
Japan	0.0	0.1
Canada	6.4	2.9

All MFN provisions for wool fibers in the EC and U.S. tariff schedules have been the subject of GATT concessions. Ninety-two percent of the provisions in the Canadian schedule have GATT concessions, as do 86 percent of the Japanese, covering all MFN imports in both cases. However, the schedule of the United Kingdom has only 78-89 percent of its provisions covered under the GATT, and these concessions deal with a mere 5-22 percent of MFN imports. All MFN provisions for cotton fibers in the tariff schedules of the Community, Canada, Japan and the United Kingdom have been the subject of GATT concessions, but only 29 percent of U.S. provisions, covering 57 percent of MFN imports.

All EC member state tariff schedules prior to the adoption of the Common External Tariff contained concessions under the GATT. Of 80 concessions in the national tariffs, 18 were at rates above the CXT autonomous rates, 42 at the CXT rate, and 20 below the CXT rate.

Trade-agreement concessions in major country tariffs dealing with wool, cotton, and manmade fibers are shown in tables I-5-I, J and K. Much of the trade in natural fibers flows without tariffs, bound free of duty (tables I-5-I and J). Japan has granted tariff reductions of 50 percent below the general rate on manmade or synthetic and artificial fibers (e.g., nylon, polyacrylonitrile, polyester, acetate) (table I-5-K).

On comparable commodities, EC reductions of MFN rates range from 33 percent to 39 percent from the "autonomous" rates, and Canada's reductions from the general rate amount to 33.3 percent. The greatest reductions on tariff rates from statutory levels on manmade fibers have been made by the United Kingdom (ranging from 72 percent to 81 percent) and the United States (70 percent to 79 percent).

An examination of the concession rates granted by five countries on manmade fibers during the Kennedy Round shows the following reductions

Table I-5-1---Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on wool fibers
(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10%-35%; Free	4%-15%; Free	2%-15%; Free ^{2/}	186.20, .40, .55, .60; 306.00
	14%-78% AVE	6%-43% AVE	Free-22% AVE ^{3/}	306.11-14, .21-24, .41-.84; ^{3/}
	45%-86% AVE	24%-54% AVE	24%-54% AVE ^{4/}	307.02-.04 ^{3/} ; 306.31-.34; 307.50-.52
Canada-----	Free	Free	Free	53005-1; 53015-1
	21.1% AVE; 20%	14.1% AVE; 15%	7.0% AVE; 7.5%	53010-1; 53020-1
European Community--	Free; 3%	Free; 3%	Free; 1.5%; 3%	53.01-.05
United Kingdom-----	Free	Free	Free	53.01(A), .02(A), .03(B)
	10% 15%; 30%	10% 5%; 20% ^{5/}	5% Free	53.01(B), .02(B)(2) 53.02(B)(1), .03(A)
Japan-----	Free	Free	Free	53.01-.05

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Duty-free items represented about one-half of the value of imports in 1971.

^{3/} Range of ad valorem equivalents of specific rates of duty of 4.5 cents to 14 cents per pound based on imports in 1971; not including items 306.40, .50, .60, .70, and .80; item 306.51 became duty-free post Kennedy Round.

^{4/} Range of AVE's of specific rates of duty of 25.5 cents to 33 cents per pound and a compound rate of 27.75 cents per pound plus 6.25 percent ad valorem; represented items, amounting to nearly one-third of the value of imports in 1971, not subject to concessions in the Kennedy Round.

^{5/} The United Kingdom rate of duty is the greater of a specific or an ad valorem rate; only the latter (20 percent) is listed here.

Table I-5-J.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on cotton fibers

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free 5%; 17.5%; 17.9% AVE ^{3/}	Free 5%; 4.48%; 8.75% AVE	Free ^{2/} 5%; 4.48%; 8.75% AVE ^{2/} ^{4/}	300.10, .30, .40 300.15, .20, .45, .50
Canada-----	Free; 12.5%	Free; 9%	Free; 5%	52005-1; 52010-1
European Community--	Free 3%	Free 3%	Free 1.5%	55.01-.03 55.04
United Kingdom-----	Free 10%; 30% 10%; 30%	Free 10% ^{5/} 13% AVE; ^{6/} 20% ^{5/}	Free 5% 5%; Free	55.01(A); 55.02(A); 55.03(B) 55.01(B); 55.04(B); 55.04(A) 55.02(B); 55.03(A)
Japan-----	Free	Free	Free	55.01-55.04

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About 52 percent of U.S. imports in 1971 were duty-free, about 39 percent dutiable at 8.75 percent ad valorem equivalent, and the remainder at 4.48 percent AVE.

^{3/} Ad valorem equivalent of a specific rate of duty of 7 cents per pound, calculated on 1971 import values.

^{4/} Ad valorem equivalent of specific rates of duty of 1.75 or 3.5 cents per pound, calculated on 1971 import values.

^{5/} The rate for 55.04(A) and 55.03(A) is the greater of a specific or an ad valorem rate; only the latter is listed here.

^{6/} Ad valorem equivalent of specific rate of duty of 4/5 pence per pound, calculated on 1971 import values.

in duties from those in effect prior to the negotiations; Japan, 50 percent; EC, 33 to 39 percent (no Japanese or EC concessions were made prior to the Kennedy Round); Canada, 20 percent, except for manmade fibers for use in the manufacture of carpets (such fibers had undergone previous duty reductions of 33.3 percent); United Kingdom 33 to 35 percent; and the United States, 50 percent.

Table I-5 - K.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on synthetic and artificial fibers (except wastes)

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%; 45% 45.9% AVE; 86.9% AVE ^{3/}	15%; 21% 22.9%; 36.9% AVE	7.5%; 10.5% ^{2/} 11.5%; 18.5% AVE ^{2/} ^{4/}	309.30, .31, .41, .43, .50, .80, .90
Canada-----	15% 15%	12.5% 10%	10% 10% ^{5/}	56005-1; 56010-1; 56015-1 56020-1
European Community----	12%-14%	12%-14%	8.5%-10%	56.01A, B; 56.02A, B; 56.04A, B
United Kingdom-----	51.6% AVE-110% AVE ^{6/}	15.6%-47.2% AVE	10%; 10.4%-30% AVE ^{7/}	56.01, .02, .04
Japan-----	25% or 15%	25% or 15%	12.5% or 7.5%	56.01-1, .01-2 56.02-1, .02-2, .02-3 56.04-1, .04-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} All tariff items were subject to concessions granted in the Kennedy Round. About 92 percent of import trade in terms of imports in 1970 was dutiable at 7.5 percent ad valorem.

^{3/} The ad valorem equivalents (AVE) shown are based on U.S. imports during 1970 and represent a compound rate of 10 cents per pound plus 30 percent ad valorem and a specific rate of 40 cents per pound, respectively. Small imports in three TSUS classes, whose AVE's, based on 1970 imports, were 2.7 percent, 90.6 percent, and 104.1 percent were not included in the imports represented by the AVE's as shown.

^{4/} The ad valorem equivalents (AVE) shown are based on U.S. imports during 1970 and represent a compound rate of 2.5 cents per pound plus 7.5 percent ad valorem and a specific rate of 18.5 cents per pound, respectively. Small imports in three TSUS classes, whose AVE's, based on 1970 imports, were 0.9 percent, 21.8 percent, and 25.4 percent, were not included in the imports represented by the AVE's as shown.

^{5/} Certain manmade fibers, for use in the manufacture of carpets, were excluded by the European Community from Kennedy Round concessions.

^{6/} The ad valorem equivalents shown are based on United Kingdom imports during 1970 and represent a compound rate of 2s per pound plus 10 percent ad valorem as applied to various classes. About 69 percent of imports was subject to duties equivalent to 52-55 percent ad valorem.

^{7/} The ad valorem equivalents shown are based on United Kingdom imports during 1970, subject to specific rates ranging from 3.6d. per pound to 7.2d. per pound.

Fabrics and Similar Products

Fabrics and similar products include woven fabrics of wool, cotton, silk, synthetic and artificial fibers, jute and hard fibers and other types of fabrics, such as pile, chenilles, coated, impregnated, elastic and knitted fabrics of all fibers. 1/

MFN tariffs

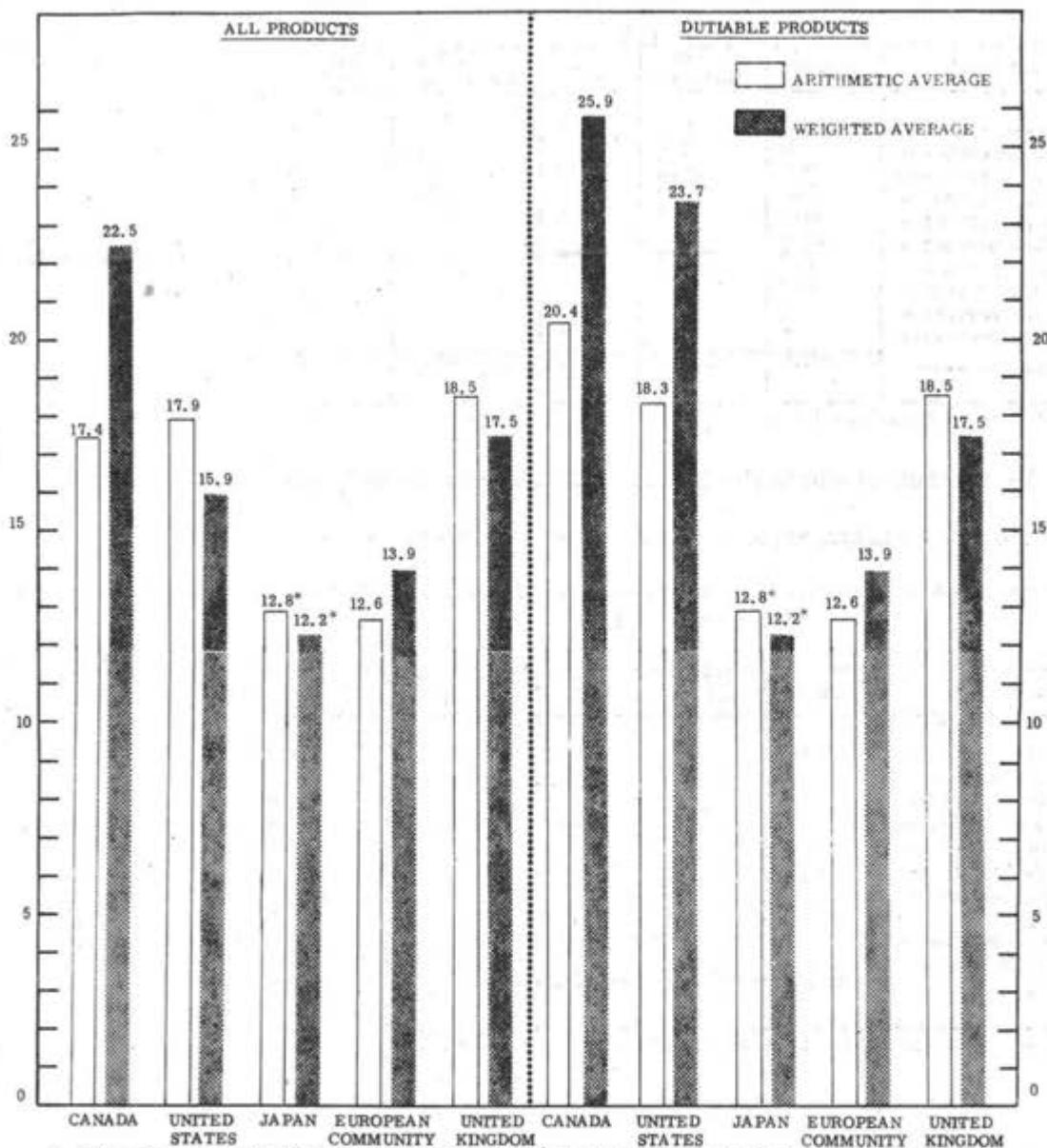
MFN average tariffs of the five major countries for fabrics and similar products cover about a 12 percentage point range (see chart I-5-G). At the bottom of the range are tariffs of Japan and the Community with weighted averages of 12.2 and 13.9 percent ad valorem, respectively. At the top is Canada, with averages for dutiable products of 20.4 percent (weighted) and 25.9 percent ad valorem (arithmetic).

Virtually all imports into the United States and the European Community are accorded MFN treatment, as well as 92 percent of Japanese imports. Nearly five-sixths of Canadian imports are extended MFN treatment, but only 46 percent of United Kingdom imports are MFN, the rest receiving preferential tariff treatment.

Only Canada and the United States, of the five major countries, have duty-free provisions for fabrics and similar products in their tariff schedules (table I-5-L). Over one-third of the remaining Canadian provisions are in the 15.1-20 percent ad valorem duty range, while over one-fifth are in the 20.1-25 percent bracket. In the tariff schedules of the United States, more than one-quarter of the provisions are in the 10.1-15 percent range, one-fifth in the 15.1-20 percent range and another one-tenth in both the 20.1-25 and 25.1-30 percent ranges. The

1/ For specific coverage of this subsector see BTN headings 50.09-.10; 51.04; 52.02; 53.11-.13; 54.05; 55.07-.09; 56.07; 57.09-.12; 58.04; 58.08; 59.07-.09; 59.11; 59.13; 60.01.

Chart I-5-G. -- Average MFN tariff rates on fabrics and similar products
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1971 on Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

United States is the only nation with tariff provisions over 40 percent. Forty-three percent of the Japanese provisions are in the 5.1-10 percent bracket; another third in the 10.1-15 percent range. Over half of the EC provisions are in the 10.1-15 percent bracket; 94 percent of the United Kingdom tariff provisions fall in the 15.1-20 percent range.

Table I-5-L.--Distribution, by duty level, of MFN tariff provisions for fabrics and similar products

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	14.7	2.2	-	-	-
0.1-5.0 percent----	1.8	3.4	1.5	-	-
5.1-10.0 percent---	9.5	14.8	43.3	30.0	-
10.1-15.0 percent--	5.2	27.2	31.3	56.0	-
15.1-20.0 percent--	35.3	21.2	13.4	12.0	94.0
20.1-25.0 percent--	21.6	11.8	7.5	2.0	6.0
25.1-30.0 percent--	5.2	9.6	3.0	-	-
30.1-40.0 percent--	6.9	8.1	-	-	-
40.1-50.0 percent--	-	.2	-	-	-
Over 50 percent----	-	1.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

About 13 percent of Canada's imports of fabrics, as well as nearly one-third of United States imports enter duty free (table I-5-M).

Table I-5-M.--Distribution, by duty level, of MFN imports of fabrics and similar products

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	12.9	32.9	-	-	-
0.1-5.0 percent----	-	4.5	-	-	-
5.1-10.0 percent---	3.3	12.7	56.0	4.6	-
10.1-15.0 percent--	.6	11.2	6.6	80.4	-
15.1-20.0 percent--	21.6	6.6	35.2	14.1	100.0
20.1-25.0 percent--	12.9	1.9	1.7	.8	-
25.1-30.0 percent--	17.1	11.4	.4	-	-
30.1-40.0 percent--	31.5	3.1	-	-	-
40.1-50.0 percent--	-	15.4	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

One-third of the Canadian imports pay duties of from 30.1-40 percent ad valorem. U.S. imports are scattered throughout the duty ranges with approximately one-eighth falling in the 5.1-10 percent range, one-tenth in the 10.1-15 percent and 25.1-30 percent brackets, and 15 percent in the 40.1-50 percent ad valorem range. Of Japan's imports, over half enter

in the 5.1-10 percent range, while four-fifths of EC imports pay duties ranging from 10.1-15 percent ad valorem. All United Kingdom imports fall into the 15.1-20 percent bracket.

There is a significant variation in the MFN tariff averages for the various kinds of fabrics. The averages tend to be highest for wool fabrics, followed by synthetic and artificial fabrics and cotton fabrics. The United States had the highest arithmetic averages for wool and synthetic fabrics of the five countries. Its weighted average in wool similarly exceeded that of any of the other countries, while Canada's weighted average for synthetic fabrics was slightly higher than that of the United States. For cotton fabrics, the United Kingdom had the highest arithmetic average while Canada had the highest weighted tariff average. These comparisons are shown in the table I-5-N.

Table I-5-N.--Average MFN tariff rates on selected fabrics

(percent ad valorem)

Type of fabric	European Community		United States		Canada		Japan		United Kingdom	
	A* : W*	A* : W*	A* : W*	A* : W*	A* : W*	A* : W*	A* : W*	A* : W*	A* : W*	
Wool	:	:	:	:	:	:	:	:	:	:
fabrics--	11.8 : 13.5	35.2 : 46.5	23.6 : 29.1	10.4 : 15.6	17.5 :	17.5				
Cotton	:	:	:	:	:	:	:	:	:	:
fabrics--	13.0 : 14.0	18.2 : 12.1	15.1 : 18.1	11.2 : 7.1	20.0 :	17.5				
Synthetic	:	:	:	:	:	:	:	:	:	:
fabrics--	15.0 : 15.0	24.4 : 27.9	14.5 : 29.5	15.0 : 11.8	17.5 :	17.5				
Jute	:	:	:	:	:	:	:	:	:	:
fabrics--	19.0 : 18.5	6.2 : 0.0	0.0 : 0.0	20.0 : 20.0	20.0 :	20.0				

* A = arithmetic average; W = own-trade weighted average.

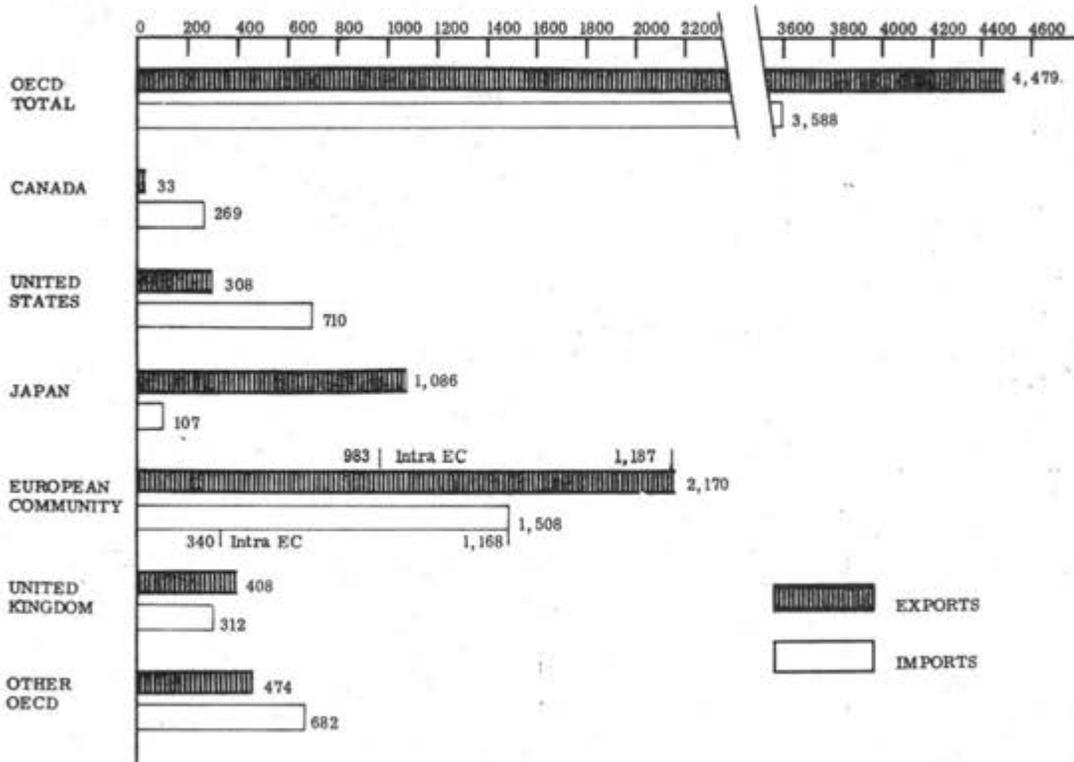
Source: Basic Documentation for the Tariff Study, GATT.

The most complex tariff schedule for fabrics belongs to the United States with 1,276 lines, the simplest is the United Kingdom's, 27 lines. Canada has 54 lines, Japan, 41 and the Community, 38.

Trade importance

Fabrics and similar products make up the third largest category in the OECD import textile trade and the first in the export textile trade, with total 1969 OECD imports of \$3.6 billion and exports of \$4.5 billion (chart I-5-H). It is the second largest category in U.S. textile imports

Chart I-5-H. -- OECD trade in textile fabrics and similar products, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

(\$710 million in 1969, \$801 million in 1971), as well as in U.S. textile exports (\$308 million in 1969). Among the 119 categories of industrial products, cotton fabrics is the most important of the textile categories for the Community and the United States; "other" fabrics (pile, chenilles, coated, elastic and knitted fabrics of all fibers) are the most important for Canada, Japan, and the United Kingdom.

Trade network

The five major countries account for over 89 percent of OECD exports of fabrics and about 81 percent of imports (tables I-5-0 and P). The largest exporter to the world is the European Community, followed by Japan (however, if intra-EC exports were discounted, the Community would fall to second place behind Japan). The principal importing countries are the Community (again by virtue of intra-EC shipments) and the United States. Complete country of destination data are not available for 12 percent of Canadian exports, 10 percent of U.S. exports, 13 percent of Japanese exports, 5 percent of EC exports, and 9 percent of United Kingdom exports. Of those exports accounted for, two-thirds of Japanese exports go to non-OECD countries, as do nearly two-fifths of U.S. exports and the external exports of the Community.

Table I-5-0.--OECD exports of textile fabrics and related products, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,479	33	308	1,086	<u>1/</u> 2,170	408	474
OECD total-----	2,856	26	170	309	1,715	252	384
Canada-----	175	-	75	39	26	28	7
United States---	399	12	-	211	188	35	23
Japan-----	59	X	8	-	25	21	5
European Community-----	<u>1/</u> 1,404	2	49	28	1,187	53	85
United Kingdom--	194	10	19	7	79	-	79
Other OECD-----	625	2	19	24	280	115	185
Non-OECD total----	1,253	3	107	631	347	118	47
IDC's-----	911	2	81	513	220	70	25

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 12 percent of Canadian exports, 10 percent of U.S. exports, 13 percent of Japanese exports, 5 percent of EC exports, and 9 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-5-P.-- OECD imports of textile fabrics and related products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,588	269	710	107	<u>1/</u> 1,508	312	682
OECD total-----	2,920	221	397	62	1,402	213	625
Canada-----	26	-	8	X	2	13	3
United States---	216	117	-	7	48	22	22
Japan-----	316	40	210	-	31	8	27
European Community-----	<u>1/</u> 1,675	25	115	26	1,168	81	260
United Kingdom--	277	31	34	23	60	-	129
Other OECD-----	410	8	30	6	93	89	184
Non-OECD total----	665	47	309	46	103	103	57
LDC's-----	555	33	305	38	67	91	21

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The remainder of U.S. exports goes principally to Canada (over one-fourth) and the European Community (18 percent). The United States is the main developed country market for the remaining Japanese and EC exports.

Thirty percent of U.S. imports come from Japan, 16 percent from the European Community and nearly 43 percent from LDC's. EC imports from external sources are small; intra-EC shipments supply virtually the entire EC market. The United Kingdom is the Community's chief supplier among the five major countries, accounting for 18 percent of imports from outside countries. The European Community is the principal developed country supplying United Kingdom and Japanese imports. Over 43 percent of Canada's imports originate in the United States. Japan, the United Kingdom, and the Community are net exporters; the United States and Canada are net importers.

Trade-agreement concessions

Average tariff levels on fabrics of all the major countries have been significantly reduced through trade-agreement concessions, as shown in the following tabulation. The greatest reduction has been that of the U.S. tariff, being reduced by over 33 percentage points. EC member state national tariffs prior to the adoption of the Common External Tariff contained 225 GATT concessions on textile fabrics and similar products, 105 of which were at rates higher than the CXT rate, 18 at rates equaling that of the CXT, and 102 below the CXT rate. Japan, in November 1972, made unilateral reductions in all of its rates on fabrics and similar products, thereby reducing the Japanese average level to about 9.8 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	49.3	15.9
European Community	17.5	13.9
United Kingdom	24.5	17.5
Japan	19.2	12.2
Canada	37.5	17.4

GATT concessions cover all EC, U.S., Japanese, and United Kingdom MFN tariff provisions on cotton fabrics; and 84 percent of Canada's cotton fabrics provisions (but 100 percent of imports). For synthetic and artificial fabrics, GATT concessions cover all EC, U.S., and United Kingdom MFN provisions; 80 percent of Japan's MFN provisions (86 percent of imports); and 69 percent of Canada's MFN provisions (99 percent of imports).

All five major countries are participants in the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), a multi-lateral agreement negotiated under the sponsorship of GATT under which some 30 trading partners have entered into agreements to limit their imports or exports of cotton textiles. Certain tariff reductions of the European Community and the United States are conditional upon extension of the Long-Term Arrangement. ^{1/}

Some concessions by the five countries in tariffs dealing with woven cotton fabrics, woven synthetic and artificial fabrics, and woven woolen fabrics are shown in tables I-5-Q, I-5-R, and I-5-S. On imports of cotton fabrics, overall reductions since pre-trade-agreement base dates have been as follows: The United States, 42 to 56 percent; Canada, 33 to 43 percent; the European Community, 24 to 26 percent; the United Kingdom, 12.5 percent; and Japan, 25 percent. On imports of synthetic and artificial fabrics, similar reductions are in effect. Overall reductions by the United States were 68 percent; Canada's were 50 percent; the European Community reduced rates by 25 to 38 percent, the United Kingdom by 50 percent, and Japan by 50 percent. For woolen fabrics, reductions have been made in all of the five major country tariffs except that of the European Community.

^{1/} The LTA expired on December 31, 1973. It was subsumed by a multifiber "Arrangement Regarding International Trade in Textiles" which entered into force on January 1, 1974.

Table I-5-Q--Pre-trade-agreement tariff rates compared with January 1, 1972
MFN tariff rates on cotton fabrics, wholly of cotton (except gauze or terry)

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10.35%-46.65%	7.75%-29.5%	5.9%-22.22% ^{2/}	320.01-.98 321--through 325--
	34.76%-59.7% AVE ^{3/}	24.9%-35.6% AVE	18.9%-27.1% AVE ^{2/} ^{4/}	
Canada-----	30%-35%	20%-25%	17.5%-20%	52201-1; 52202-1; 52203-1; 52204-1
European Community--	17%-19%	17%-19%	13%-14% ^{5/}	55.09A & B
United Kingdom-----	20%	17.5%	17.5%	55.09(B)
Japan-----	10% ^{6/}	10% ^{6/}	7.5% ^{6/}	55.09-4

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (Post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} All items covered were subject to concessions granted in the Kennedy Round; 1970 imports amounted to \$132 million.

^{3/} The ad valorem equivalents (AVE) shown are based on U.S. imports during 1970 and represent compound rates of duty which ranged from 10¢ per pound plus 31% ad valorem to 10¢ per pound plus 57.5% ad valorem.

^{4/} The ad valorem equivalents shown are based on U.S. imports during 1970 and represent compound rates of duty which ranged from 3.8¢ per pound plus 17.11% ad valorem to 3.8¢ per pound plus 26.3% ad valorem.

^{5/} Reductions linked to continuation of Long-Term Arrangement on Cotton Textiles.

^{6/} Where the official rate is the greater of either a compound or an ad valorem rate, the latter is listed here.

Table I-5 - B.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on woven fabrics, of manmade fibers

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	85.5% AVE ^{2/}	31.1% AVE	27% AVE ^{3/}	338.30
Canada-----	66.2% AVE ^{4/}	40.5% AVE	32.8% AVE ^{5/}	56205-1
European Community--	21% 20%	21% 20%	13% 15%	51.04A 51.04B
United Kingdom-----	35% AVE ^{6/}	17.5% ^{7/}	17.5% ^{7/}	51.04
Japan-----	25% 15%	20%; 25% 15%	10%; 12.5% 7.5%	51.04-1 51.04-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The ad valorem equivalent (AVE) shown is based on U.S. imports during 1970 and represents a compound rate of duty of 45 cents per pound plus 70 percent ad valorem.

^{3/} The ad valorem equivalent shown is based on U.S. imports during 1970 and represents a compound rate of 13 cents per pound plus 22.5 percent ad valorem.

^{4/} The ad valorem equivalent is based on Canadian imports during 1970 and represents a compound rate of 45 percent ad valorem plus 40 cents per pound.

^{5/} The ad valorem equivalent is based on Canadian imports during 1970 and represents a compound rate of 25 percent ad valorem plus 15 cents per pound.

^{6/} The ad valorem equivalent is based on United Kingdom imports during 1970 and represents a compound rate of 3s6d per pound plus 10 percent ad valorem.

^{7/} Where the rate is the greater of either a specific or an ad valorem rate, the latter is listed here.

Table I-5 - 8.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on woolen fabrics, woven

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	73.5%-121.8% AVE ^{2/}	39.1%-110.1% AVE	27.7%-110.1% AVE ^{3/} (39.1% AVE)	336.10-.60
Canada-----	30% 36.6%-53.2% AVE ^{4/}	27.5% 25%-40.1% AVE	20% 10%; 20% 33.3% AVE ^{5/}	53205-1 through 53235-1
European Community--	13%; 18%	13%; 18%	13%; 18%	53.11A; 53.11B
United Kingdom-----	20%	23.3% AVE; 17.5%	17.5%	53.11(A), (B)
Japan-----	20% ^{6/} 20%	20% ^{6/} 20%	15% ^{6/} 10%	53.11-1 53.11-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (Post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The ad valorem equivalents shown are based on U.S. imports during 1970 and represent compound rates of duty which ranged from 40 cents to 50 cents per pound plus 55 percent to 60 percent ad valorem.

^{3/} Nearly all items (98 percent of 1970 imports) were excluded from Kennedy Round concessions, except for certain hand-woven and certain serge fabrics. The ad valorem equivalents shown are based on U.S. imports during 1970 and represent compound rates of duty which ranged from 30 cents to 37.5 cents per pound plus 12.5 percent to 60 percent ad valorem, and specific rates of 68 cents per pound and \$1.135 per pound. The AVE shown in parenthesis, based on 1970 imports, represented 95 percent of the import trade.

^{4/} The ad valorem equivalents shown are based on Canadian imports during 1970 and represent compound rates of duty ranging from 30 percent to 40 percent ad val. plus 20 cents to 40 cents per pound.

^{5/} The ad valorem equivalent shown is based on Canadian imports during 1970 and represents a compound rate of duty of 25 percent ad valorem plus 25 cents per pound.

^{6/} Where the official rate is the greater of either a specific or an ad valorem rate, the latter is listed here.

Clothing and Clothing Accessories

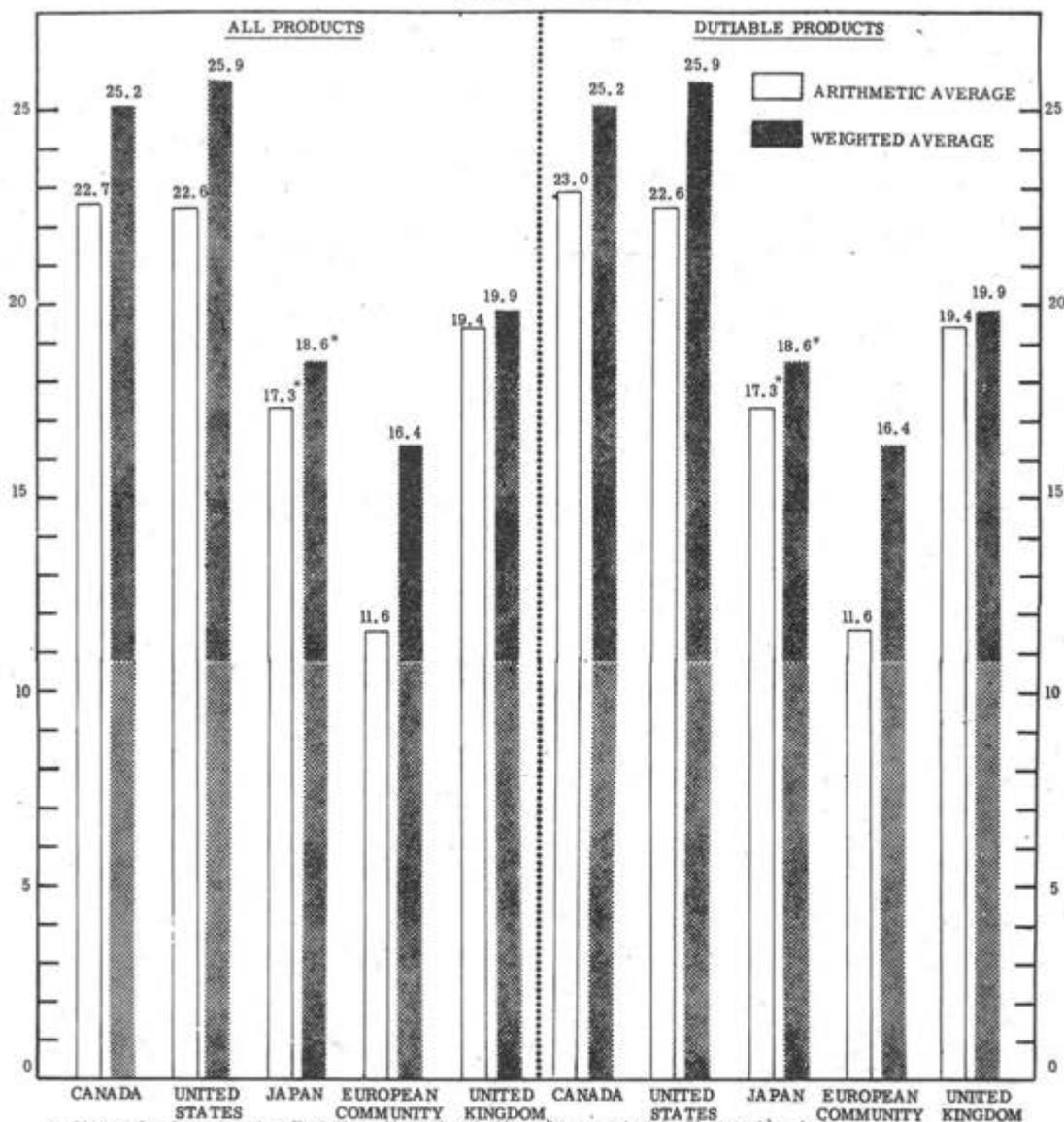
Clothing and clothing accessories for humans include all outer garments and under garments and accessories (e.g., gloves, handkerchiefs, shawls, scarves, ties) made of textile fabrics, whether woven, knitted, elasticized or rubberized. Fur and leather clothing and accessories are not included. ^{1/}

MFN tariffs

Generally, the tariff averages on clothing are the highest of all textile categories. For MFN imports of clothing and clothing accessories, the European Community holds the lowest tariff averages, 11.6 percent ad valorem on an arithmetic basis and 16.4 percent on a weighted basis (chart I-5-1). The highest average on total imports on an arithmetic basis is Canada's, at 22.7 percent ad valorem, with the United States average only slightly lower, 22.6 percent; the highest weighted average is that of the United States (25.9 percent), with Canada's following closely (25.2 percent). For "all items" and "dutiable items," all MFN rates are the same except for an insignificant difference in Canada's arithmetic average. This is due to the fact that of the five major countries, only Canada has any duty-free provisions for clothing (and the percentage of these duty-free Canadian provisions is very low).

^{1/} For specific coverage of this subsector, see BTN headings 60.02-.06; 61.01-.11; 65.01-.02; and 65.03-.05.

Chart I-5-I. -- Average MFN tariff rates on clothing and clothing accessories
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

MFN tariff treatment was accorded to nearly 98 percent of EC imports, 96 percent of U.S. imports, 90 percent of Canadian entries, and about three-quarters of shipments to Japan. However, almost three-fourths of United Kingdom entries were given preferential treatment.

Only Canada has duty-free tariff provisions for clothing and clothing accessories, though this involves only 1.4 percent of total Canadian tariff provisions (table I-5-T). No Canadian provision has a

Table I-5-T.--Distribution, by duty level, of MFN tariff provisions for clothing and clothing accessories

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	1.4	-	-	-	-
0.1-5.0 percent----	-	1.0	-	2.9	2.7
5.1-10.0 percent---	2.8	20.4	7.7	34.3	2.7
10.1-15.0 percent--	2.9	8.8	32.3	37.3	2.7
15.1-20.0 percent--	17.1	19.6	29.2	25.7	77.0
20.1-25.0 percent--	62.9	17.8	26.2	-	14.9
25.1-30.0 percent--	12.9	8.5	4.6	-	-
30.1-40.0 percent--	-	11.1	-	-	-
40.1-50.0 percent--	-	10.9	-	-	-
Over 50 percent----	-	1.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

duty-level higher than 30 percent ad valorem. Nearly two-thirds of the Canadian tariff provisions are in the 20.1-25 percent ad valorem range. The United States has tariff rates in every bracket, except free; the largest portions of the U.S. tariff provisions are in the 5.1-10 percent, 15.1-20 percent and 20.1-25 percent ranges, with about one-fifth of the provisions in each. One-third of Japanese provisions are in the 10.1-15 percent range, about 30 percent in the 15.1-20 percent bracket and over one-fourth in the 20.1-25 percent range. With no tariff provisions at any duty level greater than 20 percent, one-third of the EC provisions are in the 5.1-10 percent bracket, over one-third in the 10.1-15 percent ad valorem class, and one-fourth in the 15.1-20 percent bracket. Over three-quarters of the tariff provisions of the United Kingdom are in the 15.1-20 percent range.

Three-fifths of Canadian imports enter at rates of 20.1-25 percent ad valorem (table I-5-U). About one-quarter of U.S. imports pay duties

Table I-5-U.--Distribution, by duty level, of MFN imports of clothing and clothing accessories

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	0.1	-	0.3	0.1
5.1-10.0 percent----	0.2	8.2	1.8	4.9	1.1
10.1-15.0 percent--	-	3.2	15.0	9.4	.1
15.1-20.0 percent--	2.0	22.3	35.2	85.5	91.7
20.1-25.0 percent--	59.9	29.6	47.4	-	7.1
25.1-30.0 percent--	37.8	4.8	.6	-	-
30.1-40.0 percent--	-	9.5	-	-	-
40.1-50.0 percent--	-	22.6	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

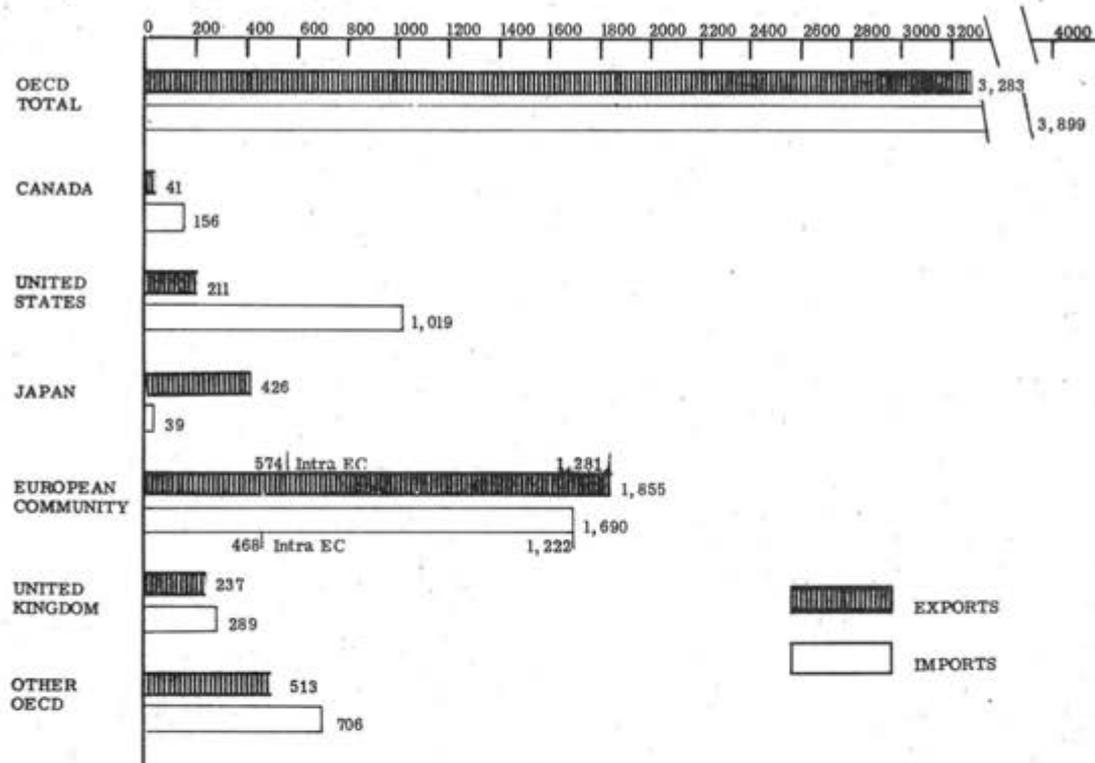
Note.--Due to rounding, figures may not add to 100 percent.

in each of the following brackets: 15.1-20 percent, 20.1-25 percent and 40.1-50 percent. Nearly half of Japanese imports enter in the 20.1-25 percent ad valorem duty level. About 86 percent of shipments into the Community are dutiable at rates of 15.1-20 percent ad valorem, as are 92 percent of United Kingdom entries.

Trade importance

In 1969, exports of clothing and clothing accessories by OECD countries were valued at \$3.3 billion; imports at \$3.9 billion (chart I-5-J). In 1970, exports rose to \$3.7 billion; imports to \$4.5 billion. Among the 119 industrial product categories, clothing ranks 11th in MFN industrial imports of the GATT tariff study countries. It ranks 7th for the United States, 21st for Canada and 23rd for the Community. U.S. imports were \$1 billion in 1969; by 1971 they rose to \$1.4 billion.

Chart I-5-I -- OECD trade in clothing and clothing accessories, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for over 84 percent of exports and about 82 percent of imports. The European Community is the largest exporter and (including intra-EC shipments) accounts for over half of OECD export shipments (table I-5-V). The value of intra-EC exports is over two times as large as EC exports to outside destinations. The Community's single largest customer is the United States. Japan, as the second largest exporter accounting for 13 percent of OECD exports, has the United States as its most important customer. The United States is the largest importer of clothing and clothing accessories, followed by

Table I-5-V.--OECD exports of clothing and clothing accessories, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,283	41	211	426	<u>1/</u> 1,855	237	513
OECD total-----	2,873	39	87	322	1,742	196	487
Canada-----	76	-	12	26	20	13	5
United States---	580	36	-	262	192	37	53
Japan-----	12	X	2	-	6	2	2
European Community-----	<u>1/</u> 1,484	1	48	23	1,281	45	86
United Kingdom--	126	1	6	5	27	-	87
Other OECD-----	595	1	19	6	216	99	254
Non-OECD total----	525	3	119	129	172	53	49
LDC's-----	374	3	112	88	118	32	21

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

EC imports from outside sources (table I-5-W). Nearly a quarter of U.S. imports come from Japan. Non-OECD countries (chiefly LDC's) are the source of over half of U.S. imports, EC imports from outside countries, and shipments to the United Kingdom, as well as over 40 percent of Canadian imports. EC imports from outside origins are equal to only slightly more than one-third of intra-EC shipments. Japan has the least imports of clothing among the five major countries.

Factors other than tariffs appear to exert a significant force in the clothing trade, as trade often appears to flow into, rather than away from, the areas having the higher tariff averages, as illustrated by the fact that the United States, the largest importer, also has some of the highest tariff averages.

Table I-5-W.--OECD imports of clothing and clothing accessories, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,899	156	1,019	39	1/ 1,690	289	706
OECD total-----	2,676	84	470	11	1,400	136	575
Canada-----	24	-	21	X	X	X	3
United States---	81	22	-	2	28	11	18
Japan-----	286	26	225	-	25	6	4
European Community-----	1/ 1,618	16	149	6	1,222	30	195
United Kingdom--	209	15	33	2	43	-	116
Other OECD-----	458	5	42	1	82	89	239
Non-OECD total----	1,123	65	521	27	257	147	106
LDC's-----	1,028	53	518	16	210	140	91

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

All five major countries have granted trade-agreement concessions on tariffs dealing with clothing and clothing accessories. Changes in average duty levels since pre-trade-agreement base dates are shown in the following tabulation:

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	44.8	25.9
European Community	20.4	16.4
United Kingdom	20.6	19.9
Japan	27.1	18.6
Canada	43.8	22.7

All of the EC member states had made GATT concessions on clothing and clothing accessories before they changed to the Common External Tariff.

Thirteen of the 236 concession rates contained in the member state schedules were at the CXT level, 132 were higher than rates established in the CXT, 91 at lower rates. The United States has made GATT concessions on 99 percent of its MFN provisions on clothing and clothing accessories, covering all U.S. imports; Japan's concessions cover 98 percent of its provisions (97 percent of trade); all MFN provisions in the three other major tariffs are under GATT concessions.

Tariffs on knit outerclothing, a large trade item, have been reduced in trade-agreement concessions by all five major countries (see table I-5-X). Reductions in U.S. tariff rates have ranged from 53 to

Table I-5-X.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on knit outerclothing

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	90%	42.5%	21%-42.5%	372.10 (pt.), .25, .30, .35
	52.3%-84.7% AVE ^{3/}	21.3%-44.2% AVE	13.4%-44.2% AVE ^{2/} ^{4/}	373.05 (pt.), .15, .20, .25 380.02 (pt.), .04 (pt.), .57, .59, .61, .81 (pt.); 382.02 (pt.), .04 (pt.), .48, .54, .58, .78
Canada-----	55%	32.5%-35%	27.5%	56805-1; 56810-1
European Community--	21%	21%	10.5%; 18%	60.05AI and II
United Kingdom-----	43% ^{5/}	25%-33.3%	20% ^{5/}	60.05A
Japan-----	30%	30%	21%	60.05-1
	25%	25%	17.5%	60.05-2(1), (2)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Only 7 percent of the tariff items covering about 2 percent of the value of 1970 imports was subject to concessions granted in the Kennedy Round.

^{3/} The ad valorem equivalents (AVE) shown, based on U.S. imports during 1970, represent compound rates of duty which ranged from 45 to 50 cents per pound plus 50 to 75 percent ad valorem.

^{4/} The ad valorem equivalents (AVE) shown, based on U.S. imports during 1970, represent compound rates of duty which ranged from 12 to 37.5 cents per pound plus 10.5 to 32.5 percent ad valorem.

^{5/} Where the official rate is that which is the greater of either a specific or an ad valorem rate, the latter is listed here.

83 percent. Canadian tariffs have been reduced about 50 percent from the statutory level. The Community's autonomous rates have been reduced by 50 percent for jerseys and pullovers made mostly of wool and 14 percent for all other knit outerclothing. The United Kingdom rate has been reduced by 53 percent. Japanese rates have been cut by 30 percent. The rate levels and concessions shown in table I-5-X are also approximately representative of outerclothing of woven fabrics.

Miscellaneous Textiles

The remaining categories of textiles, which will not be discussed in detail, are yarns and made-up articles and related products. The relative world trade importance of the categories can be seen in chart I-5-D at the beginning of the textiles sector.

U.S. trade has been as follows (in millions of dollars):

	<u>Exports</u>	<u>Imports</u>	
	(1969)	(1969)	(1971)
Yarns-----	137	100	343
Made-up articles-----	119	202	962

For each of the categories and for each of the five major countries, there are listed in table I-5-Y arithmetic and weighted average MFN rates

Table I-5-Y.--Average MFN tariff rates on miscellaneous types of textiles, and the highest rate bracket in which provisions of the major tariffs fall

(Percent ad valorem)						
Type of Textiles	Canada	United States	Japan ^{1/}	European Community	United Kingdom	United Kingdom
Yarns:	:	:	:	:	:	:
Arithmetic average-----	11.0	14.4	10.3	7.1	11.4	11.4
Weighted average-----	17.1	16.4	9.4	7.9	11.5	11.5
Highest rate bracket---	20.1-25	over 50	20.1-25	13.1-14	14.1-15	14.1-15
Made-up articles:	:	:	:	:	:	:
Arithmetic average-----	16.4	15.7	11.4	11.0	17.4	17.4
Weighted average-----	20.8	11.8	17.4	15.4	14.0	14.0
Highest rate bracket---	30.1-40	over 50	25.1-30	20.1-25	30.1-40	30.1-40

^{1/} Figures for Japan do not reflect the unilateral reductions made in 1972 in Japanese rates.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

of duty for total imports, and the highest duty bracket in which provisions of each of the five tariffs fall. In a simple count of "highest" and "lowest" rankings in the data in this table (i.e., highest/lowest arithmetic average, weighted average, etc.), the United States had the largest number of "highest" rankings; the European Community had the largest number of "lowest" rankings.

ELECTRICAL MACHINERY

Electrical machinery includes generators, motors, converters, and transformers; electro-magnets; primary cells and batteries; hand tools with self-contained electric motors; ignition, lighting, and signaling equipment; industrial and home heating equipment; telegraphic, telephonic, radio, and television apparatus; microphones and loudspeakers; electric traffic control equipment; electric sound or signaling apparatus; small appliances; insulators; and parts of electrical machinery and apparatus. ^{1/} This sector does not include dishwashing machines, clothes washing machines, ironing machines, or sewing machines.

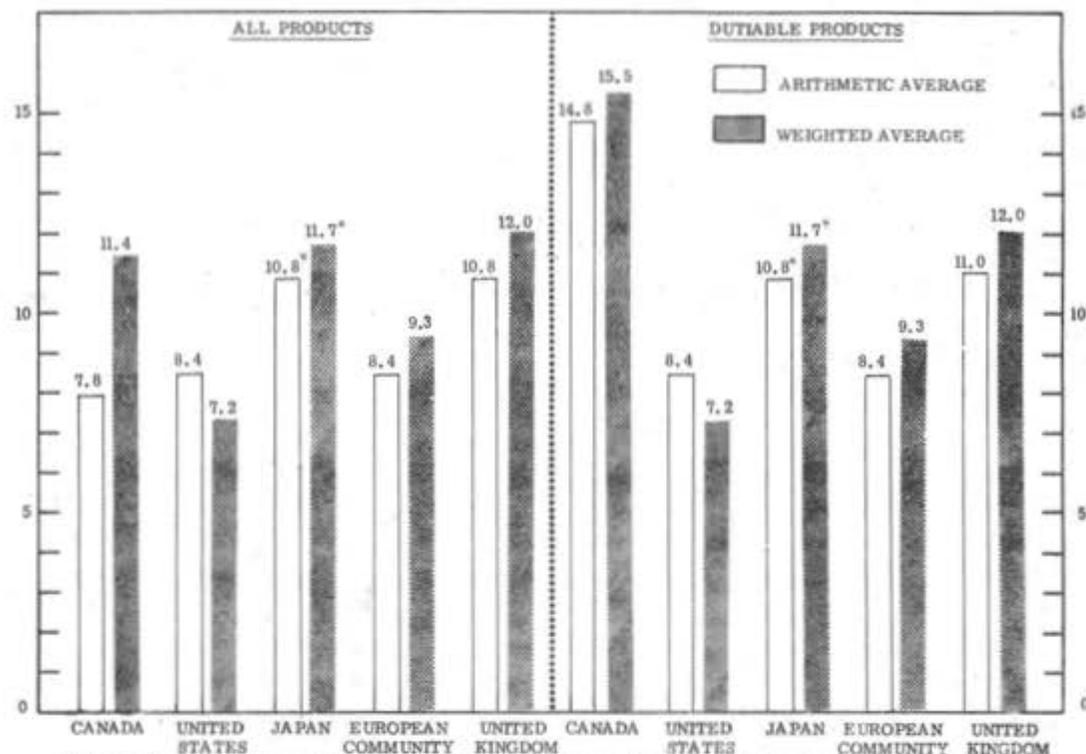
MFN tariffs

Except for Canada and the United Kingdom which have some duty-free tariff provisions in this sector, the average MFN tariff rates on electrical machinery for all products for each major country do not differ from their average rates on dutiable products alone. For all products, the United Kingdom has the highest weighted average (12 percent ad valorem); the United States has the lowest at 7.2 percent (see chart I-6-A). Canada has the lowest arithmetic average (7.8 percent ad valorem); Japan and the United Kingdom share the highest at 10.8 percent. Canada has both the highest weighted and arithmetic averages for dutiable products at 15.5 percent and 14.8 percent, respectively. Both the United States and the European Community hold the lowest

^{1/} For specific coverage of this sector, see BTN headings 85.01-.28. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-6-A. -- Average MFN tariff rates on electrical machinery and apparatus

(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by approximately 20 percent made in 1972 on four-fifths of the Japanese rates, and by amounts ranging from 40 percent to 71 percent on the remaining Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

arithmetic average at 8.4 percent ad valorem. The United States has the lowest weighted average (7.2 percent).

The distribution of tariff provisions by duty level is shown in table I-6-A. The largest portion of rate provisions is in the

Table I-6-A.--Distribution, by duty level, of MFN tariff provisions for electrical machinery and apparatus

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	47.3	-	-	-	1.6
0.1-5.0 percent----	.8	24.3	-	2.3	3.2
5.1-10.0 percent----	12.5	54.1	67.3	79.3	58.7
10.1-15.0 percent--	14.1	14.4	26.4	14.9	28.6
15.1-20.0 percent--	25.4	4.5	5.5	3.4	6.3
20.1-25.0 percent--	-	1.8	.9	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.9	-	-	1.6
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

5.1-10 percent ad valorem bracket for all countries except Canada, where 47 percent of the rate provisions are free. The tariffs of Canada and the United Kingdom contain MFN duty-free provisions for electrical machinery; those of the European Community, United States, and Japan do not. The rates of the United States and the United Kingdom range into the 30.1-40 percent ad valorem bracket.

Imports of electrical machinery receiving preferential treatment are noteworthy for three of the major countries. Such treatment is accorded 25 percent of entries into the United Kingdom, 4 percent into Canada, 3 percent into the United States, and intra-EC shipments far exceed imports from outside countries. Each country except Canada enters the largest portion of its MFN imports at rates ranging from 5.1-10 percent ad valorem (table I-6-B). Only Canada has duty-free MFN imports, a substantial 26 percent of MFN imports in 1970.

Table I-6-B.--Distribution, by duty level, of MFN imports of electrical machinery and apparatus

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	26.4	-	-	-	-
0.1-5.0 percent----	-	25.4	-	4.6	0.7
5.1-10.0 percent----	7.8	56.5	61.2	64.3	48.1
10.1-15.0 percent--	37.5	17.7	30.0	19.6	37.3
15.1-20.0 percent--	28.3	.3	1.6	11.5	13.9
20.1-25.0 percent--	-	-	7.2	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canada has the most detailed tariff schedule for electrical machinery with 120 tariff lines, while the United Kingdom has the least, with 63 lines. Japan has 110 lines; the United States, 97 lines; and the European Community, 87 lines.

Trade importance

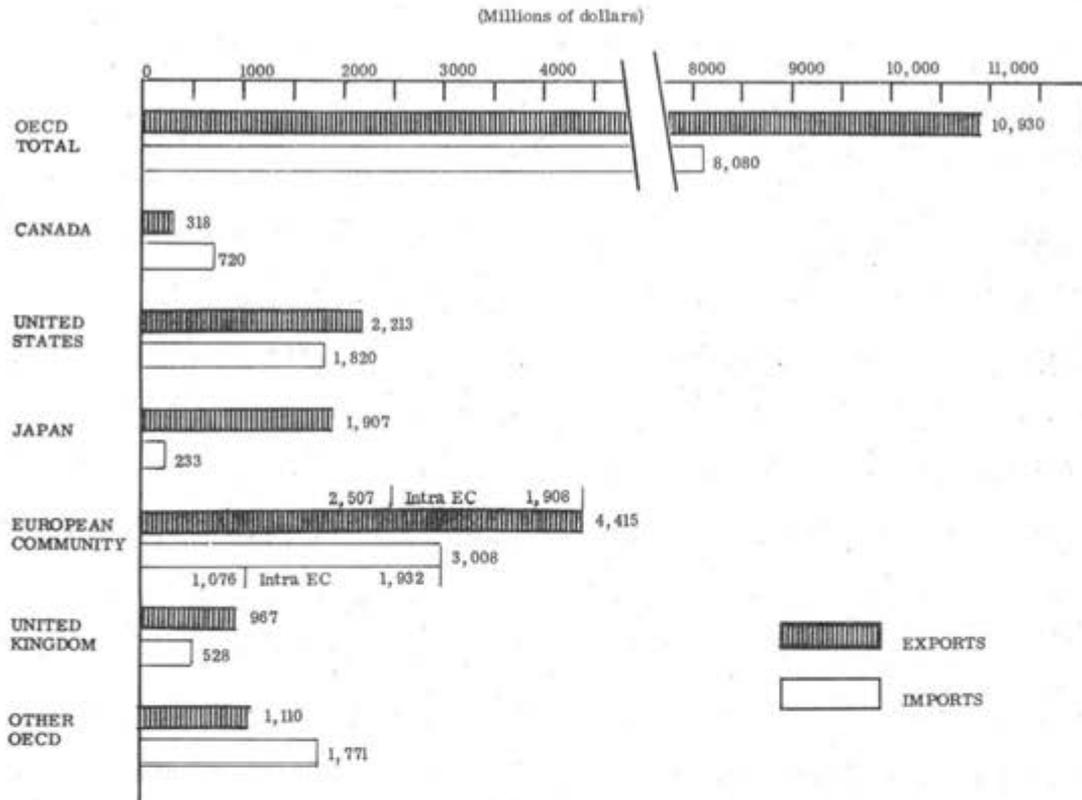
Electrical machinery ranks sixth among the industrial sectors in OECD exports and seventh in imports. The sector accounts for about 7 percent of OECD industrial exports and 5 percent of industrial imports. For the United States, the sector is the fifth most important in exports. It ranked sixth in 1969 U.S. imports.

Imports by the GATT tariff study countries were valued at \$4.1 billion in 1967, and \$7.2 billion in 1970. Intra-EC shipments were an additional \$1.2 billion in 1967 and \$2.4 billion in 1970. OECD 1969 imports were \$8.1 billion (including \$1.9 billion of intra-EC shipments) and exports were \$10.9 billion (see chart I-6-B). By 1970, imports increased to \$10 billion, while exports grew to \$13.2 billion.

Trade network

The five major countries account for nearly 90 percent of OECD exports of electrical machinery and 78 percent of imports. Over half of OECD exports go to the five major countries; over one-fourth to LDC's. Eighty-three percent of OECD imports are supplied by the five major countries.

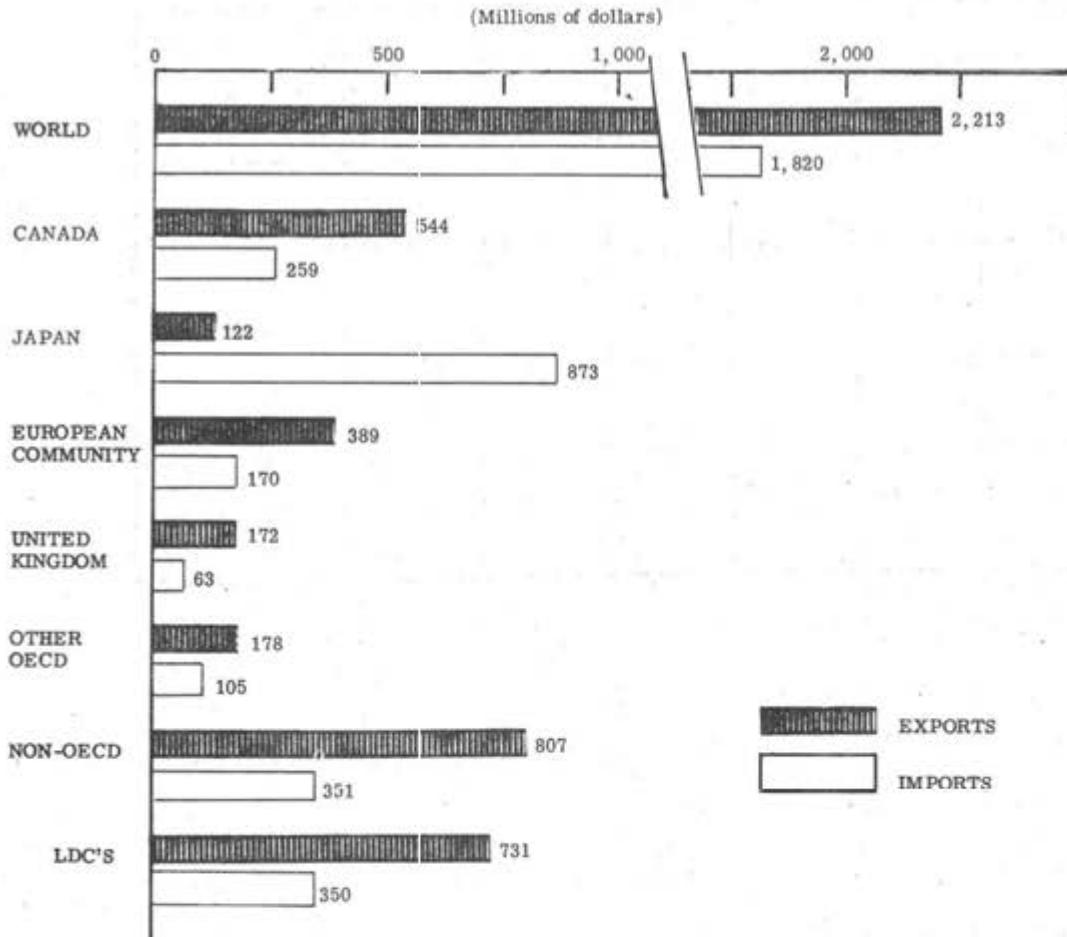
Chart I-6-B. -- OECD trade in electrical machinery and apparatus, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series F, 1969.

One-third of U.S. exports of electrical machinery go to less developed countries (chart I-6-C), where substantially higher tariffs and other trade barriers generally are encountered. Canada is the principal developed market for U.S. products, followed by the European Community. The United States takes about three-fourths of Canada's exports. Japan ships over one-third of its exports to LDC's, 48 percent to the United States, and 5 percent to the Community (table I-6-C).

Chart I-6-C. -- United States trade in electrical machinery and apparatus, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Intra-EC exports are equal to more than three-quarters of the Community's shipments to outside markets. Of the Community's outside exports, 36 percent go to LDC's, 7 percent to the United States, and 6 percent to the United Kingdom. The United Kingdom ships nearly one-third of its products to LDC's. The Community is the principal developed market for the United Kingdom.

Table I-6-C.--OECD exports of electrical machinery and apparatus, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	10,930	318	2,213	1,907	<u>1/</u> 4,415	967	1,110
OECD total-----	7,402	273	1,405	1,152	3,293	488	791
Canada-----	714	-	544	64	43	45	18
United States---	1,497	239	-	912	186	66	94
Japan-----	163	2	122	-	26	8	5
European Community----	<u>1/</u> 2,832	8	389	96	1,908	175	256
United Kingdom--	420	10	172	18	151	-	69
Other OECD-----	1,776	14	178	62	979	194	349
Non-OECD total----	3,566	47	807	756	1,159	479	318
LDC's-----	2,865	42	731	667	894	306	225

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Electrical machinery ranks sixth in industrial imports for Canada and the United States, eighth for the European Community, ninth for Japan and tenth for the United Kingdom. United States imports of electrical machinery were valued at \$1.1 billion in 1967, \$1.8 billion in 1969, and \$2.4 billion in 1971. Japan supplies nearly one-half of U.S. imports; LDC's about one-fifth, and Canada over 14 percent (table I-6-D). The United States is the origin of more than three-fourths of Canada's imports, 71 percent of Japan's, and over 40 percent of imports into the European Community from outside sources. However, the total Community imports from all external sources were only slightly over half as large as intra-Community shipments. The United States is the chief source of the United Kingdom's imports, followed by the European Community. Japan is not a very significant supplier to any major country except the United States.

Table I-6-D.—OECD imports of electrical machinery and apparatus, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	8,080	720	1,820	233	<u>1/</u> 3,008	528	1,771
OECD total-----	7,563	714	1,470	218	2,940	493	1,728
Canada-----	302	-	259	5	9	16	13
United States---	1,529	549	-	166	458	198	158
Japan-----	1,088	61	873	-	82	20	52
European Community-----	<u>1/</u> 3,284	39	170	27	1,932	170	946
United Kingdom--	536	49	63	11	190	-	223
Other OECD-----	824	16	105	9	269	89	336
Non-OECD total----	515	6	351	15	67	35	41
IDC's-----	439	5	350	15	37	23	9

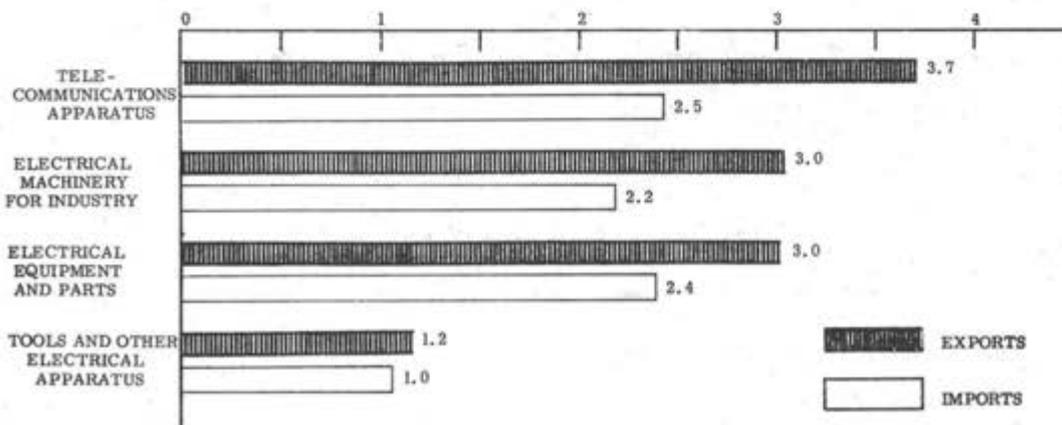
1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Electrical machinery is divided into four subsectors, of which telecommunications apparatus is the largest in both exports and imports (34 percent of exports, 30 percent of imports). The relative importance of the four subsectors is shown in chart I-6-D.

Chart I-6-D. -- OECD trade in electrical machinery and apparatus, by type, 1969
(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for electrical machinery were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates in this sector were unilaterally reduced in 1972 by approximately 20 percent on four-fifths of the rates and by amounts ranging from 40 to 71 percent on the remainder.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	34.5	7.2
European Community	16.9	9.3
United Kingdom	23.6	12.0
Japan	18.9	11.7
Canada	23.4	7.8

Concessions under the GATT have been made on all MFN provisions for electrical machinery in the tariff schedules of the European Community and the United Kingdom, as well as on 99 percent of the provisions of the United States (covering all electrical machinery trade). Ninety-three percent of Japan's provisions are under the GATT, covering about 82 percent of Japan's imports of electrical machinery. Canada's GATT concessions cover only 65 percent of its provisions and 80 percent of trade.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on electrical machinery negotiated under the GATT. The number of such concessions totaled 383, of which 212 reflected rates higher than the autonomous rate established in the CXT, 13 were at the CXT rate, and 158 were below the CXT rate.

Trade complaints

The Tariff Commission received 266 complaints from manufacturers and traders of electrical machinery against policies and practices which they felt to be detrimental to their competitive position in the world market. Half of the complaints received in this product sector concerned four general categories of trade barriers: Quantitative restrictions, embargoes and licensing practices; subsidies and other aids; industrial, health and safety standards; and import duties (in descending order of importance). Since electrical machinery is heavily traded among developed countries, it is not surprising that 70 percent of the complaints were against the major trading nations. One-fifth of the complaints were directed against the European Community, while Japan accounted for 12 percent, and the United States and the United Kingdom, 6 percent each. The less developed countries receiving the most complaints were Brazil, Spain, Mexico, and Colombia. The complaints are summarized in the following paragraphs.

Quantitative restrictions, embargoes and licensing.--About one-fifth of all the complaints received by the Tariff Commission concerning electrical machinery involved quantitative restrictions,

embargoes and licensing. Of all the nations mentioned, Japan was most frequently named as the object of complaints on quantitative restrictions. Japanese quotas were reported on the whole range of electrical machinery, including: Computers, transistors, turbine generators, power transformers, integrated circuits, power circuit breakers, communication and broadcast equipment, air conditioning equipment, and radio and television sets. Some types of quantitative restrictions on electronic products also were said to exist in the European Community, Iceland, Ireland, Korea, and the United Kingdom. U.S. producers of electrical machinery felt quantitative restrictions imposed by some European countries on Japanese and Korean imports caused the exporters of Japan and Korea to concentrate on the U.S. market. Greek quantitative restrictions were reported as favoring the European Community. Japan, Indonesia, Argentina, Brazil, Colombia, Mexico and Peru are said to apply quantitative restrictions in an attempt to protect local industry.

Embargoes on the importation of certain electronic products were reported prevalent in many Arab and Latin American countries. Peru, South Africa, Argentina, Colombia, Brazil, Ecuador and especially Mexico were mentioned as embargoing products capable of being produced locally. It was complained that Ceylon has an embargo on imports of electric lamps, considering them luxurious. Chile and Mexico embargo electric shavers. France and Japan are said to indirectly embargo certain electrical machinery by requiring licenses for the importation of such machinery and refusing to grant this license if the need can be filled locally. Egypt embargoes certain

electrical machinery unless its importation is specifically approved by a government ministry. Some Arab countries had refused to do business with a U.S. producer because of his failure to answer a questionnaire concerning his business operations in Israel.

Many countries refused to grant import licenses unless the imported product was of a type and specification not manufactured in the host country (France especially was mentioned in this regard). Complaints were registered about the licensing practices of Malta, Greece, Portugal, Turkey, Spain, the United States and South Africa. It was reported that in Mexico no licenses are issued for the importation of electric drills.

One complaint stated that only prototypes were permitted entry into Japan and then only on the condition that the technology necessary to produce additional units would be licensed to a Japanese company, thus eliminating future imports. Japanese licensing practices are said to afford the Japanese government an opportunity to coerce end users to buy Japanese products. Licensing practices in less developed countries often have been alleged to cause U.S. exporters much delay and expense. For example, in Brazil, Colombia, India, Pakistan and the Philippines, procuring an import license has an additional difficulty in that license issuance is dependent on weight and value estimates of the goods reported within a specified accuracy, in advance of the actual shipping.

Subsidies and other governmental aids.--Subsidies and other governmental aids was one of the categories of trade barriers which received the most complaints. The complaints were heard from both producers and trade associations involved in consumer and industrial electrical machinery. The vast majority of the complaints were lodged against developed countries, with Japan receiving the largest number. Many instances of direct subsidies, tax incentives and other government aids to foreign producers of electrical machinery were mentioned.

Many nations were mentioned as employing some form of income tax relief which is geared for export performance and foreign investment. France, West Germany, Italy, Japan and the United Kingdom were reported to help their exporters with a series of export aids, research and development subsidies and export credit subsidies. The same nations were named as allowing concessionary financing for the purchase of capital goods to export customers of their manufactures. There were also complaints concerning direct and indirect subsidies for business expansion and start-up costs and low-interest medium-term loans for export production (available to West European and Japanese manufacturers but unavailable to United States manufacturers).

The complaints against Japan were the most numerous and detailed. U.S. manufacturers alleged that Japanese exporters receive tax

credits and are allowed additional depreciation based on the magnitude and growth rate of export sales. Tax credits are also said to be granted to Japanese companies investing in less developed countries. It was reported that the Japanese government provides financial assistance for production costs and technological improvements under the Electronic Industry Development Emergency Law. Also mentioned in complaints were the funds made available to Japanese concerns for export market research and also the availability of low-cost insurance against both tariff increases and overseas business failures.

The Japanese External Trade Organization is reported to underwrite from 75 to 100 percent of the costs entailed by survey teams investigating the U.S. market potential for their products (e.g. 75 percent of the rental cost of overseas exhibition space, freight and handling fees, etc.). Credit information on potential U.S. customers is said to be available at low rates from this organization. It also was alleged that the Bank of Japan implicitly guarantees the debt position of major companies in order that these concerns can use the debt as a source of corporate financing. In addition, it was charged that in Japan (and Western Europe) the domestic industries receiving the most government aid were those with the highest export potential, such as computers and telecommunications apparatus. Both rewards and penalties were mentioned as encouragement to exporters to meet their goals.

Barriers to trade in power generating machinery also were frequently reported. It was complained that because of restrictive business practices in their home market and protection from import competition, producers of power generating machinery in countries such as the United Kingdom, France and Italy tend to develop excess capacity and they export their surplus products, notably to the United States. U.S. exporters feel stymied by the tendency of the policies of government-controlled utilities, which purchase power generating equipment, to be extremely nationalistic. Even the members of the European Community have fostered national industries, instead of merging them in order to take advantage of economies of scale.

Finally, some complaints were raised against the United States for sponsoring research and allowing investment tax credits to users of U.S. machinery, thus harming the competitive position of electrical machinery imported into the United States.

Standards.--In the area of industrial, health and safety standards, virtually all the complaints concerned developed countries (especially Western Europe and the United States). A frequent complaint was the expensive delay caused by quality assurance requirements and standards which must be fulfilled before an electronic product can be marketed in a foreign country. The U.S. producers felt that these time-consuming and expensive requirements have a detrimental effect on U.S. electrical machinery sales in Europe.

Foreign exporters to the United States complained that their products had to be tested to meet specifications and standards set by U.S. industrial and professional associations and the exporters felt these associations discriminated against them. Conversely, U.S. exporters charged that West European countries each require separate testing of U.S. electronic products; whereas, products made in European countries are required to pass a test in only one European country and are then automatically approved for sale in all other European nations. Belgium and France are said to allow local inspectors to set standards, instead of a central body. Indeed, some U.S. producers believe that, for certain types of electrical machinery, the European nations adopt standards so as to exclude U.S. products. In Scandinavia, socket power instruments must meet certain regulations, such that the U.S. product must be redesigned to be sold there. The fact that the United States does not generally employ the metric system is considered detrimental to trade. One complaint stated that the high U.S. environmental standards insure U.S. producers in the world market.

Import duties.--High duty rates are characteristic of less developed countries, and rates ranging from 20 to 180 percent of the c.i.f. cost were cited among LDC's in Latin America, the Far East and Africa. Manufacturers of electrical and electronic products

complained that high duties in addition to freight costs and border taxes made their exports noncompetitive. Other U.S. producers complained that no significant duty existed in Brazil if there were no Brazilian products available equivalent to the import, but if similar Brazilian products were available, an extremely high duty usually was invoked. Indonesia protects local manufacturers of major appliances and televisions with high duties. The amount respondents estimated sales would increase with the removal of these high duties ranged from a moderate 10 percent on some electrical machinery to a significant 286 percent on major appliances and televisions.

Complaints were lodged against the import duties of developed countries also. Australian duties on passive electronic components, capacitors, consumer electronic products and radio telephones were characterized as unusually high. Specifically cited was an Australian duty rate of 47.5 percent on electrical chain saws. Complaints were also made against duties on consumer electronic products in the United Kingdom and Japanese duties on advanced electronic products. Trade in heating equipment was said to be restrained in the European Community and EFTA because of high duties on replacement parts.

U.S. manufacturers felt they were at a disadvantage in competing in certain markets because of the preferential tariff treatment received by certain suppliers because of customs unions or other

preferential tariff arrangements. The European Community, the European Free Trade Area, the British Commonwealth preferences and the Central American Common Market were specifically mentioned in this regard. Also viewed as discriminatory by importers of Japanese products was the U.S. procedure of assessing duties on transistor radios and stereo amplifiers on a higher value (the home market value) than the actual contract value.

Government procurement and state trading practices.--"Buy national" policies drew the most complaints in this area. U.S. producers found the tendency toward "buy national" policies very strong in Western Europe. Of particular interest was the effect this tendency has of disadvantaging U.S. exports of electrical power generating equipment. The government-owned or regulated utilities of the European Community are said to buy almost exclusively from their own nationals. Another complaint was that although U.S. exports of power generating machinery are barred from many countries through these "buy national" policies, foreign exporters may sell to many U.S. public utilities. Thus, it was reported that there are substantial U.S. imports from countries which will purchase electric power generating machinery only from their own nationals. However, complaints were also registered against the "buy national" policies of the United States. In purchases of hydroelectric equipment for the U.S. Department of Defense, a differential of 50 percent is granted to U.S. bids for reasons of national security, thus

effectively barring foreign bids. Other U.S. government agencies, such as the Tennessee Valley Authority, are reported to give differentials to bids by American producers of power transformers.

Customs procedures and practices.--Some exporters felt the c.i.f. valuation for customs purposes used by Japan and Western Europe creates a disadvantage to U.S. exports. A U.S. company objected to the record system required for claiming drawbacks on U.S. exports, and reported it could have claimed \$400,000 in drawbacks rather than \$189,000 if recordkeeping requirements had been less onerous. Consular document requirements were found objectionable as often causing delays, costs, and fines in the less developed countries. Several complaints were made by U.S. electrical producers who believe much undetected dumping goes on in the U.S. market, while American importers complained of the uncertainty of the criteria used in determining the amount of the dumping duty to be paid. Representatives of Japanese exporters complained that enforcement of the U.S. Antidumping Law was arbitrary and unequal.

Border tax adjustments.--U.S. producers of electrical machinery complained of border tax adjustments in Belgium, France, West Germany, Italy, the Netherlands, Switzerland, the United Kingdom, Greece and the Scandinavian countries. In the European Community and Sweden, complaints stated U.S. goods were made uncompetitive through border taxes based on the price of the goods, transportation costs, customs duties and other customs charges not borne

by domestic goods. It was charged that the border taxes in Japan have the effect of doubling, tripling or even quadrupling the total monetary charges on an import. Also the Japanese commodity tax is said to be refunded to domestic producers upon exportation of their products.

Exchange and financial controls.--The majority of complaints against exchange controls concerned less developed countries. Extremely long delays in payment and conversion into dollars were reported by one U.S. company as occurring in the Philippines. The same company mentioned an inability to obtain royalty payments in dollars. The exchange controls of Greece, India, Pakistan, Spain, Turkey and many Latin American countries were also the subject of complaint. The Federal Secretariat of Yugoslavia is said to authorize a given amount of exchange for electric furnaces and ovens and importing firms divide up this quota. A complaint was lodged against the Japanese government's control of the exchange requirements of U.S. corporation branches operating in Japan. The exchange controls and quotas of the European Community and United Kingdom were reported to be a barrier to certain types of electrical machinery. In many countries, strict credit terms are interpreted by importers as financial discrimination. Also, many less developed countries demand import deposits of from 25 to 90 percent of the invoice value of the electronic commodity in question.

Export controls.--Most of the complaints dealing with export restraints were by U.S. producers objecting to the effective barring of sales to Communist bloc countries through the U.S. Export Control Act. Special complaints were raised by one U.S. company which stated that some of these controlled electrical commodities are readily available to the Communist bloc from Europe and Japan. Japanese voluntary export controls on the sale of certain electrical products were also the subject of complaints.

Restrictive business practices.--Two major U.S. producers of electrical machinery complained that a number of countries (including West Germany, Japan, Switzerland, and the United Kingdom) have formed cartels to promote exports. France, Italy, Japan, the United Kingdom, West Germany, Switzerland and Sweden were mentioned as employing dual price systems--exporting at low prices and selling at high prices in the domestic market. It was reported that local manufacturers in the European Community refuse to deal with distributors who also import. Another complaint mentioned Japanese refusals to permit foreign-owned manufacturing in Japan. It was also alleged that there was an agreement between Japanese and European industrial organizations to limit Japanese exports.

Miscellaneous practices.--Complaints also discussed: Marking requirements and weights and measures requirements in the United

States; high prior import deposits in Israel, most of the Latin American countries, Greece, Turkey and Spain; port and statistical taxes in the European Community, Denmark and Yugoslavia; consular fees in the Middle East and Latin America; and freight rates which discriminate against the United States.

Of 266 complaints, 65 respondents gave some estimate concerning the dollar value of the increase in sales which would result from the removal of these barriers. In 28 cases, "moderate" sales increases were predicted and in the remaining 37 cases, estimated increases were deemed "significant." Estimates as high as \$4 million annually were given by companies for the expected increase in their trade in a product or a group of closely related products. The sum of dollar value estimates received in the electrical machinery sector totaled \$31 million.

Electrical Machinery for Industry

Electrical machinery for industry includes generators, motors, transformers, apparatus for making or breaking connections to electrical circuits, control panels and switchboards, electric furnaces and ovens and soldering and welding equipment. ^{1/}

MFN tariffs

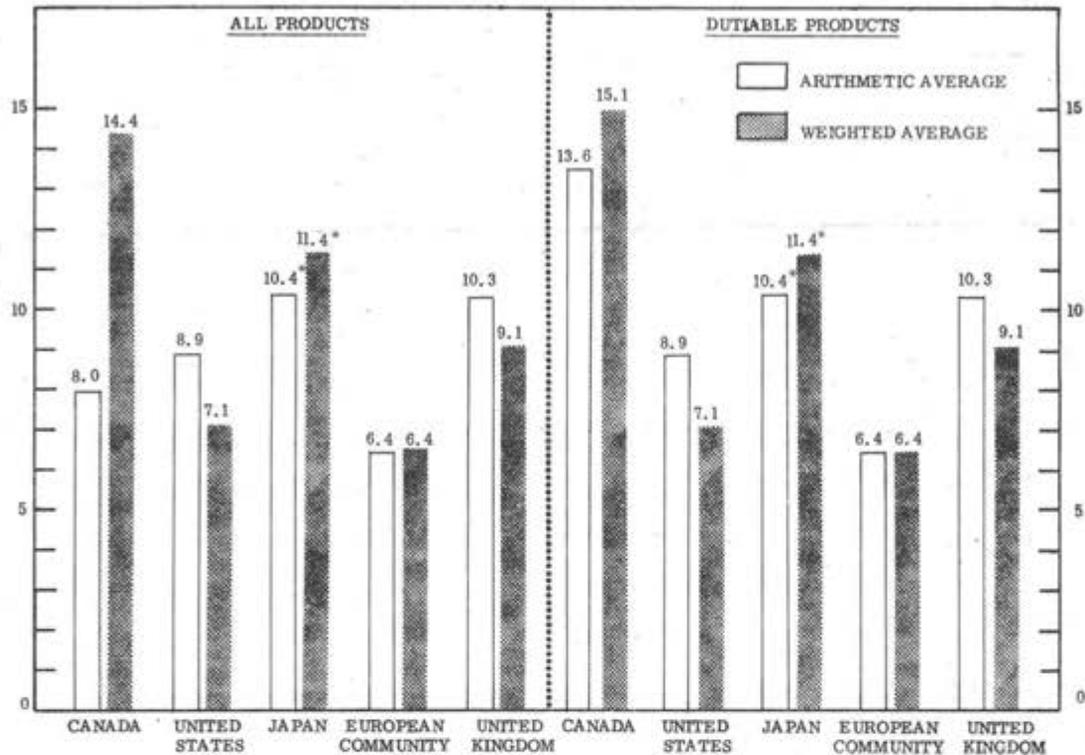
Average MFN tariffs on electrical machinery for industry imported into the five major countries range from 6.4 percent ad valorem (the EC weighted average on total imports) to 14.4 percent (the Canadian weighted average). Averages for the United States, Japan and the United Kingdom on total trade are clustered between 7.1 and 11.4 percent ad valorem. The dutiable-product averages, however, are higher for Canada (arithmetic, 13.6 percent; weighted, 15.1 percent - see chart I-6-E).

All imports by Japan and virtually all shipments into the Community from external countries are on an MFN basis; 99 percent of U.S. imports, ^{2/} 94 percent of Canada's imports and three-fourths of shipments to the United Kingdom also receive MFN treatment. The remaining one-fourth of United Kingdom imports receive preferential treatment.

^{1/} For specific coverage of this subsector, see BTN headings 85.01, 85.11, 85.19 and 85.22.

^{2/} However, for specific BTN numbers - e.g., BTN 85.19 (electrical apparatus for making and breaking circuits) which is the most important BTN heading in this subsector, the percentage of preferential imports grows due to the U.S.-Canadian Automotive Products Agreement. In 1971, Canadian products entering preferentially free accounted for 6 percent of U.S. imports of products classified under BTN 85.19.

Chart I-6-E. -- Average MFN tariff rates on electrical machinery for industry
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by approximately 20 percent made in 1972 on most Japanese rates, and by approximately 40 percent on about one-tenth of the Japanese rates in this sector.
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Over 40 percent of Canadian tariff provisions are duty free. There are no duty-free provisions for electrical machinery for industry in the tariffs of the other four major countries (table I-6-E). The

Table I-6-E.--Distribution, by duty level, of MFN tariff provisions for electrical machinery for industry

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	41.2	-	-	-	-
0.1-5.0 percent----	-	29.4	-	5.9	7.1
5.1-10.0 percent---	23.5	47.1	70.9	94.0	57.1
10.1-15.0 percent--	13.2	11.8	25.8	-	21.4
15.1-20.0 percent--	22.1	-	-	-	14.3
20.1-25.0 percent--	-	11.8	3.2	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

bulk of the tariff provisions of Japan, the European Community, and the United Kingdom are in the 5.1-10 percent ad valorem range, as are about one-fourth of the Canadian provisions and nearly one-half of U.S. provisions. Nearly 30 percent of U.S. provisions are in the 0.1-5 percent ad valorem bracket.

In terms of imports, 5 percent of Canadian entries are duty free, another 43 percent enter at rates in the 10.1-15 percent ad valorem range and an additional 38 percent at 15.1-20 percent. Three-fourths or more of U.S., Japanese, EC, and United Kingdom imports are in the 5.1-10 percent bracket. Almost one-fifth of Japan's imports enter in the 20.1-25 percent range (see table I-6-F).

Canada exhibits the most complex tariff structure for electrical machinery for industry with 68 lines. Schedules for Japan have 31 lines, the Community and the United States, 17 lines, and the United Kingdom, 14 lines.

Table I-6-F.--Distribution, by duty level, of MFN imports of electrical machinery for industry

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	5.0	-	-	-	-
0.1-5.0 percent----	-	16.0	-	11.3	1.6
5.1-10.0 percent----	14.5	75.2	75.9	88.7	87.0
10.1-15.0 percent--	43.1	8.6	4.6	-	9.9
15.1-20.0 percent--	37.5	-	-	-	1.6
20.1-25.0 percent--	-	.2	19.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

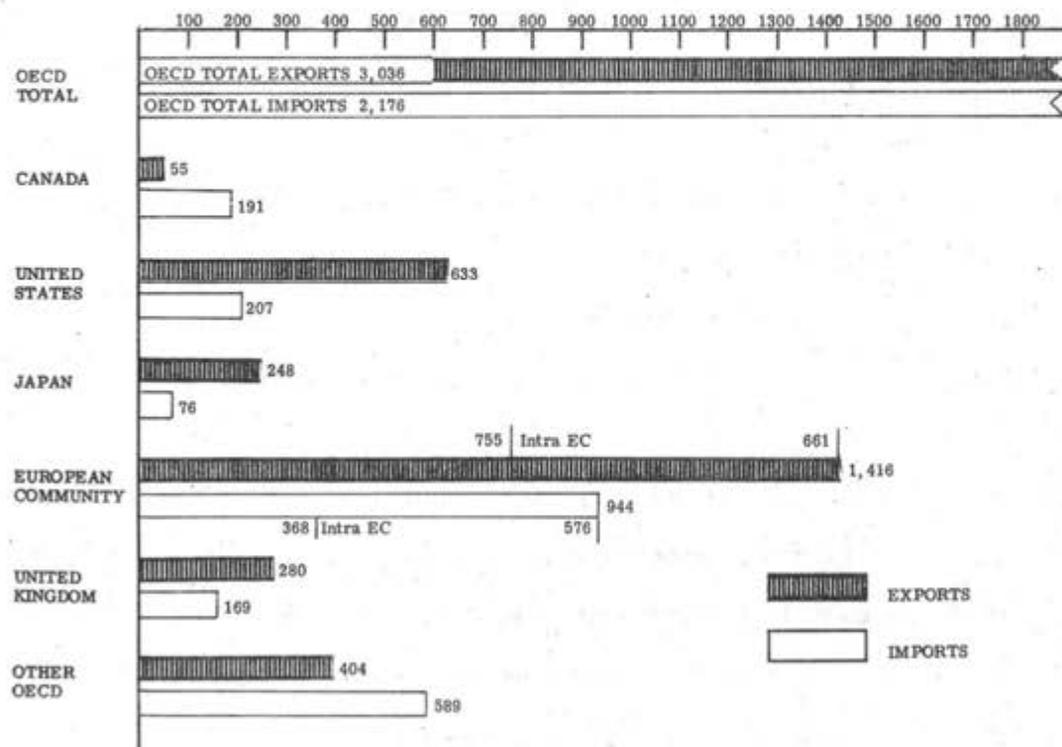
Note.--Due to rounding, figures may not add to 100 percent.

Trade importance

OECD exports of electrical machinery for industry totaled \$3 billion in 1969, about 28 percent of OECD export trade in all electrical machinery. Imports were \$2.2 billion, or about 27 percent of total import trade in the electrical machinery sector (chart I-6-F). In 1970, imports increased to \$2.9 billion, exports to \$3.9 billion. It is the third largest category of OECD imports of electrical machinery, and

CHART I-6-F . -- OECD trade in electrical machinery for industry, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

ranks 24th in value of imports among the 119 industrial product categories. United States exports in 1969 were \$633 million, when imports were valued at \$207 million. U.S. imports in 1971 were valued at \$320 million. In MFN imports of the other countries, electrical machinery for industry is 15th for the United Kingdom and Canada, 21st for the Community and 22nd for Japan.

Trade network

The five major countries account for 87 percent of OECD exports and 73 percent of imports. The European Community is the largest exporter, with shipments to outside destinations valued at \$755 million (intra-EC exports were an additional \$661 million). Over 40 percent of EC outside exports are shipped to LDC's. The United States sends one-fourth of its exports to Canada, 15 percent to the Community, and 37 percent to LDC's. Nearly 60 percent of Japan's exports go to LDC's, as do 35 percent of the shipments from the United Kingdom. The United States is the destination of about 70 percent of Canadian products (table I-6-G).

The European Community is the principal importer among the five major countries, followed by the United States (see table I-6-H). About 41 percent of EC outside imports come from the United States, as do 72 percent of Canadian imports, 70 percent of Japanese imports, and 38 percent of shipments to the United Kingdom. One-fourth of U.S. imports come from Japan, one-fifth each from the Community and Canada.

Table I-6-G.-- OECD exports of electrical machinery for industry, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,036	55	633	248	<u>1/</u> 1,416	280	404
OECD total-----	1,873	44	367	74	984	107	297
Canada-----	207	-	159	5	11	23	9
United States---	175	38	-	46	44	20	27
Japan-----	48	X	33	-	10	1	4
European Community-----	<u>1/</u> 903	2	97	12	661	28	103
United Kingdom--	116	3	36	4	48	-	25
Other OECD-----	424	1	42	7	210	35	129
Non-OECD total----	1,151	10	259	173	427	173	109
LDC's-----	868	10	232	148	313	99	66

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-6-H.-- OECD imports of electrical machinery for industry, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,176	191	207	76	<u>1/</u> 944	169	589
OECD total-----	2,104	190	188	72	921	160	573
Canada-----	53	-	44	X	3	5	1
United States---	456	138	-	53	150	64	51
Japan-----	79	5	52	-	13	5	4
European Community-----	<u>1/</u> 1,019	11	41	12	576	56	323
United Kingdom--	166	26	25	2	53	-	60
Other OECD-----	331	10	26	5	126	30	134
Non-OECD total----	59	X	18	3	16	8	3
LDC's-----	35	X	18	1	7	6	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

The average tariffs of the major countries on January 1, 1972, were significantly lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest drop, almost 28 percentage points, was in the U.S. tariff.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	34.6	7.1
European Community	14.9	6.4
United Kingdom	22.3	9.1
Japan	15.5	11.4
Canada	23.3	8.0

Most of Japan's tariff rates in this subsector were unilaterally reduced in 1972 by approximately 20 percent. The remainder (about one-tenth) were reduced by about 40 percent. One hundred thirteen GATT concessions were made in EC member state national tariffs prior to adoption of the Common External Tariff. Of these, 2 were at the CXT rate, 65 were above the CXT rate, and 46 below it.

GATT concessions cover all U.S., EC and United Kingdom MFN provisions; 63 percent of Canada's provisions (96 percent of imports); and 81 percent of Japan's provisions (80 percent of imports).

Specific reductions are shown in table I-6-I for electrical apparatus for making, breaking, protecting, and connecting electrical circuits.

Table I-6-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on electrical apparatus for making, breaking, protecting, and connecting electrical circuits, including non-telephone switchboards

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25% - 35%	8.5% - 17.5%	4% - 8.5% Free	685.90; 686.10, .22, .24 ^{2/} 685.91; 686.11, .23 ^{2/}
Canada-----	30%	Free; 17.5%	Free; 12.5%	43806-1; 43807-1
European Community--	16%; 14%	13%; 11%	6.5%, 8%; 5.5%	85.19A,B; 85.19C
United Kingdom-----	20%, 33%	16%, 24%, 33.3%	8%, 12%, 17%	85.19
Japan-----	15%	15%, 20%, 15%	7.5%, 10%, 15%	85.19 ^{3/}

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Almost 92 percent of U.S. imports are dutiable at 6 percent or 8.5 percent ad valorem. Products of Canada covered by the Automotive Products Agreement, representing about 6 percent of U.S. imports, are preferentially free.

^{3/} Printed circuits used as parts of electronic calculating machines were not the subject of concessions in the Kennedy Round.

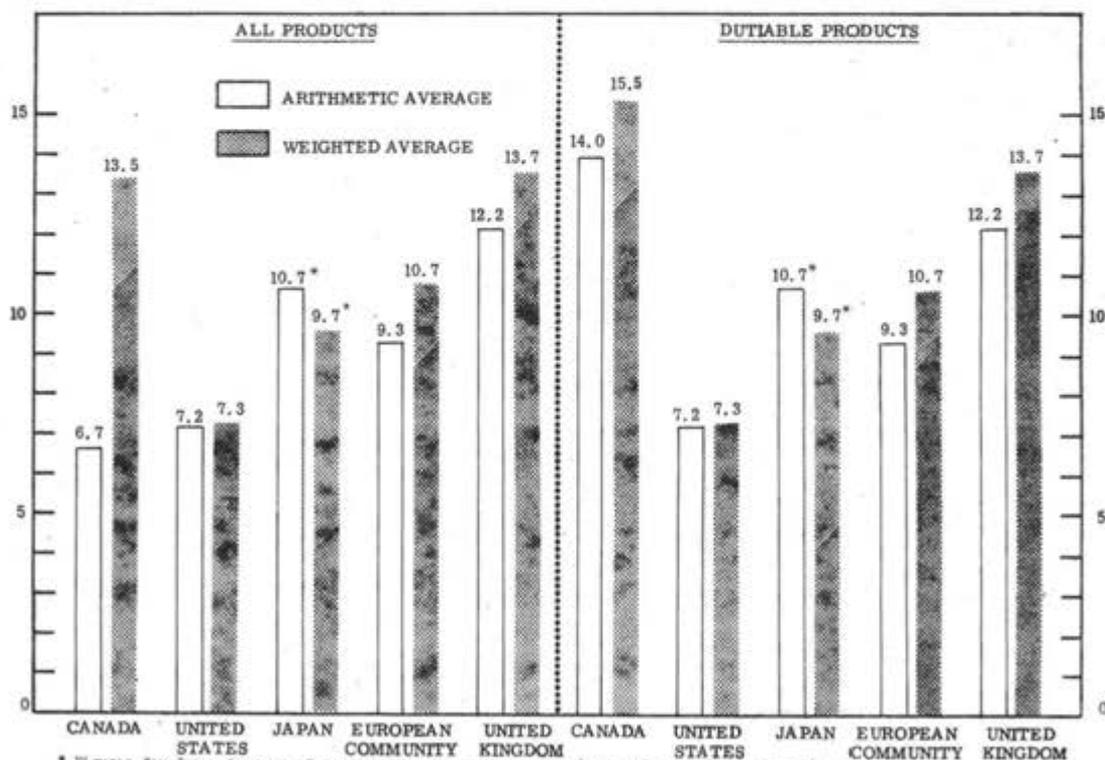
Telecommunications Apparatus

Telecommunications apparatus covers radio broadcasting and television transmission and reception apparatus, television cameras, microphones and loudspeakers, and electrical line telephonic and telegraphic apparatus. ^{1/}

MFN tariffs

The MFN tariff averages for all of the five major countries, except Canada, are the same for all products and dutiable products (chart I-6-G). For all products, Canada has the lowest arithmetic

Chart I-6-G. -- Average MFN tariff rates on telecommunications apparatus
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by approximately 20 percent made in 1972 on over half the Japanese rates, and by amounts ranging between 55 percent and 71 percent on the remaining Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector, see BTN headings 85.13-.15.

average (6.7 percent ad valorem) and the second highest weighted average (13.5 percent). The United Kingdom has both the highest arithmetic and weighted averages. With regard to dutiable products, Canada has both the highest weighted and arithmetic average, while the United States has both the lowest weighted and arithmetic averages.

Virtually all imports into Japan and the Community from outside sources are accorded MFN treatment. Nearly 98 percent of U.S. imports receive MFN treatment as do about 96 percent of Canadian imports. Seventy percent of United Kingdom imports receive MFN treatment, the remaining receiving preferential rates.

Over half of the Canadian MFN tariff provisions are duty free. United States, Japanese, and EC tariff provisions are chiefly in the 5.1-10 percent ad valorem bracket, as are half of the United Kingdom tariff provisions (table I-6-J). The other half of the United Kingdom tariff provisions are in the 10.1-15 percent range. About 35 percent of Canadian tariff provisions are in the 10.1-20 percent classes.

Table I-6-J.--Distribution, by duty level, of MFN tariff provisions for telecommunications apparatus

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	52.5	-	-	-	-
0.1-5.0 percent----	-	8.3	-	-	-
5.1-10.0 percent---	12.5	83.4	72.7	71.4	50.0
10.1-15.0 percent--	17.5	8.3	21.3	21.3	50.0
15.1-20.0 percent--	17.5	-	6.1	7.1	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

In terms of MFN imports of telecommunications apparatus, 95 percent of Japanese imports, 40 percent of U.S. entries, and over half of EC imports are in the 5.1-10 percent ad valorem bracket; a significant part of shipments into Canada and the United Kingdom principally enter at rates of 10.1-15 percent ad valorem (table I-6-K). Only Canada has duty-free

Table I-6-K.--Distribution, by duty level, of MFN imports of telecommunications apparatus

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	13.1	-	-	-	-
0.1-5.0 percent---	-	31.2	-	-	-
5.1-10.0 percent---	1.0	40.3	95.0	53.6	19.6
10.1-15.0 percent--	64.0	28.6	3.0	41.2	80.5
15.1-20.0 percent--	21.8	-	2.0	5.2	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

imports (13 percent) and a significant amount of imports in the 15.1-20 percent bracket (over one-fifth).

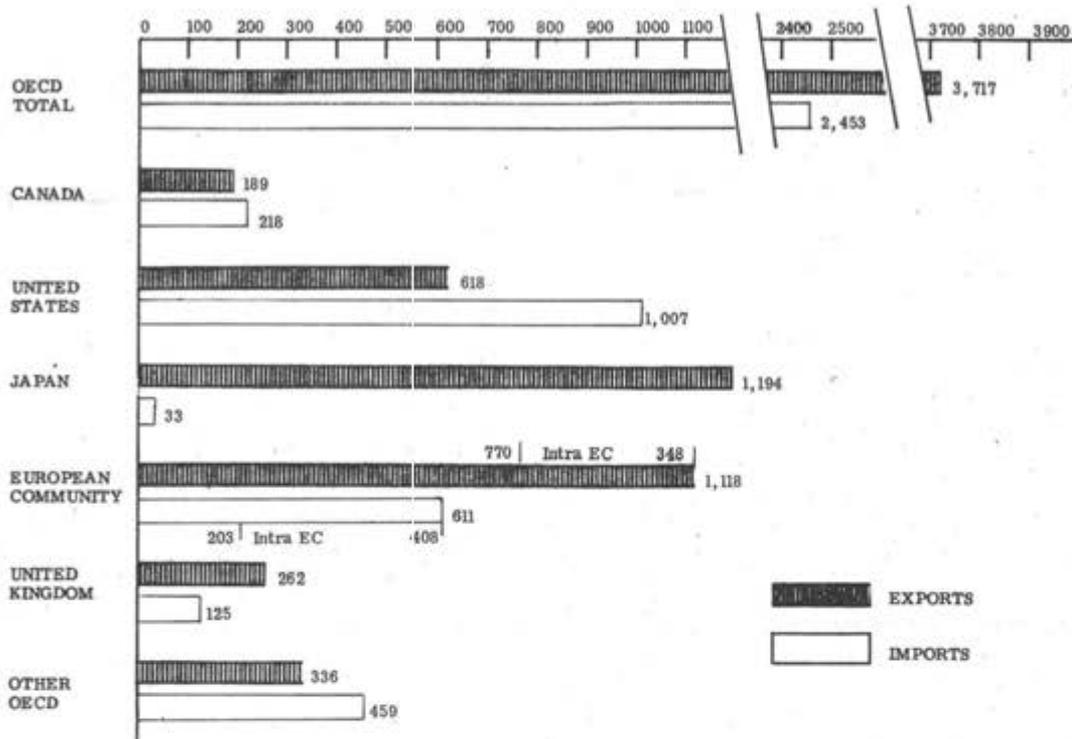
Canada exhibits the most complex tariff schedule for telecommunications apparatus, with 40 lines; the United Kingdom has the simplest, only 8 lines. Schedules for Japan have 33 lines; for the European Community, 14 lines; and for the United States, 12 lines.

Trade importance

Telecommunications apparatus accounts for 34 percent of OECD export trade in electrical machinery and 30 percent of import trade. OECD exports totaled \$3.7 billion in 1969, imports were \$2.5 billion (chart I-6-H). Among the 119 industrial subsectors, telecommunications apparatus ranks 17th in value of MFN imports of the GATT tariff study

Chart I-6-H -- OECD trade in telecommunications apparatus, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

countries. For the United States it is the ninth most important sub-sector in MFN imports; for Canada the rank is 12; for the United Kingdom it is 24th. United States imports amounted to \$1 billion in 1969, and increased to \$1.3 billion in 1971. Radio and television transmission and reception apparatus (BTN 85.15) is the most important type of telecommunications apparatus in the imports of the five major countries. 1967 MFN imports of radio and television transmission and

reception apparatus for the five major nations were as follows:

Canada, \$153 million; the European Community, \$104 million; Japan, \$25 million; the United Kingdom, \$58 million; the United States, \$467 million. Total U.S. imports in 1971 were \$1.2 billion.

Trade network

The five major countries account for over 90 percent of OECD exports and about 81 percent of imports (tables I-6-L and M). The largest supplier to the world is Japan, accounting for nearly one-third of OECD exports, followed by the European Community and the United States. The principal importing countries are the United States, Canada,

Table I-6-L.-- OECD exports of telecommunications apparatus, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,717	189	618	1,194	<u>1/</u> 1,118	262	336
OECD total-----	2,367	165	380	861	622	133	206
Canada-----	198	-	134	46	7	8	3
United States---	910	145	-	715	21	17	12
Japan-----	35	2	25	-	3	3	2
European Community-----	<u>1/</u> 615	4	104	56	348	50	53
United Kingdom--	109	3	68	8	14	-	16
Other OECD-----	500	11	49	36	229	55	120
Non-OECD total----	1,140	24	238	332	285	129	132
IDC's-----	990	23	215	302	244	88	118

1/ includes intra-EC shipments.

Note.--Complete country of destination data are not available for 19 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-6-M.-- OECD imports of telecommunications apparatus, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,453	218	1,007	33	1/ 611	125	459
OECD total-----	2,235	214	833	30	597	109	452
Canada-----	135	-	119	1	3	3	9
United States---	307	146	-	22	67	45	27
Japan-----	783	45	658	-	43	10	27
European Community-----	1/ 710	11	25	3	408	29	234
United Kingdom--	103	8	13	3	31	-	48
Other OECD-----	197	4	18	1	45	22	107
Non-OECD total----	219	5	174	2	14	16	8
LDC's-----	204	4	171	2	10	12	5

1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

and the European Community. Complete country of destination data are not available for 19 percent of EC exports. Non-OECD countries receive nearly 40 percent of U.S. exports, one third of known EC external exports, and about half of United Kingdom exports. The remainder of United States exports go principally to Canada (22 percent) and the Community (17 percent). Three-fourths of Canadian exports are sent to the United States, as are 60 percent of Japanese exports.

The value of intra-EC imports is about twice that of EC receipts from outside sources, about one-third of which are supplied by the United States. The United States is the principal supplier of imports by Canada, Japan, and the United Kingdom. Sixty-five percent of U.S. imports are from Japanese sources, and another 17 percent from LDC's.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, average tariff levels for telecommunications apparatus are substantially below levels existing on pre-trade-agreement base dates. Most of the

reductions reflect concessions granted in reciprocal negotiations.

Japan, in November 1972, made unilateral 20 percent reductions in over half of its rates on telecommunications apparatus, reducing the rest between 55 and 71 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	35.0	7.3
European Community	19.0	10.7
United Kingdom	20.0	13.7
Japan	24.4	9.7
Canada	23.0	6.7

All MFN provisions for telecommunications apparatus in the tariff schedules of the United States, the European Community, and the United Kingdom have been the subject of GATT concessions. In the Japanese schedule, 97 percent of the provisions, covering 98 percent of MFN imports, have GATT concessions; and in the Canadian schedule, 60 percent of the provisions, covering 85 percent of MFN imports.

All EC member state national tariffs prior to adoption of the Common External Tariff contained concessions on telecommunications apparatus under the GATT. Of 63 concessions in the national tariffs, 39 were at rates above the CXT autonomous rates, 2 at the CXT rate, and 22 below the CXT rate.

Tariffs on radio and television transmission and reception apparatus, the largest trade item, have been reduced in trade-agreement concessions by all five major countries (see table I-6-N). Reductions in U.S. MFN rates were generally 50 percent or more below statutory levels,

Table I-6-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on radio and television transmission and reception apparatus

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	10-15%	5-10.4% <u>2/</u>	685.10-60
Canada-----	29%	20%	15%	44533-1; 44534-1; 44548-1
European Community--	18% - 22%	13-22%	6.5%-14%	85.15
United Kingdom-----	20%	17.5-24%	15%	85.15
Japan-----	20%, 30%	15-35%	7.5%-17.5%	85.15

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Any articles described in items 685.20-.50, if imported from Canada and intended as original motor vehicle equipment, are free of duty under the U.S.-Canadian Automotive Agreement.

except rates on solid state radio receivers which were reduced only about 17 percent. The U.S.-Canadian Automotive Products Agreement provides duty-free preferential treatment for imports of most items of telecommunication equipment, if such items are to be used as parts for motor vehicles. (For a fuller discussion of the U.S.-Canadian Automotive Products Agreement, see the sector on transport equipment.) However, only about 3-4 percent of U.S. and Canadian imports are thus affected by the Automotive Products Agreement. For all other shipments of telecommunications apparatus into Canada, reductions in Canadian tariffs from pre-Kennedy Round levels amount to 25 percent.

The Community's autonomous rates have been reduced by amounts ranging from 23 to 50 percent from pre-Kennedy Round levels. Reductions in United Kingdom MFN rates ranged from about 14 to 36 percent. The Japanese rates have also been subject to some significant reductions since pre-trade-agreement base dates.

Electrical Equipment and Parts n.e.s.

Electrical equipment and parts, not elsewhere specified, covers various electrical apparatus, including thermionic and cathode valves and tubes, lamps and flashbulbs, electric wire and cable, capacitors, electro-magnets, primary cells, accumulators, and carbon brushes. ^{1/}

MFN tariffs

Average MFN tariffs on electrical equipment and parts imported into the five major countries range from lows of Canada's 7.3 percent ad valorem (arithmetic), and 8.3 percent (weighted) held by the United States to an arithmetic high of 11.5 percent held by Japan and a weighted high of 14.3 percent ad valorem held by the United Kingdom (chart I-6-I). Average tariffs for dutiable products alone do not differ significantly except in the case of Canada, where they increase to 15.6 percent for the arithmetic average and 16.5 percent for the weighted average.

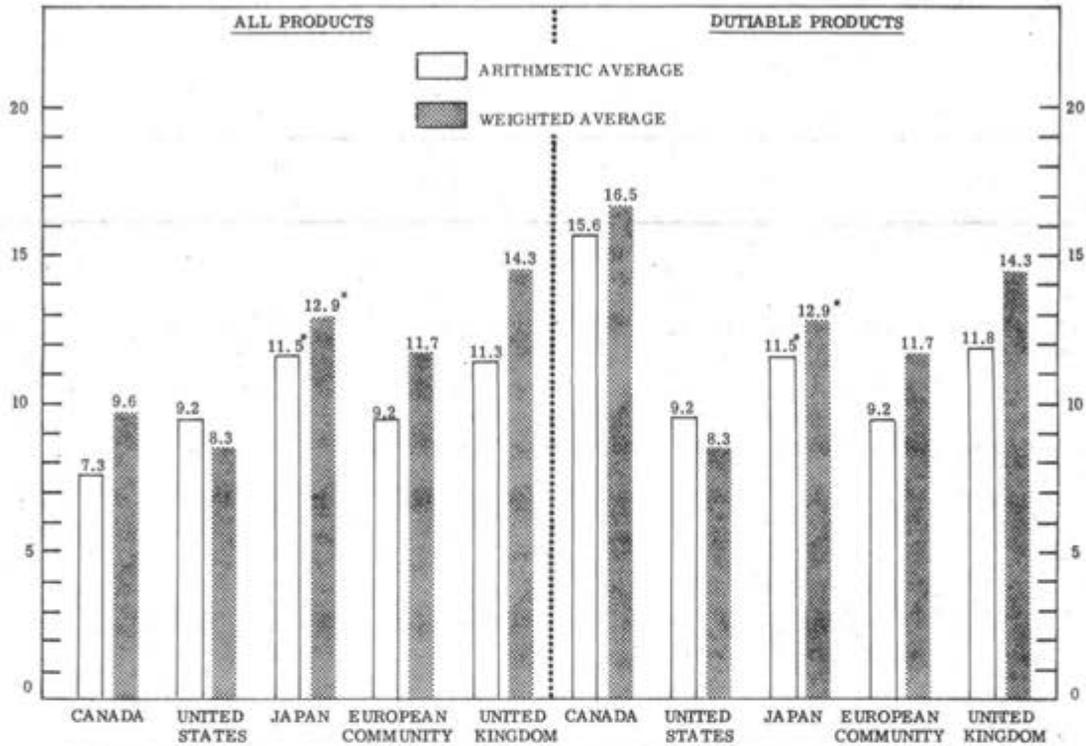
Nearly 15 percent of the imports of electrical equipment and parts, n.e.s., into the United Kingdom, 5 percent of Canadian imports, and 4 percent of U.S. imports are accorded preferential treatment. Intra-EC imports almost equal EC entries from outside countries. There are no preferential imports into Japan and only a small amount into the Community from outside sources.

Over half of the tariff provisions of Canada are duty free, but nearly one-fourth are in the 15.1-20 percent ad valorem range (table I-6-0). Nearly one-half of U.S. tariff provisions are in the 5.1-10 percent bracket, while an additional one-fifth each of the tariff provisions are in the 0.1-5 percent class and the 10.1-15 percent class.

^{1/} For the specific coverage of this subsector see BTN headings 85.02-.04; 85.10; 85.18; 85.20-.21; and 85.23-.28.

Chart I-6-1. -- Average MFN tariff rates on electrical equipment and parts, n.e.s.

(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by approximately 20 percent made in 1972 on all but one of the Japanese rates in this sector. The remaining rate was reduced by 40 percent.
Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-6-0.--Distribution, by duty level, of MFN tariff provisions for electrical equipment and parts, n.e.s.

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	53.2	-	-	-	4.0
0.1-5.0 percent----	1.3	21.8	-	2.8	4.0
5.1-10.0 percent---	5.2	49.0	53.3	72.1	52.0
10.1-15.0 percent--	16.9	21.8	46.7	19.6	32.0
15.1-20.0 percent--	23.4	5.4	-	5.6	4.0
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	1.8	-	-	-
40.1-50.0 percent--	-	-	-	-	4.0
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Slightly over half of Japan's tariff provisions are in the 5.1-10 percent bracket, slightly under half in the 10.1-15 percent ad valorem range. The European Community has almost three-fourths of its provisions concentrated in the 5.1-10 percent bracket, as are over one-half of the United Kingdom provisions. Four percent of the United Kingdom provisions are duty free, while an additional third are in the 10.1-15 percent bracket.

In terms of imports, over 40 percent of Canadian imports are duty free. In addition, more than one-fourth of Canadian imports are in both the 10.1-15 percent bracket and 15.1-20 percent class (table I-6-P).

Table I-6-P.--Distribution, by duty level, of MFN imports of electrical equipment and parts, n.e.s.

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	41.9	-	-	-	-
0.1-5.0 percent----	-	3.9	-	-	0.2
5.1-10.0 percent---	.7	83.1	33.2	47.9	24.4
10.1-15.0 percent--	29.3	12.3	66.9	19.2	38.3
15.1-20.0 percent--	28.0	-	-	32.9	37.0
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

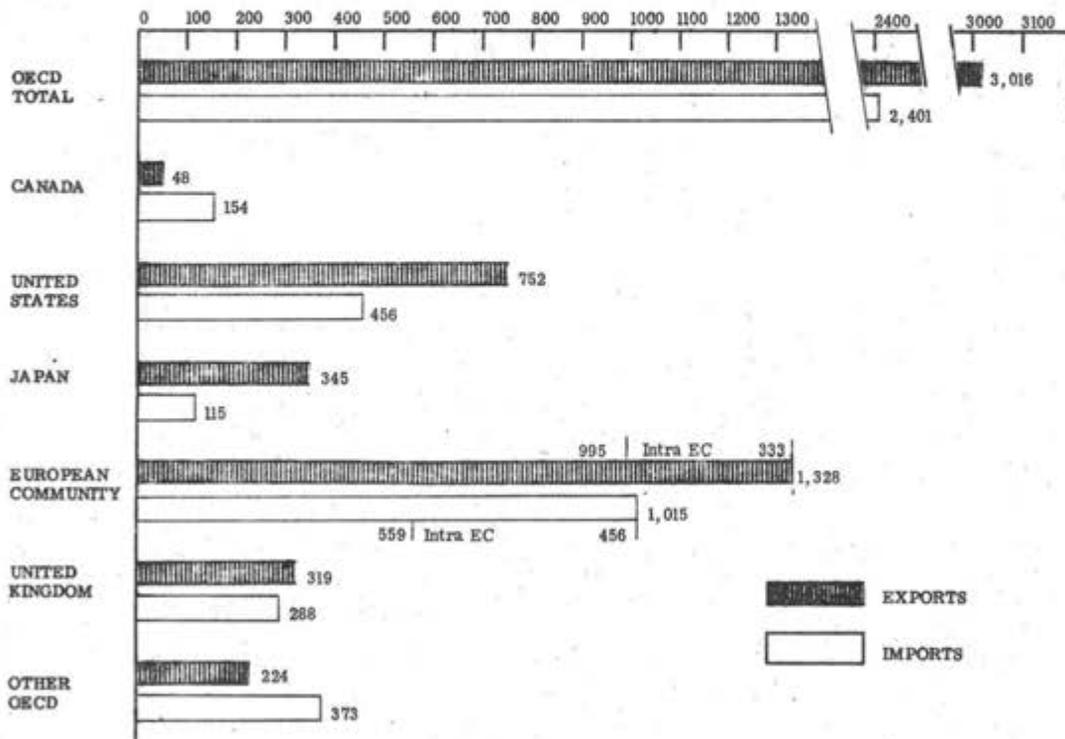
Over four-fifths of U.S. imports enter in the 5.1-10 percent range, as do one-third of Japanese imports. The remaining two-thirds of Japanese imports pay duties of 10.1-15 percent ad valorem. Almost one-half of EC imports are in the 5.1-10 percent range, while another third are found in the 15.1-20 percent class. One-fourth of the imports of the United Kingdom enter at rates ranging from 5.1-10 percent ad valorem, and most of the remainder is about equally divided between the 10.1-15 and 15.1-20 percent brackets.

Trade importance

OECD countries exported \$3 billion of electrical equipment and parts, n.e.s., in 1969, and imported \$2.4 billion (chart I-6-J). Accounting for 28 percent of OECD exports of electrical machinery, and 30 percent of imports, it is the second largest category of electrical machinery in OECD trade. It is the second largest category in U.S. imports, which have increased from \$274 million in 1967 to \$502 million in 1971.

Chart I-6-J. -- OECD trade in electrical equipment and parts, n.e.s., 1969.

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The European Community is by far the major exporter of electrical equipment and parts, shipping about \$1 billion worth to outside countries, followed by the United States (table I-6-Q). Complete country

Table I-6-Q.--OECD exports of electrical equipment and parts, n.e.s., 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,016	48	752	345	<u>1/</u> 1,328	319	224
OECD total-----	1,226	39	374	90	494	125	104
Canada-----	111	-	93	7	4	6	1
United States---	161	35	-	62	31	16	17
Japan-----	52	X	48	-	1	X	3
European Community-----	<u>1/</u> 559	1	125	12	333	47	41
United Kingdom--	80	2	43	2	24	-	9
Other OECD-----	263	1	65	7	101	56	33
Non-OECD total----	627	7	192	120	152	105	51
LDC's-----	517	5	180	105	120	78	29

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 25 percent of U.S. exports, 39 percent of Japanese exports, 57 percent of EC exports, and 28 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of destination data are unavailable for 25 percent of U.S. exports, 39 percent of Japanese exports, 51 percent of EC exports, and 28 percent of United Kingdom exports. Of those exports accounted for, nearly 32 percent of U.S. exports go to LDC's, as well as 50 percent of shipments from Japan, 34 percent of United Kingdom exports, and 38 percent of EC outside exports. Over 22 percent of known U.S. exports and 20 percent of known United Kingdom exports are shipped to the

Community. Approximately 30 percent of those Japanese exports accounted for go to the United States. Canada is the least important exporter. In imports, the Community is the principal importer, followed again by the United States (table I-6-R). Complete country of origin data are

Table I-6-R.--OECD imports of electrical equipment and parts, n.e.s., 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,401	154	456	115	<u>1/</u> 1,015	288	373
OECD total-----	1,555	111	203	61	703	134	343
Canada-----	62	-	51	X	2	5	4
United States---	421	87	-	56	160	61	57
Japan-----	112	7	84	-	11	2	8
European Community----	<u>1/</u> 732	8	37	4	456	49	178
United Kingdom--	122	8	10	1	38	X	65
Other OECD-----	106	1	21	X	36	17	31
Non-OECD total----	160	X	111	8	25	11	5
LDC's-----	138	X	111	8	14	2	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for 28 percent of Canadian imports, 31 percent of U.S. imports, 40 percent of Japanese imports, 28 percent of EC imports and 50 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

unavailable for 28 percent of Canadian imports, 31 percent of U.S. imports, 40 percent of Japanese imports, 28 percent of EC imports and 50 percent of United Kingdom imports. The least significant importer of electrical equipment and parts is Japan. Over 78 percent of those Canadian imports accounted for come from the United States, as do 81 percent of known Japanese imports, 59 percent of known EC imports from outside sources and more than two-fifths of

remaining United Kingdom imports. Known EC shipments from outside sources are three-fifths as large as intra-EC imports. Over one-third of U.S. imports for which origins are known originate in LDC's, 27 percent in Japan, and 16 percent in Canada. One-third of known United Kingdom imports arrive from the European Community.

Trade-agreement concessions

Average tariff levels of all the major countries have been significantly reduced through trade-agreement concessions, as shown in the tabulation below. The largest drop, over 26 percentage points, was in the U.S. tariff. In 1972, Japan unilaterally reduced all but one of its rates in this subsector by approximately 20 percent. The remaining rate was reduced by 40 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	34.6	8.3
European Community	18.2	11.7
United Kingdom	25.6	14.3
Japan	21.9	12.9
Canada	22.2	7.3

Concessions under the GATT cover all MFN tariff provisions on electrical equipment and parts, n.e.s., in schedules of the European Community and the United Kingdom. In the United States schedule, 98 percent of the provisions and 99 percent of the trade are covered; in Canada's schedule, the coverage is only 62 percent of the provisions, but 85 percent of trade; and in the Japanese schedule, the coverage is 97 percent of the MFN provisions and only 68 percent of trade.

EC member state national tariffs prior to adoption of the CXT contained 134 GATT concessions on electrical equipment and parts, n.e.s., 64 of which were at rates higher than the CXT rate, 9 at the CXT rate, and 61 below it.

Table I-6-S shows concessions which have been made in the major country tariffs on electronic tubes, photocells, transistors and related electronic crystal components.

Table I-6-S.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on electronic tubes, photocells, transistors and related electronic crystal components

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	60%; 35%	30%; 12.5%	15%; 6%; Free	687.50, .60, .51, .61 ^{2/}
Canada-----	25% 25%	20% 15%; Free	15% 15%; Free	44533-1 44542-1; 44543-1
European Community--	16%-21%	12%-19%	6.5%-17%	85.21
United Kingdom-----	33.3%	10%-25% 20%	5%-20% 20%	85.21(A)-(D) 85.21(B)
Japan-----	30% 15%	15%, 20%, 30% 15%	7.5%, 10%, 15%	85.211 85.212,3

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Over 98 percent of U.S. imports are dutiable at 6 percent ad valorem; almost all of the remainder (television picture tubes) at 15 percent ad valorem. Duty-free imports from Canada represent only a negligible part of the total.

Miscellaneous Electrical Machinery

The remaining category of electrical machinery, which will not be discussed in detail, is electrical tools and other electrical apparatus. The relative world trade importance of this category can be seen in chart I-6-D at the beginning of the discussion of electrical machinery.

U.S. trade in tools and other electrical apparatus has been exports of \$209 million and imports of \$151 million in 1969 and increased imports of \$219 million in 1971. For each of the five major countries, there are listed below arithmetic and weighted average MFN rates of duty for total imports, and the highest duty bracket in which provisions of each of the five tariffs fall.

	<u>Canada</u>	<u>United States</u>	<u>Japan</u>	<u>European Community</u>	<u>United Kingdom</u>
Arithmetic Average	8.8	7.2	8.3	8.0	9.8
Weighted Average	7.1	6.1	8.5	7.6	9.2
Highest Rate Bracket	17.1-20	17.1-20	14.1-15	11.1-12	13.1-14

In a simple count of "highest" and "lowest" rankings in this data, the United Kingdom has the largest number of "highest" rankings, the United States has the largest number of "lowest" rankings.

Industrial Sector I-7

PULP, PAPER AND PAPERBOARD AND MANUFACTURES

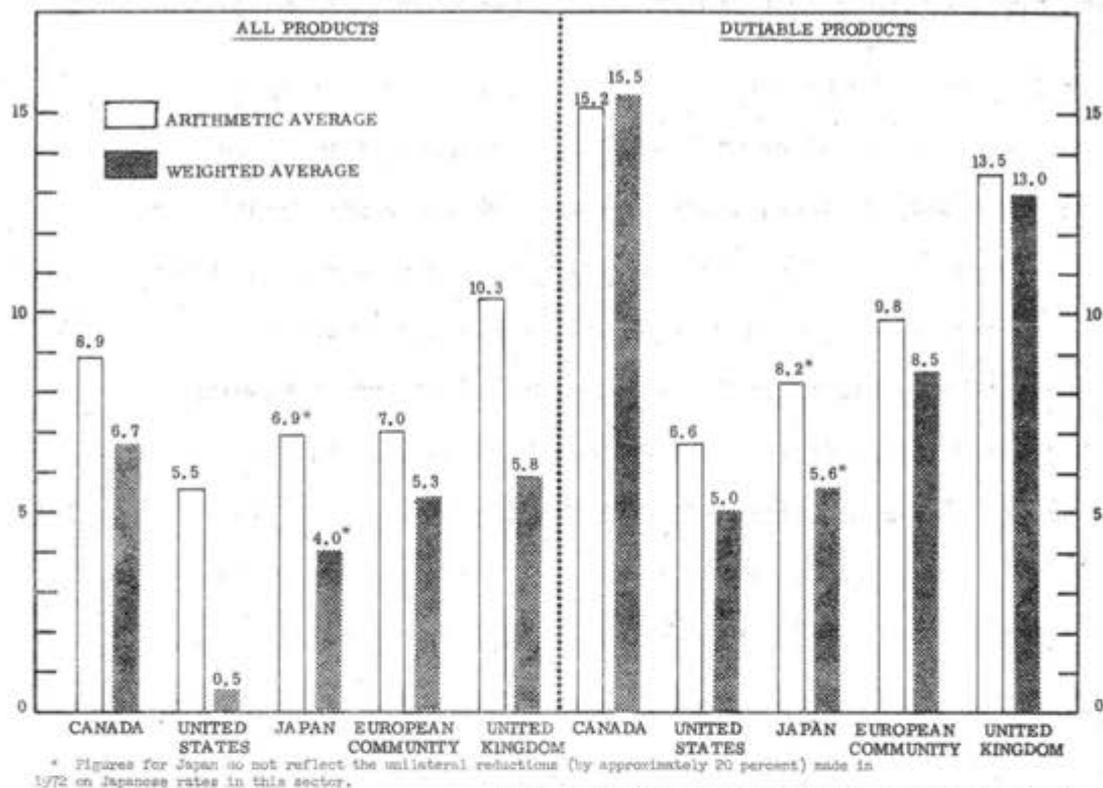
The pulp, paper and paperboard and paper manufactures sector covers: (1) paper pulp and paper waste; (2) all types of paper and paperboard, including newsprint, printing and writing paper, kraft paper and paperboard, cigarette paper, parchment, corrugated and creped paper, carbon and other copying papers, wallpapers and building board of wood pulp or vegetable fiber; (3) printed matter, including printed books and booklets, newspapers and periodicals, maps and charts, postage stamps, greeting cards, and calendars; and (4) manufactured articles of paper or pulp, such as writing pads, envelopes, postcards, registers, diaries, notebooks, binders, boxes and bags. 1/

MFN tariffs

The arithmetic averages for total imports of pulp, paper and paper manufactures range from 5.5 to 10.3 percent ad valorem; the weighted averages from 0.5 to 6.7 percent (see chart I-7-A). The United States has the lowest averages. Canada holds the highest weighted average and second highest arithmetic average, while the United Kingdom has the highest arithmetic average. For dutiable products only, Canada has the highest arithmetic average (15.2 percent ad valorem) and weighted average (15.5 percent); the United Kingdom the second highest averages (13.5 and 13 percent ad valorem, respectively).

1/ For specific coverage of this sector, see BTN chapters 47, 48 (except heading 48.12), and 49. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-7-A. -- Average MFN tariff rates on pulp, paper and paper manufactures
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The United States holds both the lowest arithmetic average (6.6 percent) and weighted average (5 percent ad valorem).

The distribution of MFN tariff provisions for pulp, paper and paper manufactures, by duty level, is shown in table I-7-A. The tariffs of all five major countries contain MFN duty-free provisions. Over two-fifths of Canada's MFN provisions are duty free, nearly one-fourth in the 10.1-15 percent ad valorem range and over one-fifth in the 15.1-20 percent range. About 17 percent of U.S. provisions are duty free, over 30 percent in the

Table I-7-A.--Distribution, by duty level, of MFN tariff provisions for pulp, paper and paperboard and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	41.6	17.2	15.9	28.4	23.8
0.1-5.0 percent----	1.5	31.1	20.3	13.4	2.0
5.1-10.0 percent---	9.9	46.5	52.2	19.4	17.8
10.1-15.0 percent--	24.3	2.6	10.1	38.8	38.6
15.1-20.0 percent--	21.3	1.5	1.4	-	17.8
20.1-25.0 percent--	1.5	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.4	-	-	-
40.1-50.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

0.1-5 percent ad valorem bracket, over 46 percent in the 5.1-10 percent bracket. Of the Japanese tariff provisions, over half are in the 5.1-10 percent bracket, while one-fifth are in the 0.1-5 percent bracket and 16 percent are free. Almost 30 percent of the European Community provisions are free, one-fifth in the 5.1-10 percent rate bracket and nearly two-fifths in the 10.1-15 percent bracket. In the tariff schedules of the United Kingdom, close to one-fourth of the provisions are duty free, nearly two-fifths in the 10.1-15 percent bracket and 18 percent in both the 5.1-10 percent and 15.1-20 percent ad valorem ranges.

Imports of pulp, paper and paper manufactures receiving preferential tariff treatment are significant for three of the five major countries. Such treatment was accorded 30 percent of entries into the United Kingdom and 3 percent into Canada. Intra-European Community shipments were equal to about three-fifths of EC imports from outside countries.

A substantial portion of MFN imports into all five major countries are duty free. Nearly 57 percent of Canadian imports, 90 percent of U.S. imports, 29 percent of Japanese entries, 37 percent of EC imports and 55 percent of entries into the United Kingdom are free (table I-7-B). An additional 59 percent of Japanese entries are in the 0.1-5 percent ad valorem bracket and over one-third of EC imports are in the 10.1-15 percent range. Only Canada has imports entering at rates over 20 percent ad valorem.

Table I-7-B.--Distribution, by duty level, of MFN imports of pulp, paper and paperboard and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	56.7	89.9	28.7	37.0	55.3
0.1-5.0 percent----	.1	6.1	58.7	24.0	.2
5.1-10.0 percent----	9.4	4.0	10.7	2.7	10.5
10.1-15.0 percent--	17.0	-	1.6	36.3	22.4
15.1-20.0 percent--	12.9	-	.3	-	11.6
20.1-25.0 percent--	4.0	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

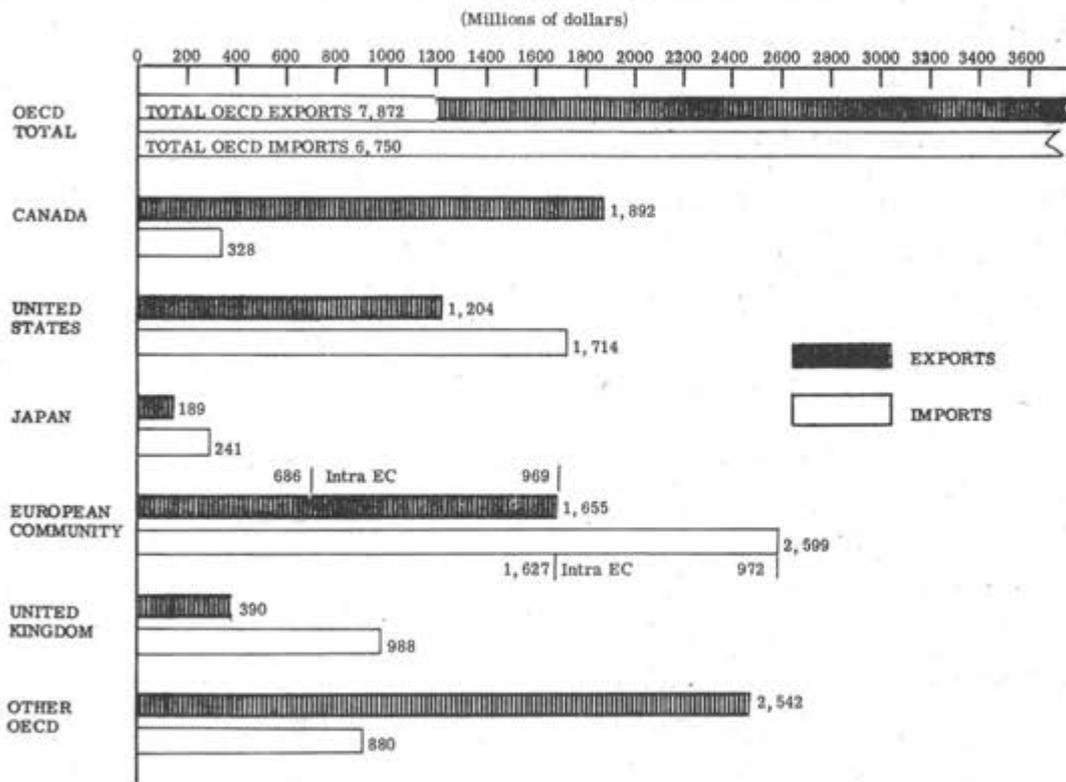
Note.--Due to rounding, figures may not add to 100 percent

The United States has the most detailed tariff schedule for pulp, paper and paper manufactures with 263 tariff lines, while the European Community has the least, with 67 lines. Canada has 202 lines; the United Kingdom, 101 lines; and Japan, 69 lines. However, the multiple dispersion of U.S. and Canadian tariff items into the BTN format overstates the detail of the tariff schedules of these two countries. An adjustment for this problem yields a more accurate item count of 147 items for the United States and 121 items for Canada.

Trade importance

Pulp, paper and paper manufactures rank seventh in OECD exports and eighth in imports. The sector accounts for about 5 percent of OECD industrial exports and 4 percent of OECD industrial imports. For the United States, the sector is the eighth most important in exports and seventh in imports.

Chart 1-7-B. --OECD trade in pulp, paper, and paper manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

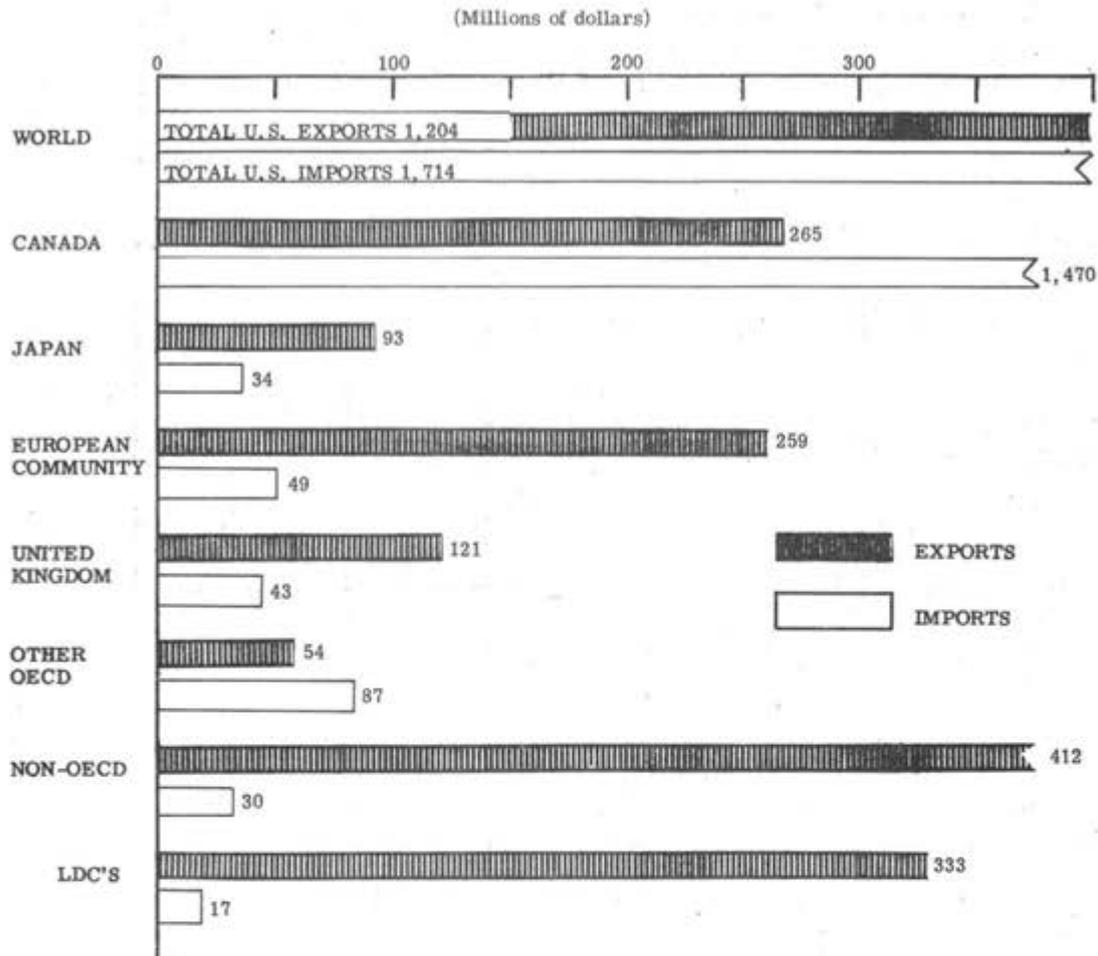
Imports by the GATT tariff study countries were valued at \$4.5 billion in 1967 and \$6.3 billion in 1970. Intra-EC shipments were an additional \$610 million in 1967 and \$1.1 billion in 1970. OECD 1969 imports were \$6.8 billion (including \$972 million of intra-EC shipments) and exports were \$7.9 billion (see chart I-7-B). In 1970, OECD imports rose to \$7.5 billion, exports to \$9 billion.

Trade network

The five major countries account for about 68 percent of OECD exports and 87 percent of imports of pulp, paper and paper manufactures. Sixty-eight percent of OECD exports go to the five major countries; 22 percent to LDC's and other non-OECD countries. About 65 percent of OECD imports are supplied by the five major countries.

Over one-third of exports go to non-OECD nations, principally the less developed countries (chart I-7-C). Canada and the European Community are the principal developed country markets for U.S. products. The United States takes three-fourths of Canada's exports. Japan ships over three-fifths of its exports to LDC's and 18 percent to the United States. European Community shipments to outside countries are equal to 70 percent of intra-EC exports. Non-OECD countries take about 38 percent of European Community outside exports; 11 percent go to the United Kingdom, and 9 percent

Chart I-7-C. --United States trade in pulp, paper, and paper manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

to the United States. The United Kingdom ships nearly half of its products to LDC's and other non-OECD countries. The Community is the principal developed country market for the United Kingdom (see table I-7-C).

Table I-7-C.--OECD exports of pulp, paper and paperboard, and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	7,872	1,892	1,204	189	<u>1/</u> 1,655	390	2,542
OECD total-----	6,167	1,742	792	52	1,393	204	1,984
Canada-----	306	-	265	3	21	13	4
United States---	1,636	1,417	-	34	59	37	89
Japan-----	195	75	93	-	10	12	5
European Community-----	<u>1/</u> 2,381	112	259	7	969	61	973
United Kingdom--	833	125	121	3	74	-	510
Other OECD-----	816	13	54	5	260	81	403
Non-OECD total----	1,703	150	412	137	262	183	559
LDC's-----	1,126	107	333	119	199	103	265

1/ Includes intra-EC shipments.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Pulp, paper and paper manufactures rank sixth in industrial imports for the European Community and the United Kingdom, seventh for the United States, ninth for Canada and tenth for Japan. U.S. imports of pulp, paper and paper manufactures were valued at \$1.5 billion in 1967 and \$1.7 billion in 1969 and 1970. Canada supplies about 86 percent of U.S. imports; the United States is the source of 88 percent of Canadian imports. Over four-fifths of Japanese entries come from Canada and the United States. Two-thirds of European Community imports from outside sources come from "other" OECD nations. Intra-EC imports are three-fifths as large as total Community imports from all external sources. Nearly 60 percent of

United Kingdom imports are supplied by "other" OECD countries. Of the major countries, Canada is the chief source of United Kingdom imports, followed by the United States. Japan is not a very significant importer (table I-7-D).

Table I-7-D.--OECD imports of pulp, paper and paperboard, and manufactures, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	6,750	328	1,714	241	<u>1/</u> 2,599	988	880
OECD total-----	6,565	326	1,683	228	2,528	944	856
Canada-----	1,856	-	1,470	88	129	154	15
United States---	861	287	-	112	277	127	98
Japan-----	51	1	34	-	8	4	4
European Community-----	<u>1/</u> 1,375	20	49	8	972	74	252
United Kingdom--	222	14	43	14	64	-	87
Other OECD-----	2,200	4	87	6	1,078	585	440
Non-OECD total----	185	3	30	13	69	44	26
LDC's-----	66	X	17	7	24	10	8

1/ Includes intra-EC shipments.

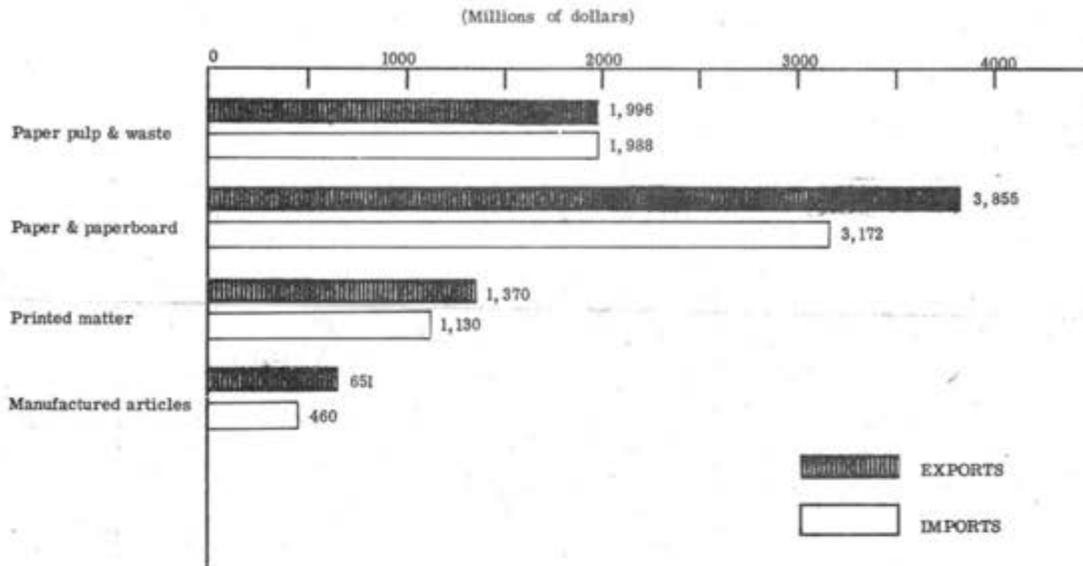
X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Pulp, paper and paper manufactures trade is divided into four subsectors, of which paper and paperboard is the largest in both exports and imports, (nearly half of each), followed by paper pulp and paper waste. The relative importance of the four subsectors is shown in chart I-7-D.

Chart I-7-D. --OECD trade in pulp, paper, and paper manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for pulp, paper and paper manufactures were below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 3.2 percent.

Specific rates are important only for the United States (41 percent of the lines, covering 3 percent of imports).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	2.6	0.5
European Community	8.2	5.3
United Kingdom	8.6	5.8
Japan	5.1	4.0
Canada	26.0	8.9

Concessions under the GATT have been made on all MFN provisions for pulp, paper and paper manufactures in the tariff schedules of the European Community and the United States, as well as on 88 percent of the provisions (covering 98 percent of pulp, paper and paper manufactures trade) in Japan's tariff and 66 percent of Canada's provisions (covering 68 percent of trade). Of the tariff provisions of the United Kingdom, 91 percent, covering 72 percent of MFN imports, are fully covered by GATT concessions; for 2 percent of the provisions, covering 28 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the European Community's Common External Tariff (CXT) contained tariff concessions on pulp, paper and paper manufactures negotiated under the GATT. The number of such concessions totaled 249, of which 146 reflected rates higher than the autonomous rate established in the CXT, 56 were at the CXT rate, and 47 were below the CXT rate.

Trade Complaints

More than 200 complaints involving over 60 countries were received by the Tariff Commission concerning policies and practices which the complainants considered to be barriers to trade in the pulp, paper and paper manufactures sector. Complaints were made against almost all market economy developed countries and against all of the more important less developed countries. Two-thirds of the total number of complaints concerned restrictive practices in the LDC's. Among individual countries, France drew the largest number of complaints (10); other developed countries most frequently mentioned were Italy, Canada, Japan, and New Zealand. Among the LDC's, Greece, Turkey, Iran, Colombia, Korea, and Spain drew the largest number of objections. The principal complaints are summarized in the paragraphs below.

Licensing practices.--Licensing practices drew the largest number of complaints concerning the pulp, paper and paper manufactures sector. Nineteen countries, chiefly LDC's, were mentioned in these complaints, but only Colombia, Israel, and Mexico were mentioned more than once.

The complaints concerning licensing chiefly involved books and paper products. Generally, the objections regarded the necessity of obtaining a license, which can be a lengthy and costly process although the license may be routinely granted. Several complainants remarked that, in some cases, securing a license could be very difficult. In Mexico, a U.S. producer of paper products stated that it was practically impossible to obtain a license. In Korea, licenses for books are granted only with the approval of the Minister of Education.

One U.S. producer of technical papers stated that Colombia permitted no deviation in quantity, value, or weight from that stated on the approved license.

Import duties.--Complaints against import duties, which made up the second largest category of objections, were received against 11 countries and the British Commonwealth. The complaints were almost evenly divided between LDC's and developed countries. The United Kingdom was the only country mentioned more than once. The bulk of the complaints involved books and other paper products. Most complainants simply mentioned the existence of "high" import duties. A rate of 70 percent ad valorem was cited for children's books imported into Peru. One U.S. producer stated that Australia maintained a high duty on paper products, ostensibly to prevent "dumping" in its markets. Another U.S. producer objected to the fact that the United Kingdom had a higher duty on cellulose shoeboard than on leather fiber shoeboard, while both items can be used for the same end product.

Discriminatory import duties were the subject of complaint by three U.S. producers. The British Commonwealth countries drew objections for giving preferential duty treatment to the United Kingdom on paper products, and Hungary was criticized for applying discriminatory (non-MFN) rates to imports of shoeboard from the United States. Greece was reported as favoring the European Community in imports of cellulose boards.

Embargoes and quotas.--Six countries were reported to have embargoes on certain paper products and two countries to have quotas. New Zealand, South Africa, Hungary, and Czechoslovakia were mentioned in this regard; the rest were LDC's. The application of these restrictions took various forms. Guyana maintains quotas on paper bags from countries outside of the Caribbean Free Trade Association (CARIFTA). Hungary and Czechoslovakia maintain embargoes on shoeboard, but shoeboard from Great Britain is exempted. Egypt maintains embargoes on paper products, which can be lifted in individual cases if the approval of the appropriate government ministry is secured. India and New Zealand both maintain quotas on books, and the quota levels are linked to the amount of previous imports. South Africa does not permit entry of certain periodicals.

Documentation requirements.--Various types of documentation required by Canada, Chile, Ethiopia, France, Iran, and the United States for trade in printed materials (chiefly books) were the object of complaints. U.S. producers felt that documentation requirements for A.I.D. shipments to LDC's were so excessive that the cost of the assistance increased as a result. The other complaints mentioned a variety of documentation requirements ranging from a pro forma invoice in Iran to a recording of all royalty contracts for imported books with the Central Bank in Chile.

State trading and governmental monopolies.--Eight countries, chiefly LDC's, were reported to have governmental monopolies or state trading practices which were looked upon as hindrances to trade in certain paper products. The chief products named were newsprint, papers for periodicals, playing cards, cigarette paper, and periodicals.

Subsidies and other aids.--U.S. exporters of paper complained of having to compete with products of Australia, Denmark, Italy, Japan, Norway and Sweden which were reported to benefit from various direct or indirect governmental aids (e.g., reduced taxes on profits from export sales). Italy taxes paper sales and uses the proceeds to assist in reafforestation. Spain subsidizes newsprint production with proceeds from a tax on other types of papers, and France assists wood pulp producers with a tax on certain papers.

Miscellaneous practices.--Several other practices drew complaints. These included nondiscriminatory sales taxes, prior import deposits, port and statistical taxes, antidumping practices, consular fees, and discriminatory shipping rates. LDC's were mentioned approximately twice as often as developed countries in these miscellaneous complaints.

In the Commission's survey, respondents were requested to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected products would show a "small," "moderate," or "significant" increase if the barrier were removed and, if possible, to estimate a dollar value for the increase. Such assessments were included in only about one-tenth of the complaints in the pulp, paper and paper manufactures sector. Most of these indicated that a "moderate" increase in trade could be expected with removal of the barrier (or barriers) complained of; the remainder indicated that a "significant" trade increase could be expected. Estimates of dollar values as high as \$30 million and as low as \$5 thousand annually were

given for the expected increase in trade in a product or a group of closely related products. The estimated dollar value increases, as a percent of the respondent's trade, ranged from 6.5 to 100 percent. The small number of dollar value estimates received in the pulp, paper, and paper manufactures sector totaled nearly \$36 million annually.

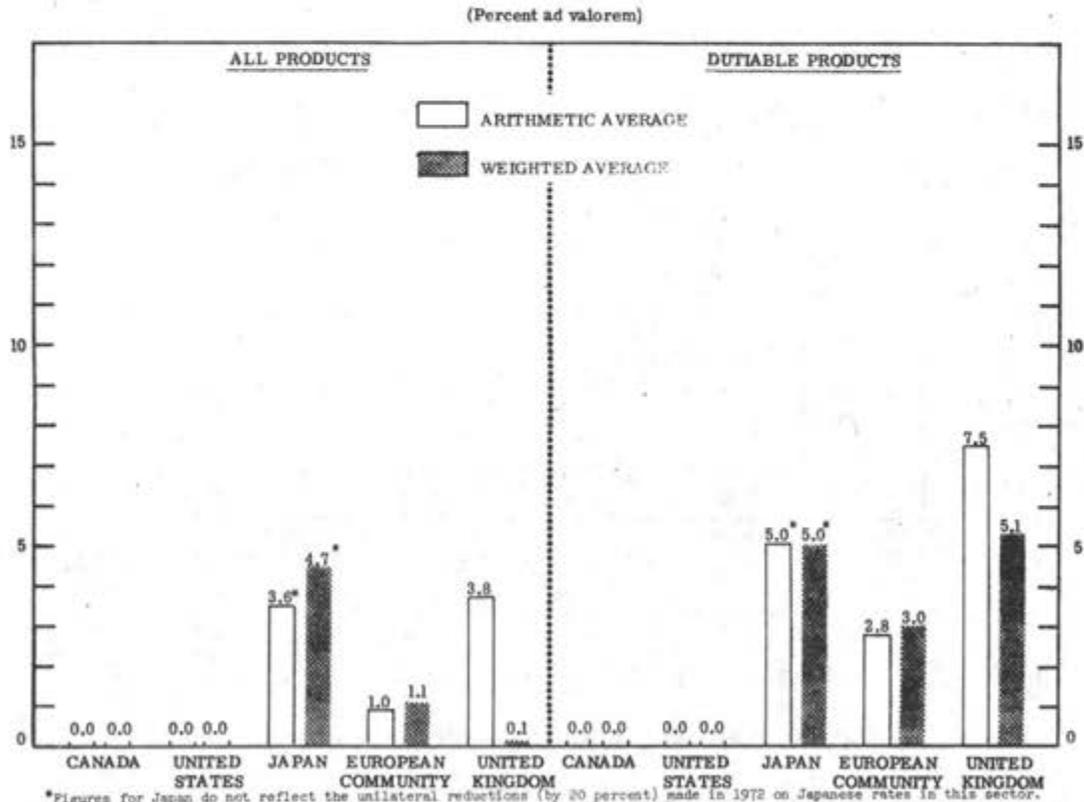
Paper Pulp and Paper Waste

Paper pulp and paper waste cover pulp derived by mechanical or chemical means from fibrous vegetable materials, scrap articles of paper fit only for paper-making and waste paper and paperboard. ^{1/}

MFN tariffs

The United States and Canada have only duty-free provisions for paper pulp and paper waste. For the other three countries,

Chart I-7-E. -- Average MFN tariff rates on paper pulp and paper waste



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 4701-.02.

average MFN tariffs for total imports of paper pulp and paper waste range from 0.1 to 4.7 percent ad valorem. The highest arithmetic average is held by the United Kingdom; the highest weighted average by Japan. The highest averages for dutiable products are held by the United Kingdom (7.5 percent ad valorem for the arithmetic average, 5.1 percent for the weighted) (chart I-7-E).

All imports by the United States, Japan, and Canada were on an MFN basis, as were virtually all shipments into the Community from external countries. Fifteen percent of total imports by the United Kingdom received preferential tariff treatment.

All of the tariff provisions of Canada and the United States are free (table I-7-E). Japan and the European Community have no rates higher than 5 percent ad valorem (over 70 percent of Japanese

Table I-7-E.--Distribution, by duty level, of MFN tariff provisions for paper pulp and paper waste
(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	100.0	100.0	28.6	62.5	50.0
0.1-5.0 percent----	-	-	71.4	37.6	25.0
5.1-10.0 percent---	-	-	-	-	25.0
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

provisions are in the 0.1-5 percent ad valorem bracket; over three-fifths of European Community provisions are free). Fifty percent of United Kingdom provisions are free; 25 percent in both the 0.1-5 percent and the 5.1-10 percent rate ranges. No

imports entered the five major countries at rates higher than 5 percent ad valorem. All the U.S. and Canadian imports, over three-fifths of the European Community entries, and nearly 99 percent of United Kingdom imports are duty free. Ninety-three percent of Japan's imports are in the 0.1-5 percent ad valorem bracket (table I-7-F).

Table I-7-F.--Distribution, by duty level, of MFN imports of paper pulp and paper waste

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	100.0	100.0	6.7	62.8	98.7
0.1-5.0 percent----	-	-	93.3	37.1	1.3
5.1-10.0 percent----	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

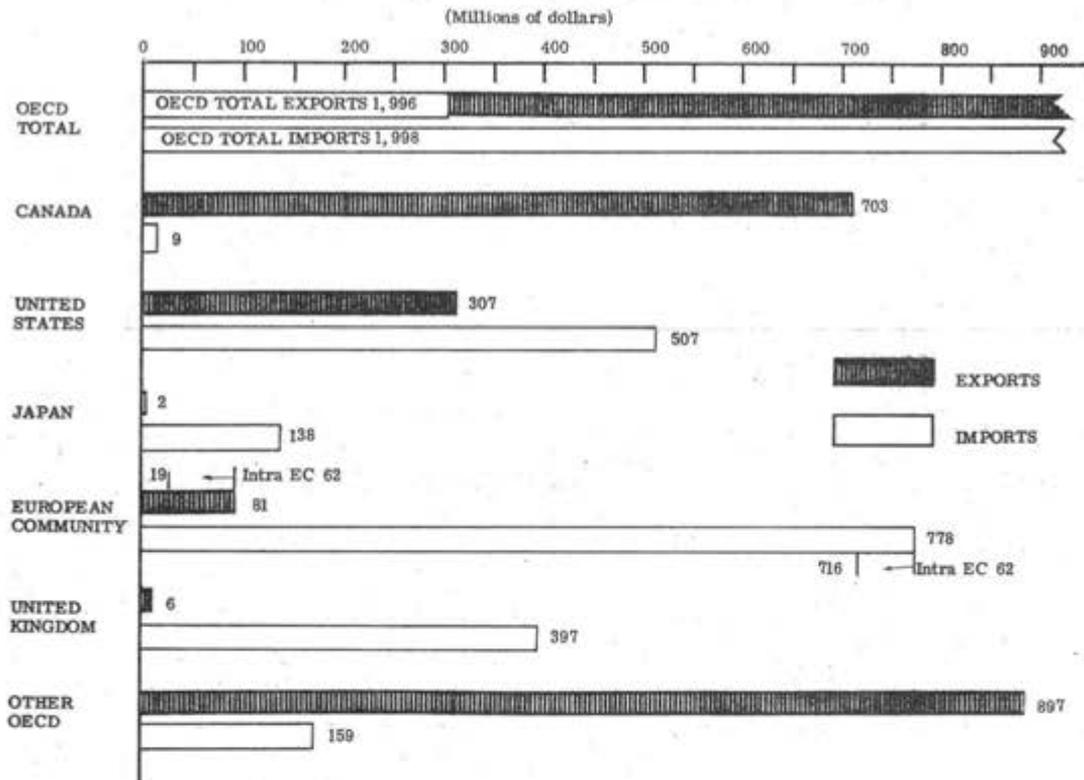
Note.--Due to rounding, figures may not add to 100 percent.

The European Community exhibited the most complex tariff structure for paper pulp and paper waste, with 16 lines; the United States, the simplest, with 2 lines. Schedules for Japan had 7 lines; the United Kingdom, 4 lines; and Canada, 3 lines.

Trade importance

Paper pulp and paper waste is the second most important category in OECD trade in the pulp, paper and paper manufactures sector. OECD 1969 exports totaled \$2 billion; imports were also about \$2 billion (chart I-7-F). In 1969 U.S. exports, this subsector was the third largest category (\$307 million), while in U.S. imports, it was the second largest category (\$507 million) of pulp, paper and paper manufactures. In 1971, U.S. imports fell to about \$490 million.

Chart I-7-F. --OECD trade in pulp and paper waste, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

Canada, the United States and "other" OECD countries ship over 95 percent of OECD exports; the European Community, the United Kingdom and Japan, less than 4 percent. Canada is by far the largest exporter, shipping \$703 million in 1969 (almost 70 percent of which went to the United States). Nearly one-third of U.S. exports go to LDC's and other non-OECD nations; about one-third to the European Community, and 18 percent to Japan (table I-7-G).

Table I-7-G.--OECD exports of paper pulp and paper waste, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,996	703	307	2	<u>1/</u> 81	6	897
OECD total-----	1,748	672	209	-	79	5	783
Canada-----	8	-	8	-	X	X	-
United States---	495	483	-	-	X	X	12
Japan-----	118	58	56	-	X	X	4
European Community-----	<u>1/</u> 673	90	97	-	62	3	421
United Kingdom--	317	34	37	-	6	-	240
Other OECD-----	137	7	11	-	11	2	106
Non-OECD total----	248	31	98	2	3	X	114
IDC's-----	143	20	78	2	3	X	40

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Among the five major countries, the European Community is the largest importer, followed by the United States. Shipments to the Community from outside countries exceed intra-EC imports by almost 12 to 1, with 65 percent of European Community outside imports arriving from "other" OECD countries. Canadian imports are negligible; 96 percent of U.S. imports come from Canada. Eighty-nine percent of Japanese imports are shipped from Canada or the United States. Of United Kingdom imports, 70 percent come from "other" OECD nations. (table I-7-H).

Table I-7-H.--OECD imports of paper pulp and paper waste, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,988	9	507	138	<u>1/</u> 778	397	159
OECD total-----	1,900	8	500	129	740	366	157
Canada-----	711	-	487	64	105	44	11
United States---	217	8	-	60	103	37	9
Japan-----	-	-	-	-	-	-	-
European Community-----	<u>1/</u> 80	-	1	X	62	7	10
United Kingdom--	6	X	X	-	4	-	2
Other OECD-----	886	X	12	5	466	278	125
Non-OECD total----	89	1	6	9	37	31	5
LDC's-----	27	X	X	6	13	7	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Except for the United Kingdom, average tariffs of the major countries on January 1, 1972, were either equal to or lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest drop, over 8 percentage points, was in the Canadian tariff. Japan's tariff rates in this subsector were unilaterally reduced in November 1972, and calculations based on the new lower level would show an average of about 3.8 percent ad valorem. Specific rates are significant only for the United Kingdom, with 25 percent of its tariff lines involved but less than one percent of MFN imports.

Pre-trade agreementJanuary 1, 1972

(Percent ad valorem)

United States	0.0	0.0
European Community	2.2	1.1
United Kingdom	0.0	0.1
Japan	4.7	4.7
Canada	8.3	0.0

GATT concessions cover all U.S. and Community MFN rate provisions; two of Canada's three provisions (72 percent of imports) and 57 percent of Japan's provisions (100 percent of imports). Of the four United Kingdom tariff provisions, two, covering 1 percent of MFN imports, are fully covered by GATT concessions; the remaining two provisions, covering 99 percent of MFN imports, are only partly covered.

Thirty-two GATT concessions were made in European Community member state national tariffs prior to adoption of the Common External Tariff. Twelve of these were at rates higher than the CXT rate, 13 at rates below, and 7 at the CXT rate. Actual rates of duty for paper pulp are compared in table I-7-I.

Table I-7-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on pulp derived by mechanical or chemical means from fibrous vegetable material

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/2}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	250.02
Canada-----	25%	Free	Free	2000-1
European Community--	6%; Free	6%; Free	3%; Free	47.01
United Kingdom-----	Free; 10%	Free; 10%	Free; 5%	47.01
Japan-----	5%	5%; Free	5%; Free	47.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Paper and Paperboard

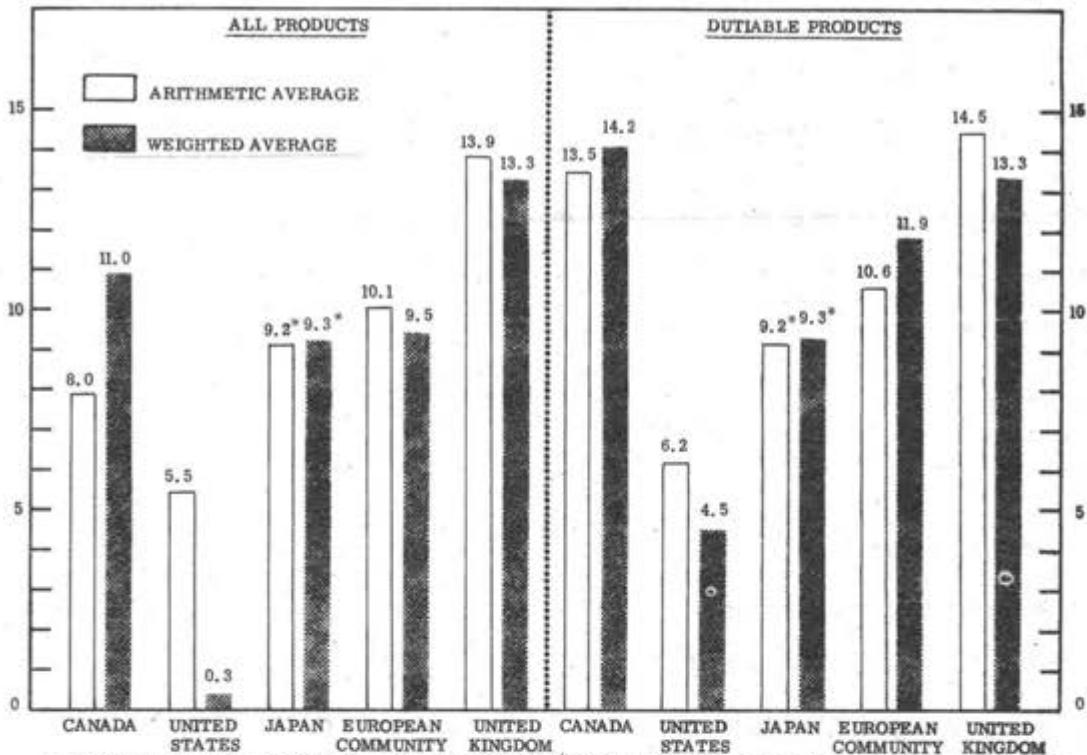
This subsector covers all paper and paperboard which is not cut to size or shape and includes newsprint, printing and writing paper, parchment paper, draft paper and embossed or corrugated paper and certain building board (of wood pulp or vegetable fiber). However, it does not cover certain special papers, such as sensitized paper and abrasive paper. ^{1/}

MFN tariffs

The United States has the lowest tariff averages for total MFN imports of paper and paperboard (5.5 percent ad valorem for the arithmetic, 0.3 percent for the weighted); the United Kingdom has the highest averages (13.9 percent and 13.3 percent, respectively) (chart I-7-G). Canada has the second lowest arithmetic average (8 percent ad valorem) and the second highest weighted average (11 percent). Except in the case of Japan, the tariff averages of the five major countries for dutiable products alone are generally higher than the averages calculated for total MFN imports. The dutiable product averages range from 4.5 percent ad valorem to over 14 percent. The United States again has the lowest averages. The United Kingdom holds the highest arithmetic average, while Canada holds the highest weighted average.

^{1/} For specific coverage of this subsector see BTN headings 48.01-.09.

Chart I-7-G. -- Average MFN tariff rates on paper and paperboard
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on virtually all Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Virtually all imports into the United States, Canada and Japan and shipments into the European Community from external countries, are accorded MFN treatment. Intra-EC shipments which move duty free are equal to 62 percent of EC imports from outside sources. Nearly 85 percent of total imports into the United Kingdom receive preferential treatment under the Commonwealth and European Free Trade Association agreements.

All of the five major countries except Japan have duty-free tariff provisions (table I-7-J). Over 40 percent of Canada's pro-

Table I-7-J.--Distribution, by duty level, of MFN tariff provisions for paper and paperboard

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	40.5	10.9	-	5.0	4.4
0.1-5.0 percent----	3.6	40.5	19.2	10.0	-
5.1-10.0 percent----	10.7	42.7	57.7	20.0	11.1
10.1-15.0 percent--	34.6	2.8	19.2	65.0	57.8
15.1-20.0 percent--	10.7	.7	3.8	-	26.7
20.1-25.0 percent--	-	1.4	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

visions are free, as are nearly 11 percent of U.S. provisions, 5 percent of EC provisions and over 4 percent of those of the United Kingdom. An additional third of Canadian tariff lines are in the 10.1-15 percent ad valorem bracket. Over two-fifths of U.S. provisions are in each of the rate ranges of 0.1-5 percent and 5.1-10 percent ad valorem. Only the United States has provisions in the 30.1-40 percent ad valorem class. About 58 percent of Japanese tariff lines are found in the 5.1-10 percent ad valorem bracket, while almost one-fifth of Japan's provisions are in each of the brackets of 0.1-5 percent and 10.1-15 percent. Sixty-five percent of European Community provisions are found in the 10.1-15 percent range. Of the tariff provisions of the United Kingdom, about 58 percent are in the 10.1-15 percent bracket and over one-fourth are found in the 15.1-20 percent bracket.

In terms of MFN imports of paper and paperboard, about 22 percent of Canadian imports, 93 percent of U.S. imports, and 21 percent of European Community imports enter free. Over 70 percent of Canadian imports are in the 10.1-15 percent ad valorem range. Four-fifths of Japanese imports entered at rates in the 5.1-10 percent bracket. Nearly four-fifths of the European Community entries pay duties in the 10.1-15 percent ad valorem bracket. Over half of United Kingdom entries are in the 10.1-15 percent range, while 30 percent are found in the 15.1-20 percent range (table I-7-K).

Table I-7-K.--Distribution, by duty level, of MFN imports of paper and paperboard

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	22.4	92.9	-	20.8	0.2
0.1-5.0 percent----	.4	5.0	0.1	.2	-
5.1-10.0 percent---	4.1	2.2	80.0	.1	18.3
10.1-15.0 percent--	70.2	-	11.0	78.9	51.5
15.1-20.0 percent--	2.8	-	8.9	-	30.0
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The United States exhibits the most complex tariff schedule for paper and paperboard, with 138 tariff lines; the European Community has the simplest, only 20 lines. Schedules for Canada have 84 lines; for the United Kingdom, 45 lines; and for Japan, 26 lines.

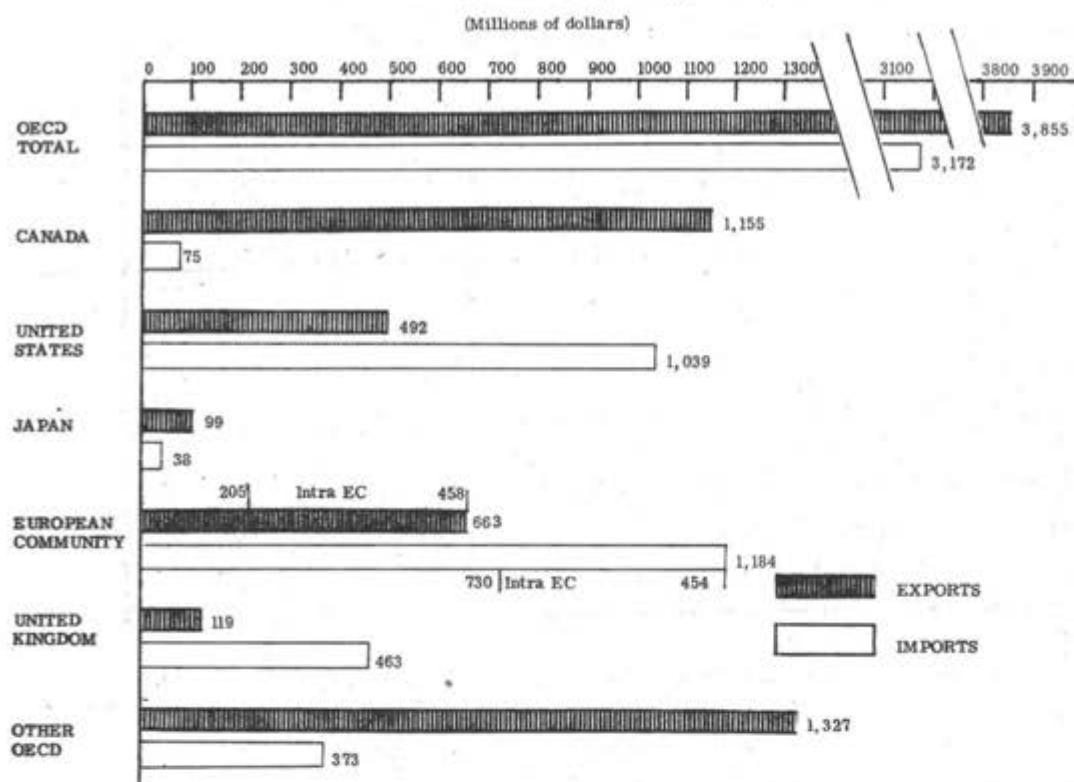
World production

World production of paper and paperboard amounted to 192 million metric tons in 1968. The five countries under study supplied two-fifths of the output. The United States was the principal producer, accounting for 22 percent, followed by the European Community, with 7 percent; Canada, 5 percent; Japan, 5 percent; and the United Kingdom, 2 percent.

Trade importance

Paper and paperboard account for 49 percent of OECD industrial exports in the pulp, paper and paper manufactures sector and 47 percent of OECD imports. OECD exports totaled almost \$3.9 billion in 1969, imports were \$3.2 billion (chart I-7-H). Among the 119 industrial subsectors, paper and paperboard ranks seventh in value of MFN imports of the GATT tariff study countries. For the United States, it is the fourth most important subsector in MFN imports; for the European Community, the rank is seventh. U.S. imports amounted to over \$1 billion in 1969, and increased to nearly \$1.1 billion in 1971.

Chart I-7-H. -- OECD trade in paper and paperboard, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for about 65 percent of OECD exports of paper and paperboard and 88 percent of imports (tables I-7-L and M). The largest supplier to the world is Canada, accounting for 29 percent of OECD exports. The principal importing country is the United States (if intra-EC imports are excluded). Japan is, of the five, the least important both as an importer and exporter of paper and paperboard. Seventy-eight percent of Canadian exports go to the United States. Nearly two-fifths of U.S. exports

Table I-7-L.--OECD exports of paper and paperboard, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,855	1,155	492	99	<u>1/</u> 663	119	1,327
OECD total-----	2,965	1,041	296	5	556	66	1,001
Canada-----	85	-	82	X	X	1	2
United States---	977	908	-	2	4	3	60
Japan-----	29	17	7	-	2	2	1
European Community-----	<u>1/</u> 1,114	21	126	2	458	29	478
United Kingdom--	409	90	52	1	20	-	246
Other OECD-----	351	5	29	X	72	31	214
Non-OECD total----	890	114	196	94	106	53	327
LDC's-----	580	84	163	80	72	26	155

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-7-M.--OECD imports of paper and paperboard, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,172	75	1,039	38	<u>1/</u> 1,184	463	373
OECD total-----	3,119	74	1,032	35	1,161	458	359
Canada-----	1,118	-	959	24	23	108	4
United States---	279	71	-	7	126	49	26
Japan-----	6	X	3	-	1	1	1
European Community-----	<u>1/</u> 551	X	5	3	454	20	69
United Kingdom--	65	1	3	2	28	-	31
Other OECD-----	1,100	2	62	X	528	280	228
Non-OECD total----	52	1	7	2	24	5	13
LDC's-----	14	X	4	X	9	X	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

go to non-OECD countries; the remainder goes chiefly to the Community (25 percent) and Canada (16 percent). Over half of EC shipments to outside destinations go to non-OECD countries. Of the remaining EC exports, 35 percent go to "other" OECD countries. United Kingdom exports go chiefly to non-OECD countries, followed by the European Community.

Ninety-two percent of U.S. imports of paper and paperboard come from Canada, as do over three-fifths of Japanese entries. The United States supplies 94 percent of the Canadian imports and 17 percent of EC imports from outside countries. The principal source of EC outside imports is "other" OECD countries. Intra-EC imports are equal to about three-fifths of the value of EC receipts from outside sources. About 60 percent of United Kingdom imports are also supplied by "other" OECD nations.

Trade flows among the five countries are generally in the direction of countries having lower tariffs. The principal importer, the United States, has the lowest tariff averages. Canada, which is one of the least important importers, has relatively high tariff averages.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, average tariff levels for paper and paperboard are well below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations.

Japan, in November 1972, made unilateral 20 percent reductions in most of its rates on paper and paperboard, thereby reducing the Japanese average level to about 7.4 percent ad valorem. Specific rates are significant only for the United States, involving 51 percent of its tariff lines, and 4 percent of imports.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	2.0	0.3
European Community	14.2	9.5
United Kingdom	19.4	13.3
Japan	13.0	9.3
Canada	28.4	8.0

All MFN provisions for paper and paperboard in the tariff schedules of the United States and European Community have been the subject of GATT concessions. In the United Kingdom schedule, 98 percent of the provisions, covering all MFN imports, have GATT concessions, as do 81 percent of the Japanese provisions, covering 80 percent of MFN imports, and 68 percent of the Canadian provisions, covering 87 percent of MFN imports. European Community member state national tariffs prior to adoption of the CXT contained 109 GATT concessions on paper and paperboard, 69 of which were at rates higher than the CXT rate.

Trade-agreement concessions in major country tariffs dealing with kraft container board and newsprint paper are shown in tables I-7-N and I-7-O. The most significant rate reductions have taken place in the tariffs of the United States, Canada and Japan.

Table I-7-N.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on kraft container board

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	20%	6.5%	3%	251.30
Canada-----	35%	20%	15%	19200-1
European Community--	18%	16%	12%	48.01 C II
United Kingdom-----	15%	13.5%	10%	48.01 (B)(1)
Japan-----	10%	10%	10%	48.01-4

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Table I-7-O.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on newsprint paper

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	252.65
Canada-----	25%	Free	Free	19600-1
European Community--	7%	7% ^{2/}	7% ^{2/}	48.01A
United Kingdom-----	Free	Free	Free	48.01 (B)(3)(e)
Japan-----	10%	7.5%; 10%	5.5%; 10%	48.01-2 (1),(2)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Exemption from the payment of duty within the limits of a specified annual tariff quota.

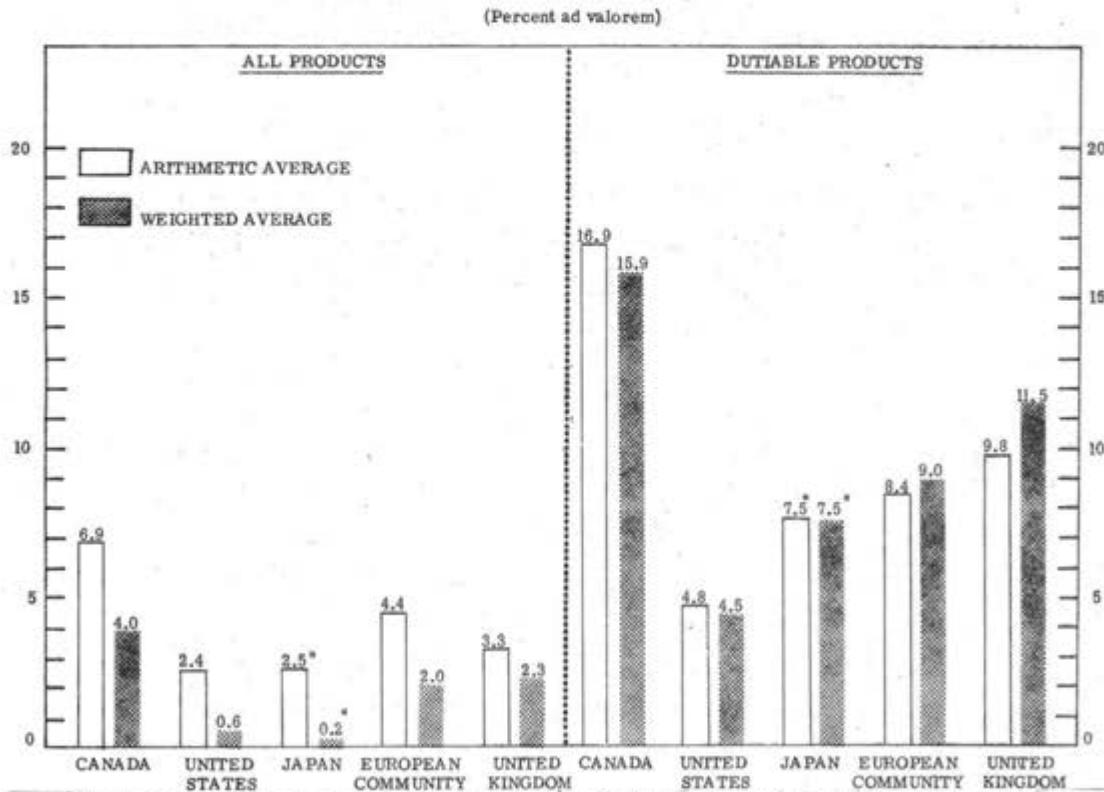
Printed Matter

Printed matter covers printed books, pamphlets, brochures, leaflets, newspapers, periodicals, maps and charts, picture and painting books for children, and printed globes and printed music. ^{1/}

MFN tariffs

The arithmetic averages for total MFN imports of printed matter range from 2.4 percent ad valorem to 6.9 percent; the weighted

Chart I-7-1. --Average MFN tariff rates on printed matter



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN chapter 49.

averages from 0.2 percent to 4 percent (chart I-7-I). Canada holds the highest averages. Japan has the lowest weighted average and the second lowest arithmetic average (2.5 percent ad valorem). The United States holds the lowest arithmetic average and the second lowest weighted average. For dutiable products only, all the tariff averages rise significantly. The highest averages are again held by Canada (16.9 percent ad valorem for the arithmetic average and 15.9 percent for the weighted average). The lowest tariff averages belong to the United States (4.8 percent for the arithmetic average and 4.5 percent for the weighted).

Virtually all imports into Japan, the Community and the United States were accorded MFN treatment. About 4 percent of Canadian imports and about 18 percent of United Kingdom imports receive preferential tariff treatment. Intra-EC shipments, which move duty free, exceed EC imports from outside sources.

All of the five major countries have a substantial proportion of duty-free MFN tariff provisions. Two-thirds of the MFN tariff provisions of Japan and the United Kingdom, almost three-fifths of Canadian provisions and nearly one-half of U.S. and EC provisions are free. Of the remaining provisions, about one-fourth of Canadian provisions are in the 15.1-20 percent ad valorem bracket, one-third of the U.S. provisions in the 0.1-5 percent bracket, and one-third of Japanese and EC lines and 17 percent of United Kingdom

provisions are in the 5.1-10 percent ad valorem range (table I-7-P). For each of the major countries, at least three-fourths of imports are free. Only Canada has imports entering at rates above 15 percent ad valorem (table I-7-Q).

Table I-7-P.--Distribution, by duty level, of MFN tariff provisions for printed matter
(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	59.4	49.2	66.7	47.1	66.7
0.1-5.0 percent----	-	32.3	-	5.9	4.2
5.1-10.0 percent----	12.5	18.7	33.3	35.3	16.7
10.1-15.0 percent--	-	-	-	11.8	12.5
15.1-20.0 percent--	23.4	-	-	-	-
20.1-25.0 percent--	4.7	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Table I-7-Q.--Distribution, by duty level, of MFN imports of printed matter
(In percent)

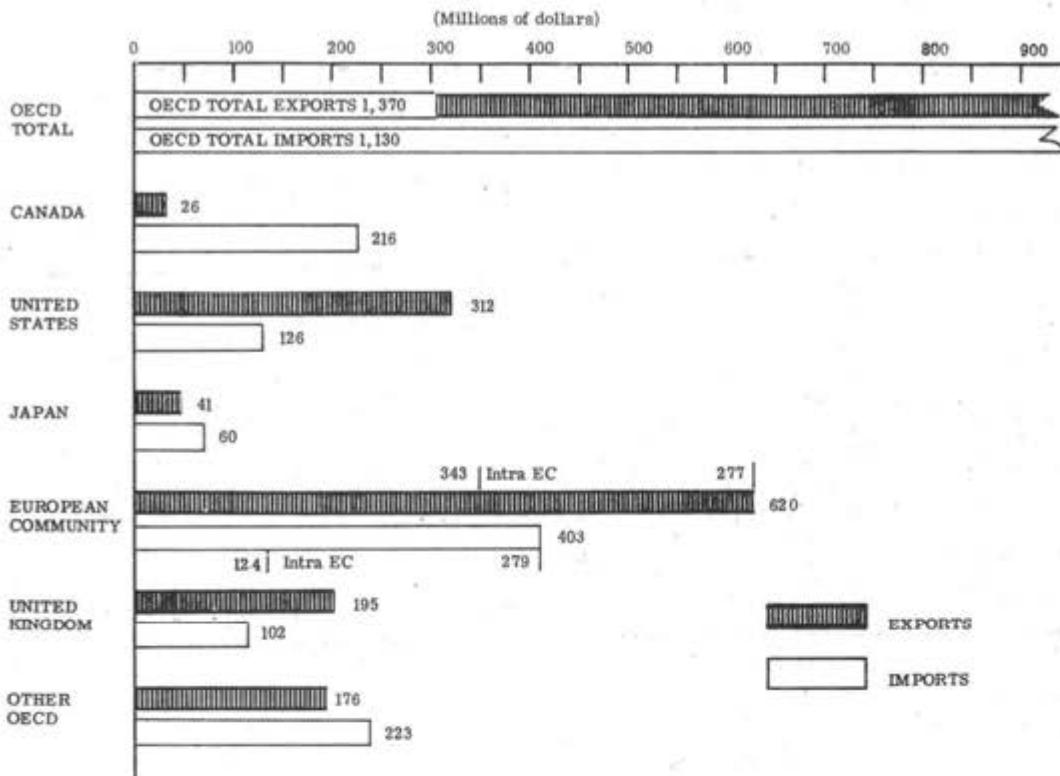
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	74.8	86.6	97.7	77.5	79.9
0.1-5.0 percent----	-	9.4	-	-	.5
5.1-10.0 percent----	12.5	3.8	2.3	20.9	2.5
10.1-15.0 percent--	-	-	-	1.6	17.1
15.1-20.0 percent--	6.6	-	-	-	-
20.1-25.0 percent--	6.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Trade importance

Printed matter is the third most important category in OECD trade in pulp, paper and paper manufactures, accounting for about 17 percent of total trade in the sector. OECD 1969 exports totaled

Chart I-7-J.--OECD trade in printed matter, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

\$1.4 billion; imports were \$1.1 billion (chart I-7-J). In U.S. exports in the sector, printed matter (\$312 million in 1969) is the second largest category, but is third largest in U.S. imports, which in 1971 were valued at \$165 million. Among the 119 industrial subsectors, printed matter ranks 35th in value of MFN imports by the GATT tariff study countries.

Trade network

The five major countries account for about 87 percent of OECD exports and 80 percent of imports (tables I-7-R and S). The European Community is the largest exporter, being the origin of around one-fourth of OECD export shipments. Excluding

Table I-7-R.--OECD exports of printed matter, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,370	26	312	41	<u>1/</u> 620	195	176
OECD total-----	1,030	24	238	18	534	97	119
Canada-----	181	-	149	1	20	10	1
United States---	129	22	-	11	48	32	16
Japan-----	43	X	27	-	6	10	X
European Community----	<u>1/</u> 377	1	25	2	277	19	53
United Kingdom--	86	1	29	1	42	-	13
Other OECD-----	214	X	8	3	141	26	36
Non-OECD total----	339	2	74	23	86	97	57
LDC's-----	244	2	53	21	69	52	47

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-7-S.--OECD imports of printed matter, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,130	216	126	60	<u>1/</u> 403	102	223
OECD total-----	1,092	216	112	58	396	95	215
Canada-----	18	-	17	X	X	1	X
United States---	301	183	-	41	31	34	12
Japan-----	18	1	10	-	4	2	1
European Community----	<u>1/</u> 513	19	37	4	279	41	133
United Kingdom--	112	11	37	12	21	-	31
Other OECD-----	130	2	11	1	61	17	38
Non-OECD total----	37	1	14	2	6	8	6
LDC's-----	20	X	11	1	1	3	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

intra-EC imports, Canada is the largest importer, with U.S. imports and European Community imports from outside sources following. The United States and the Community ship almost one-fourth of their exports to non-OECD countries; and nearly half of United Kingdom exports are sent to these destinations. The remainder of U.S. exports are shipped principally to Canada. More than two-fifths of EC outside exports are sent to "other" OECD countries. Canada and Japan together ship less than 5 percent of total OECD exports.

Over four-fifths of Canadian imports, 68 percent of Japanese imports, one-fourth of EC outside imports and one-third of United Kingdom entries come from the United States. The remainder of EC outside imports come from "other" OECD countries, while the remaining United Kingdom imports principally arrive from the Community. The Community and the United Kingdom each account for about 29 percent of U.S. imports. Another 13 percent of United States imports come from Canada.

Trade-agreement concessions

Average tariffs of the major countries on January 1, 1972, were lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest drop was in the U.S. tariff.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	3.4	0.6
European Community	3.5	2.0
United Kingdom	3.5	2.3
Japan	0.5	0.2
Canada	8.2	6.9

GATT concessions cover all U.S., EC and Japanese MFN provisions; 83 percent of United Kingdom provisions (100 percent of imports); and 47 percent of Canadian provisions (57 percent of imports). Forty-five GATT concessions were made in European Community member state national tariffs prior to the adoption of the Common External Tariff, and 30 of these were at rates higher than the new CXT rate.

Printed books, brochures, pamphlets and similar printed matter have long been duty free (with minor exceptions) in the tariff schedules of the principal countries and the duty-free status has been bound under the GATT and other international agreements (see table I-7-T).

Table I-7-T.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on printed books, booklets, brochures, pamphlets and leaflets

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	270.25
Canada-----	10% Free	10% Free	10% Free	17100-1 16900-1; 17000-1; 17210-1; 17305-1; 17310-1; 17315-1; 17320-1; 17325-1; 17330-1
European Community--	Free	Free	Free	49.01
United Kingdom-----	Free	Free	Free	49.01
Japan-----	Free	Free	Free	49.01

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

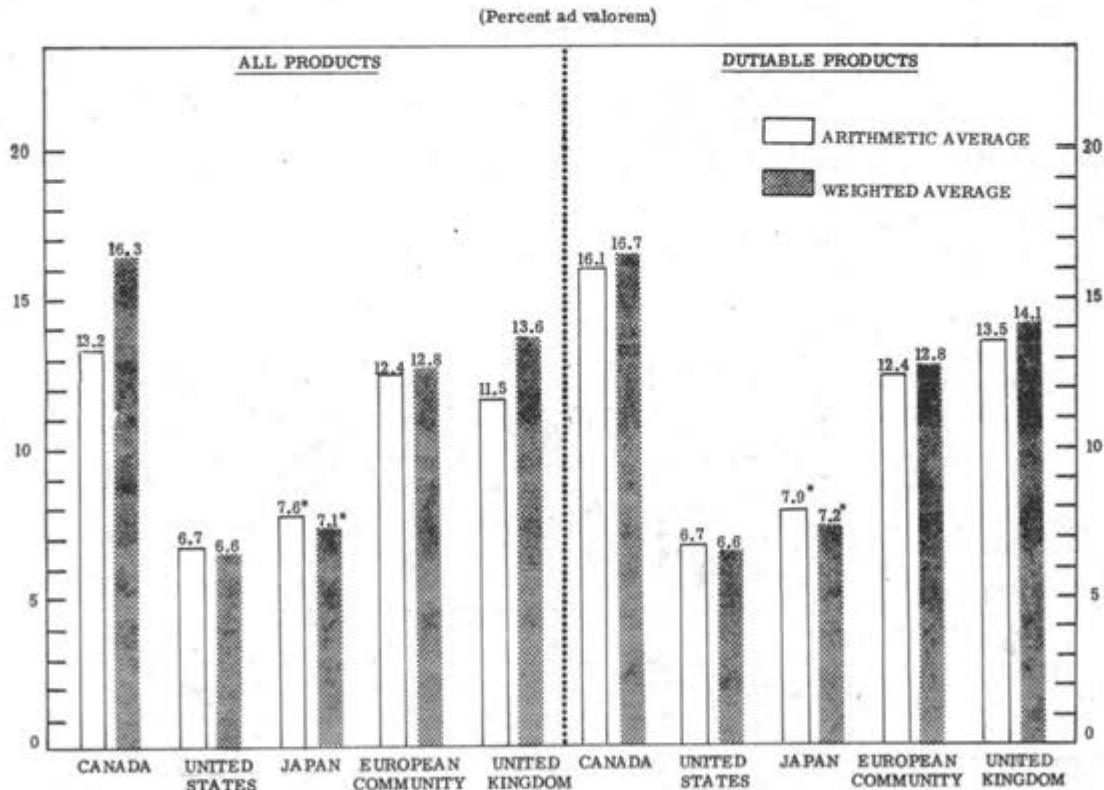
Manufactured Articles of Pulp, Paper or Paperboard

Manufactured articles of pulp, paper or paperboard covers paper and paperboard cut to size or shape, note books, binders, diaries, envelopes and other stationery, boxes, bags and other packing containers. Excluded are certain manufactures such as travel goods, plaiting materials and toys of paper. ^{1/}

MFN tariffs

Average MFN tariffs on manufactured articles of pulp, paper or paperboard imported into the five major countries range from 6.6

Chart I-7-K. --Average MFN tariff rates on manufactured articles of pulp, paper or paperboard



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 48.10-.11, 48.13-.21.

percent ad valorem (the U.S. weighted average on total imports) to 16.3 percent (the Canadian weighted average) (chart I-7-K). Averages for Japan, the European Community and the United Kingdom were clustered between 7.1 and 13.6 percent ad valorem. The dutiable product averages were higher for Japan, the United Kingdom and Canada, with the most significant changes occurring in the arithmetic averages of Canada and the United Kingdom.

Virtually all imports by the United States, Japan, and shipments into the European Community from external countries were on an MFN basis; 4 percent of Canadian imports and 43 percent of United Kingdom imports received preferential tariff treatment.

Canada, Japan and the United Kingdom have duty-free MFN provisions for manufactured articles of pulp, paper or paperboard; there are none in the tariffs of the United States and the Community (table I-7-U). Only Canada and the United Kingdom have provisions

Table I-7-U.--Distribution, by duty level, of MFN tariff provisions for manufactured articles of pulp, paper or paperboard

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	17.6	-	4.2	-	14.3
0.1-5.0 percent----	-	28.2	16.7	-	-
5.1-10.0 percent----	5.9	68.7	70.9	20.0	28.6
10.1-15.0 percent--	39.3	3.2	8.4	80.0	35.8
15.1-20.0 percent--	37.3	-	-	-	21.4
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

extending into the 15.1-20 percent ad valorem bracket (37 percent and 21 percent of the tariff provisions, respectively). Nearly 18 percent of the Canadian provisions are free and an additional two-fifths are in the 10.1-15 percent range. Twenty-eight percent of U.S. provisions are in the 0.1-5 percent ad valorem class, while 69 percent of the provisions are in the 5.1-10 percent class. About 4 percent of Japanese provisions are free. Another 71 percent of Japan's tariff provisions are in the 5.1-10 percent ad valorem bracket. Eighty percent of European Community provisions are found in the 10.1-15 percent rate range; the remaining EC provisions are in the 5.1-10 percent range. Of the provisions of the United Kingdom, 14 percent are free, 29 percent in the 5.1-10 percent rate bracket and 36 percent in the 10.1-15 percent rate bracket.

Few of the MFN imports of manufactured articles of pulp, paper or paperboard enter the five major countries duty free (table I-7-V). Over two-thirds of Canadian imports pay duties ranging from

Table I-7-V.--Distribution, by duty level, of MFN imports of manufactured articles of pulp, paper or paperboard

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	2.6	-	0.4	-	4.0
0.1-5.0 percent----	-	38.8	32.3	-	-
5.1-10.0 percent----	2.4	61.0	59.1	7.4	34.0
10.1-15.0 percent--	27.9	.1	8.2	92.6	19.6
15.1-20.0 percent--	67.1	-	-	-	42.5
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

15.1-20 percent ad valorem. Almost 39 percent of U.S. imports enter at rates in the 0.1-5 percent ad valorem bracket; 61 percent pay

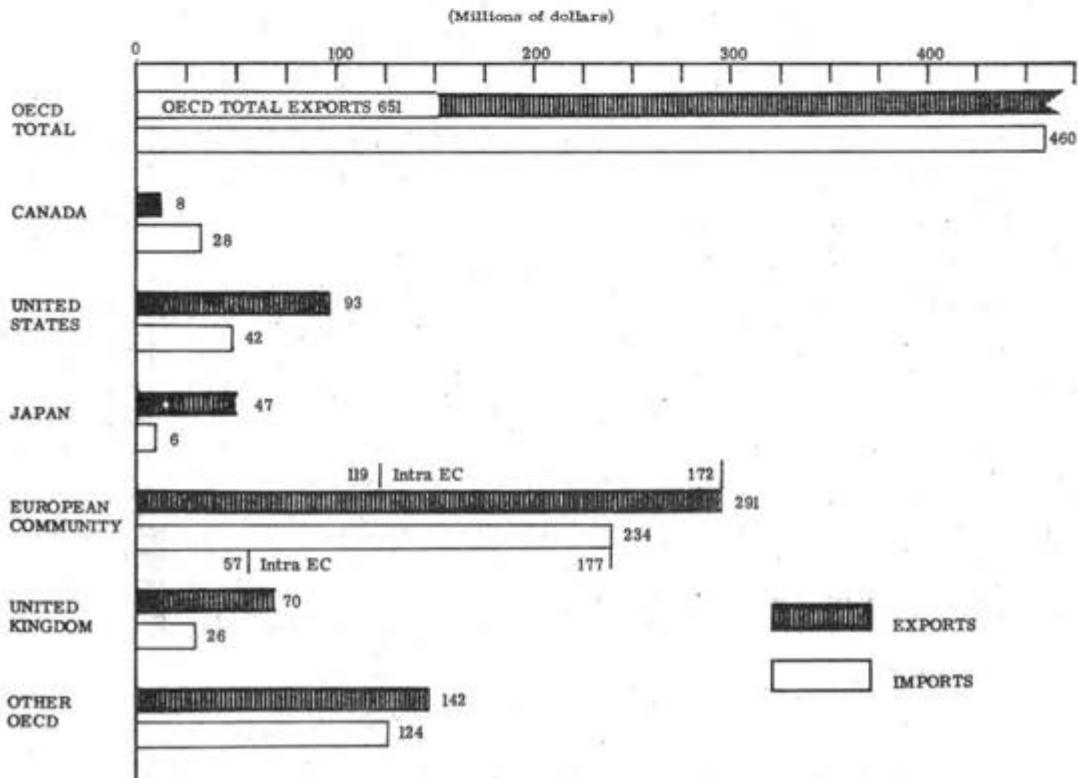
rates in the 5.1-10 percent bracket. Nearly one-third of Japan's entries are in the 0.1-5 percent rate range and an additional three-fifths in the 5.1-10 percent range. About 93 percent of EC imports enter in the 10.1-15 percent ad valorem bracket. Over one-third of United Kingdom imports are in the 5.1-10 percent rate range and more than two-fifths are in the 15.1-20 percent bracket.

The United States and Canada exhibit the most complex tariff structures for manufactured articles of paper or paperboard, with 64 and 51 lines, respectively. Schedules for the United Kingdom have 28 lines; Japan, 24 lines; and the European Community, 15 lines.

Trade importance

OECD exports of manufactured articles of pulp, paper and paperboard totaled \$651 million in 1969, about 8 percent of OECD export

Chart I-7-L. --OECD trade in manufactured articles of pulp, paper or paperboard, 1969



trade in all pulp, paper and paper manufactures. Imports were \$460 million, or about 7 percent of total import trade in the sector (chart I-7-L). United States exports in 1969 were \$93 million, when imports were valued at \$42 million. U.S. imports in 1971 were valued at \$61 million.

Trade network

The five major countries account for about 78 percent of exports of paper and paperboard manufactures and 73 percent of imports. The European Community, the largest exporter, sends about 56 percent of its outside exports to LDC's and other non-OECD countries (table I-7-W) and about 30 percent to "other" OECD countries. Non-OECD countries are also the recipients of 47 percent of U.S. exports,

Table I-7-W.--OECD exports of manufactured articles of pulp, paper or paperboard, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	651	8	93	47	<u>1/</u> 291	70	142
OECD total-----	424	5	49	29	224	36	81
Canada-----	32	-	26	2	1	2	1
United States---	35	4	-	21	7	2	1
Japan-----	5	X	3	-	2	X	X
European Community-----	<u>1/</u> 217	X	11	3	172	10	21
United Kingdom--	21	X	3	1	6	-	11
Other OECD-----	114	1	6	2	36	22	47
Non-OECD total----	226	3	44	18	67	33	61
LDC's-----	159	1	39	16	55	25	23

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

38 percent of the exports of Japan, and 47 percent of those of the United Kingdom. Half of Japan's exports go to the United States. About 27 percent of the exports of the United States go to Canada. Canada is not a significant exporter. The United Kingdom sends 31 percent of its exports to "other" OECD nations and an additional 14 percent to the Community.

The European Community is also the largest importer, accounting for 46 percent of total OECD imports. Three-quarters of the EC imports are intra-Community (table I-7-X). The principal sources

Table I-7-X.--OECD imports of manufactured articles of pulp, paper or paperboard, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	460	28	42	6	<u>1/</u> 234	26	124
OECD total-----	454	28	40	5	231	25	125
Canada-----	9	-	7	X	1	X	1
United States---	63	25	-	4	18	6	10
Japan-----	27	X	21	-	3	1	2
European Community----	<u>1/</u> 231	1	6	1	177	5	41
United Kingdom--	39	1	3	X	11	-	24
Other OECD-----	85	1	3	X	21	13	47
Non-OECD total----	7	X	3	X	2	X	2
LDC's-----	4	X	3	X	1	X	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of European Community outside imports are the United States and "other" OECD countries. None of the other major countries account for as much as ten percent of OECD imports.

Trade-agreement concessions

As the following tabulation shows, for all of the five major countries average tariff levels for manufactured articles of pulp, paper or paperboard are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Japan, in November 1972, made unilateral 20 percent reductions in its rates on manufactured articles of pulp, paper and paperboard, thereby reducing the Japanese average level to about 5.7 percent ad valorem. Specific rates are important only for the United States (41 percent of tariff lines, covering 10 percent of MFN imports).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	30.4	6.6
European Community	19.0	12.8
United Kingdom	19.5	13.6
Japan	16.2	7.1
Canada	29.8	13.2

All MFN provisions for manufactured articles of pulp, paper and paperboard in the tariff schedules of the United States, the European Community and Japan have been the subject of GATT concessions. In the Canadian schedule, 86 percent of the provisions, covering 98 percent of MFN imports have GATT concessions. In the schedule of the United Kingdom, 93 percent of tariff provisions, covering 81 percent of MFN imports, are fully covered by GATT concessions; for 3 percent of the provisions, covering 19 percent of

MFN imports, only part of an item is covered. Of 63 concessions in the national tariffs of the European Community member countries prior to adoption of the CXT, 35 were at rates above the CXT autonomous rates, 8 at the CXT rate, and 20 below the CXT rate.

Tariffs on "other" articles of paper pulp (not including articles of paper or paperboard) appear in table I-7-Y.

Table I-7-Y.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on "other" articles of paper pulp (not including articles of paper or paperboard)

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	30%	10%	5%	256.70
Canada-----	35%	20%	5%; Free	19201-1; 19202-1
	10%; 5%	5%	Free	19205-1; 19210-1
	35%	12.5%	12.5%	19225-1
European Community--	13%; 19%	13%; 19%	6.5%; 14%	48.21 A, B
United Kingdom-----	20%	20%	10%; 18%	48.21 (D), (F)
Japan-----	20%	20%; 15%	10%; 7.5%	48.21-2 ex.

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

COAL, PETROLEUM, NATURAL GAS AND CERTAIN DERIVED PRODUCTS

Mineral fuels, mineral oils and products of their distillation, mineral waxes, artificial waxes, and lubricating preparations consisting of mixtures of oils or fats make up the sector for coal, petroleum, natural gas and certain derived products. The principal products of the sector are coal, lignite, peat, coke and agglomerates, crude petroleum, crude oils, petroleum gases and other gaseous hydrocarbons. 1/

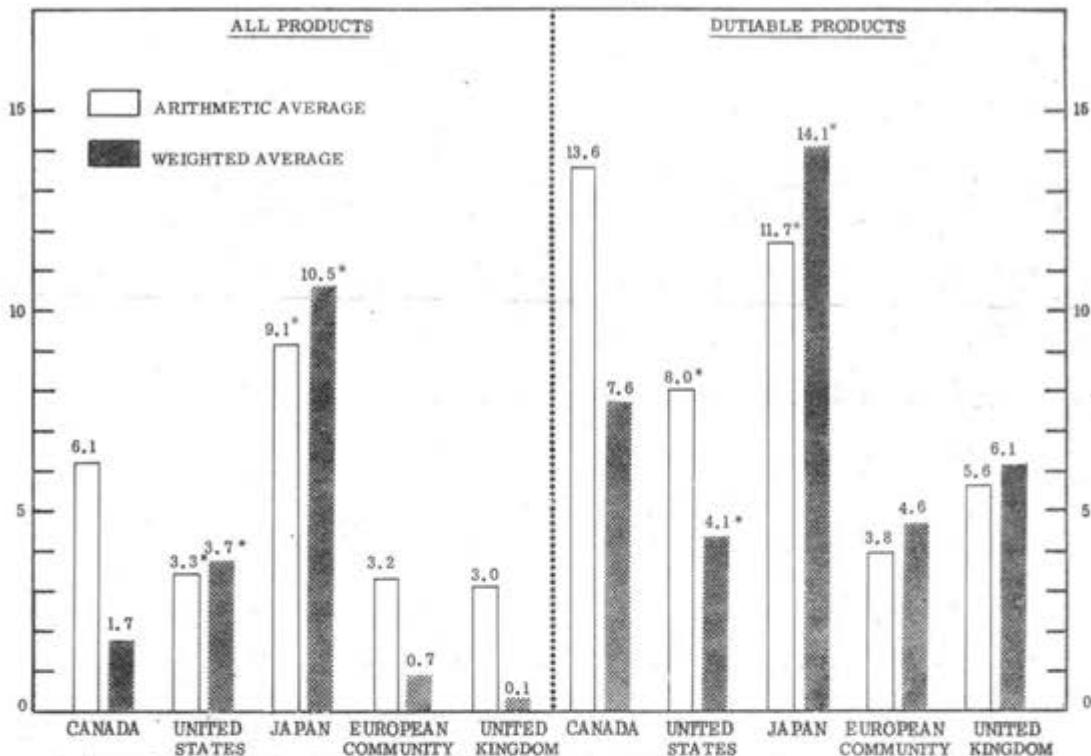
MFN tariffs

Average tariffs faced by world imports of coal, petroleum, and natural gas are, due to the large raw material composition of this category, substantially lower than tariffs for industrial products taken as a whole (chart I-8-A). For all coal, petroleum, and natural gas products, the arithmetic averages range from 3 to 9.1 percent ad valorem; the weighted averages from 0.1 to 10.5 percent. The United Kingdom, the European Community, and the United States have the lowest arithmetic averages, all at or near 3 percent ad valorem, and Japan, the highest (9.1 percent). The lowest weighted average is held by the United Kingdom and the highest by Japan. The tariff averages on all products are significantly lower than the averages on dutiable imports due to the substantial importation of duty-free fuel. For dutiable products, Canada holds the highest arithmetic average at 13.6 percent ad valorem; Japan, the highest weighted average (14.1 percent).

1/ For the specific coverage of this sector, see BTN headings 27.01-.04; 27.06-.14; 27.16; 34.03 and 38.04.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-8-A. -- Average MFN tariff rates on coal, petroleum and natural gas and derived products
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions made in 1972 on about half of the Japanese rates in this sector; of the remaining rates about two-thirds were reduced by amounts ranging from 21 percent to 100 percent.
* U.S. tariff rates on petroleum and derived products have been suspended since May 1, 1973, and replaced by a system of fees charged for licenses covering imports over certain allocated quantities.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The European Community has the lowest arithmetic average (3.8 percent) and the United States, the lowest weighted average (4.1 percent).

On May 1, 1973, U.S. tariffs on petroleum and derived products were suspended and a license fee system was instituted. Under this system, fees beginning at levels generally equal to the suspended rates of duty and gradually to be phased upward, are applied to all imports over certain allocated quantities (see later discussion of MFN tariffs on crude petroleum).

The distribution of MFN tariff provisions for coal, petroleum, natural gas and derived products, by duty level, is shown in table I-8-A.

Table I-8-A.--Distribution, by duty level, of MFN tariff provisions for coal, petroleum, natural gas, and derived products

(In percent)

Duty level	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	55.6	58.3	22.0	16.9	45.5
0.1-5.0 percent----	-	18.4	20.3	60.0	45.5
5.1-10.0 percent---	12.7	10.7	23.7	23.1	6.1
10.1-15.0 percent--	17.5	9.7	20.3	-	3.0
15.1-20.0 percent--	14.3	1.9	6.8	-	-
20.1-25.0 percent--	-	1.0	1.7	-	-
25.1-30.0 percent--	-	-	1.7	-	-
30.1-40.0 percent--	-	-	1.7	-	-
40.1-50.0 percent--	-	-	1.7	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the United States reflect the situation existing prior to modification of the U.S. import regime for petroleum effective May 1, 1973.

Note.--Due to rounding, figures may not add to 100 percent.

The tariff schedules of the five major countries all contain MFN duty-free provisions. About 60 percent of Canadian and U.S. provisions are free. Over 45 percent of United Kingdom provisions are free, as are over one-fifth of the Japanese provisions and 17 percent of EC provisions. Three-fifths of EC provisions are in the 0.1 to 5 percent ad valorem bracket, as well as over 45 percent of United Kingdom provisions and about one-fifth of Japanese and U.S. provisions. Two-fifths of the Japanese rates are about equally divided between the 5.1-10 and the 10.1-15 percent ranges. Japanese rates range into the 40.1-50 percent ad valorem bracket. The other countries have rates no higher than 25 percent.

Over three-fourths of Canadian, EC, and United Kingdom MFN imports enter free. One-fourth of Japanese imports enter free; two-thirds at duty rates of 10.1-15 percent ad valorem. Eleven percent of U.S. imports enter under tariff provisions which are free. Most of the remainder was dutiable at rates between 0.1-5 percent ad valorem (table I-8-B). Of these "dutiable" U.S. imports, however, approximately 10 percent enter with the duty suspended.

Table I-8-B.--Distribution, by duty level, of MFN imports of coal, petroleum, natural gas, and derived products

(In percent)

Duty level	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	77.5	11.4	25.7	84.1	98.8
0.1-5.0 percent----	-	82.7	1.5	13.9	.9
5.1-10.0 percent---	19.6	.1	.2	2.0	.3
10.1-15.0 percent--	2.5	5.8	63.5	-	-
15.1-20.0 percent--	.4	-	6.1	-	-
20.1-25.0 percent--	-	-	.2	-	-
25.1-30.0 percent--	-	-	.1	-	-
30.1-40.0 percent--	-	-	2.6	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the United States reflect the situation existing prior to modification of the U.S. import regime for petroleum effective May 1, 1973. Also, the percentages are calculated in terms of the nominal tariff provisions and do not take into consideration large imports of "dutiable" products on which the duty is actually suspended under special conditions.

Note.--Due to rounding, figures may not add to 100 percent.

Imports of coal, petroleum, and natural gas receiving preferential treatment are insignificant for the five major countries. However, intra-Community shipments, which move duty free, equate to roughly one-fourth of Community imports from outside sources.

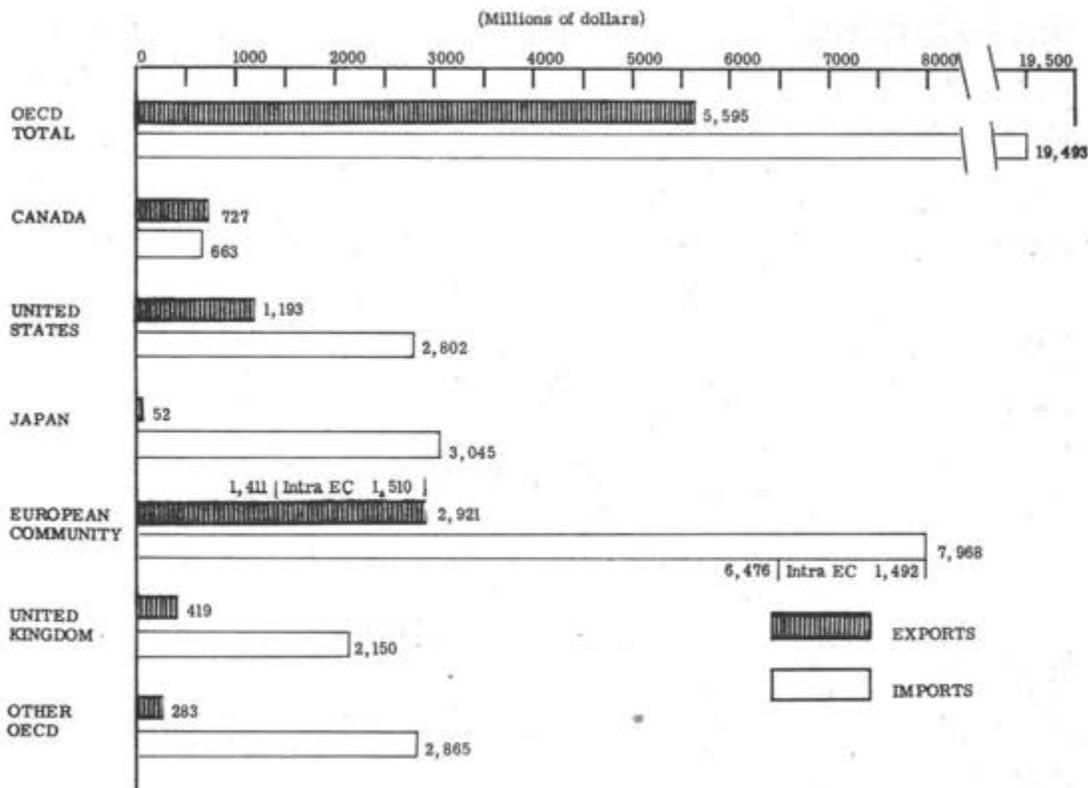
The European Community and the United States have the most detailed tariff schedules for coal, petroleum, and natural gas with 65 and 75 lines, respectively. The United Kingdom has the least detailed tariff schedule with 33 lines. Japan has 59 lines; Canada, 48 lines.

Trade importance

The coal, petroleum, and natural gas sector is one of the most important industrial sectors, ranking eighth in OECD exports and second in imports. The sector accounts for 3.5 percent of OECD industrial exports and 12.4 percent of imports. For the United States, the sector is ninth most important in industrial exports. It ranked third in 1969 U.S. imports, but dropped to fourth in 1970.

Imports by the GATT tariff study countries were valued at \$14.6 billion in 1967 and \$20.5 billion in 1970. Intra-European Community shipments were an additional \$1.2 billion in 1967 and \$1.7 billion in 1970. OECD 1969 imports were \$19.5 billion (including \$1.5 billion of intra-EC shipments) and exports were \$5.6 billion (see chart I-8-B). In 1970, OECD exports increased to \$7 billion, imports to \$23 billion.

Chart I-8-B.--OECD trade in coal, petroleum and natural gas and derived products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

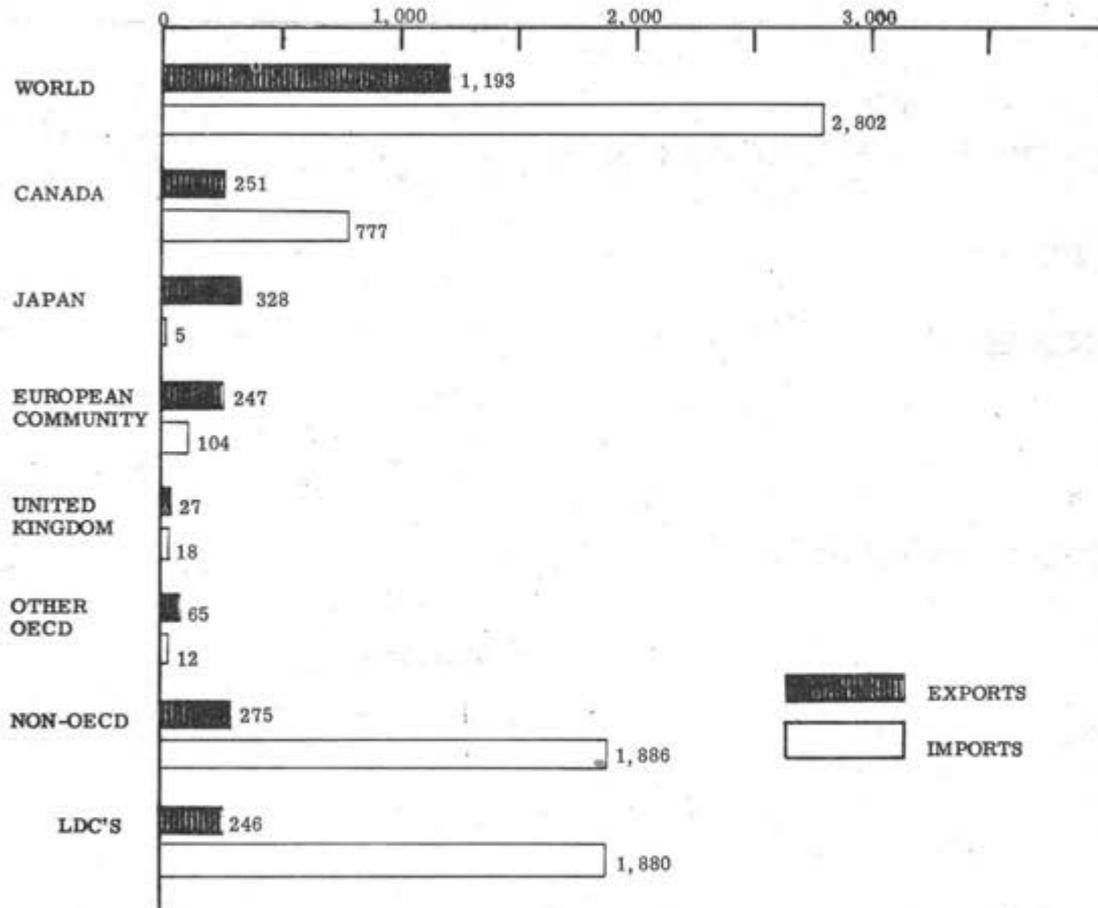
Trade network

The five major countries account for 95 percent of OECD exports and 85 percent of OECD imports of coal, petroleum, and natural gas. Over four-fifths of OECD exports are sent to OECD countries. More than

two-thirds of OECD imports have their source in LDC's. The principal exporters among the five major countries are the European Community and the United States. One-fourth of U.S. exports go to Japan; Canada, the European Community, and LDC's take one-fifth each (chart I-8-C).

Chart I-8-C.--United States trade in coal, petroleum and natural gas and derived products, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States takes virtually all of Canada's exports. Complete country of destination data are unavailable for 10 percent of EC exports. Of those exports accounted for, nearly 60 percent are intra-EC shipments,

one-fifth go to "other" OECD countries and 10 percent to the United Kingdom. About three-fifths of United Kingdom exports are sent to "other" OECD nations (table I-8-C). Japan is an insignificant supplier.

Table I-8-C.--OECD exports of coal, petroleum, natural gas and derived products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,595	727	1,193	52	<u>1/</u> 2,921	419	283
OECD total-----	4,655	725	918	6	2,406	363	237
Canada-----	259	-	251	X	5	2	1
United States---	851	710	-	5	105	19	12
Japan-----	345	13	328	-	1	1	2
European Community-----	<u>1/</u> 1,895	1	247	X	1,510	94	43
United Kingdom--	325	X	27	X	258	-	40
Other OECD-----	980	2	65	1	528	247	139
Non-OECD total----	626	3	275	46	216	56	30
LDC's-----	546	3	246	41	194	44	18

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 10 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Coal, petroleum, and natural gas ranks first in industrial imports for Japan and the European Community, second for the United Kingdom, fourth for the United States and fifth for Canada. U.S. imports of coal, petroleum, and natural gas were valued at \$2.3 billion in 1967, \$2.8 billion in 1969, and \$3.7 billion in 1971. For each of the five major countries, at least two-thirds of imports have their source in less developed countries (table I-8-D). U.S. imports have Canada as their principal

Table I-8-D.--OECD imports of coal, petroleum, natural gas and derived products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	19,493	663	2,802	3,045	<u>1/</u> 7,968	2,150	2,865
OECD total-----	5,008	174	916	489	1,893	468	1,068
Canada-----	806	-	777	25	2	2	X
United States---	985	165	-	459	248	26	87
Japan-----	5	X	5	-	X	X	X
European Community----	<u>1/</u> 2,521	6	104	2	1,492	361	556
United Kingdom--	401	2	18	1	98	-	282
Other OECD-----	290	1	12	2	53	79	143
Non-OECD total----	14,425	489	1,886	2,557	6,015	1,682	1,796
LDC's-----	13,193	488	1,880	2,238	5,619	1,678	1,290

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

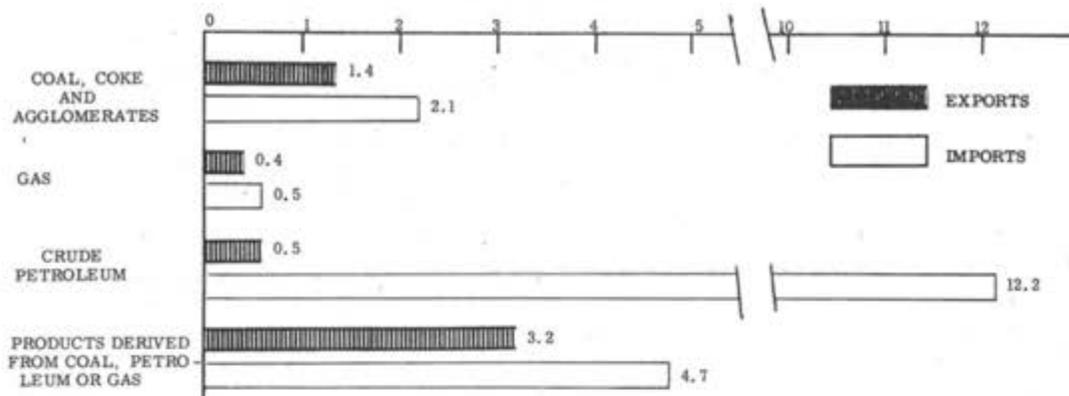
developed source. Canada, Japan, and the European Community have their major developed source in the United States. The European Community, by far the largest importer, is the major developed supplier of the United Kingdom. Intra-EC trade equals about one-fourth of EC outside imports.

Trade composition

The coal, petroleum, and natural gas sector is divided into four subsectors. In terms of imports, the crude petroleum subsector is the most important, accounting for two-thirds of OECD imports in the sector. In terms of OECD exports, products derived from coal, petroleum or gas comprise the largest subsector. The relative importance of the four subsectors is shown in chart I-8-D.

Chart I-8-D.--OECD trade in coal, petroleum and natural gas and derived products, by type, 1969

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

With the exception of Japan, average tariff levels of the five major countries on January 1, 1972, for coal, petroleum, and natural gas were well below levels existing on pre-trade-agreement base dates. The Japanese figure rose slightly. The lower levels, in part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	8.9	3.7
European Community	1.0	0.7
United Kingdom	5.2	0.1
Japan	9.6	10.5
Canada	12.4	6.1

Concessions under the GATT have been made on all MFN provisions for mineral fuels and derived products in the tariff schedule of the European Community. Canada's GATT concessions cover 60 percent of MFN provisions and 28 percent of imports, while Japan's cover 69 percent of provisions and 15 percent of imports. In the United Kingdom schedule, 58 to 60 percent of the MFN provisions cover 2 percent of trade. For the United States, 94 percent of tariff provisions, covering 18 percent of imports are fully covered by GATT concessions. For 6 percent of the U.S. provisions covering 82 percent of MFN imports, only part of an item is covered; however, the remainder is covered by concessions in the bilateral agreement with Venezuela.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on coal, petroleum, and natural gas negotiated under the GATT. The number of such concessions totaled 66, of which 33 reflected rates higher than the autonomous rate established in the CXT, 11 were at the CXT rate, and 22 were below the CXT rate.

Trade complaints

Complaints received by the Tariff Commission concerning practices or policies adversely affecting trade in the coal, petroleum, and natural gas sector totaled 164. The complaints were about evenly divided between developed and developing countries. European Community nations were named in one-third of the complaints against developed countries, the United States in about 15 percent, and Japan in about 10 percent. Most

of the developed countries were named in the complaints at least once. Among the less developed countries, Greece, Spain, Turkey and Egypt were the most frequently mentioned of the approximately 30 developing nations identified in the complaints.

Collectively, quantitative restrictions, licensing practices and embargoes were the object of the most complaints in this product sector. Twenty-nine percent of the total number of complaints concerned these trade barriers.

Quantitative restrictions, licensing practices and embargoes.--The United States was the country mentioned most frequently as having quantitative restrictions (quotas) on petroleum and oil products (imposed for national security reasons). 1/ Yugoslavia, Belgium-Luxembourg and Japan were frequently mentioned as imposing quotas on coal, gasoline and other related fuel products. Quotas on coal and related fuels are imposed by Portugal, India, West Germany, Finland, and the Netherlands. In Brazil, quotas on coal are keyed to use of indigenous coal. For France and some other European countries, quotas are placed on petroleum specialty products traded outside of certain currency zones.

A U.S. producer of lubricating oil reported that Latin American, African and Middle Eastern countries have licensing practices which discourage imports in order to promote local industries. Another U.S. producer of fuel stated that the licensing practices of Greece, Japan, Portugal, Spain, Turkey and most Latin American countries discriminate against the U.S. product in favor of producers in the importing country or other third countries.

1/ Quantitative limitations on U.S. imports of petroleum and petroleum products were terminated on May 1, 1973.

Austria was cited as having discretionary and restrictive license practices for the importation of lignite. For coal and related fuels, Austria, Belgium-Luxembourg, Chile, Finland, India, Netherlands, Portugal, Turkey, and the United Kingdom were reported to require the purchase of an import license before the products are allowed into the country. The United States limits its imports and exports of natural gas under section 3 of the Natural Gas Act of 1938, which prohibits the importation or the exportation of natural gas except on order from the Federal Power Commission.

Embargoes and restrictions which have the effect of embargoes in several countries came under criticism from U.S. producers. It was reported that Brazil, Greece and Malta impose embargoes on petroleum products. Countries most frequently reported as having embargoes on coal were West Germany, India and the United Kingdom. Although the forms of the embargoes differed (geographic restrictions on U.S. deliveries in West Germany; license required but not granted in the United Kingdom), the end result of stopping the importation of specific goods was achieved.

Subsidies and other aids.--Approximately 10 percent of complaints in this sector concerned governmental aids to domestic producers or exporters. Members of the European Community were the object of the largest number of complaints regarding subsidies and other aids; complaints were made chiefly in reference to fuels, coal and coking coal. For example, it was reported that U.S. exports are adversely affected by EC members' state production aids for coking coal and disposal aids on deliveries to areas distant from the coal basin. India, Pakistan, the Philippines, Spain

and the African, Latin American and Middle Eastern nations received complaints against their subsidies for coal, coke and related fuels.

State trading, government monopolies.--Petroleum was the product most frequently mentioned as being affected by government monopolies and exclusive franchises. Ceylon, Finland, France, Greece and Spain were all cited for this practice. It was reported that many developed countries give preference to nationalized companies, especially Italy and France, with regard to petroleum products. A complaint was made against countries which exercise control over all foreign trade, mentioning Czechoslovakia, East Germany, Poland, Romania and other state managed economies.

It was reported that the state trading practices of Brazil, Egypt, France, Greece, India, Poland, and Spain inhibit the trading capacity of U.S. producers of coal, coke, petroleum, and related fuels. Preferential internal coal markets, which are detrimental to the use of U.S. coal, were reported to be operating in West Germany.

Miscellaneous.--Member states of the European Community, Greece, Spain and other European countries were reported to have border and turnover taxes on fuels which discriminate against U.S. products in favor of domestic industries and industries of third countries. Until recently, a surtax equal to the difference between the export price and an arbitrary value of 10.5 or 12.5 cents per imperial gallon was levied on Canadian imports of gasoline-type fuels. Many countries were cited as requiring prior import deposits on fuels. Nondiscriminatory consumption taxes and excise taxes were the subject of complaints against the Netherlands, Finland and several other European countries,

plus Rwanda, Tunisia, and Barbados. Miscellaneous taxes and fees, such as special import taxes, complementary taxes, port taxes, statistical taxes and stamp taxes assessed on petroleum products by many countries were mentioned as having an adverse effect on trade.

Exchange controls, as practiced by some African, Latin American and Middle Eastern nations on lubricating oils, were reported to help keep out competition and promote local blending plants and manufactures. Many less developed countries, as well as Japan and some European nations, were cited as having exchange controls which discriminate against U.S. products.

U.S. imports of gas are restricted by Canada's practice of export restraints on Canadian gas by virtue of the reserve/production requirements imposed by the Province of Alberta or the Canadian National Energy Board. The exportation of crude petroleum to Greece is limited due to a pricing practice which controls the import price of all crude petroleum.

From the responses received by the Commission concerning the coal, petroleum, and natural gas sector, only nine were submitted which attempted to assess the restrictive trade effect of the reported barriers. Five of these responses reported a "moderate" increase in their trade would be expected if the barriers were removed, while four indicated a "significant" increase in sales would be experienced. Only one respondent estimated the dollar value of the expected increase. A U.S. chemical manufacturer reported an expected \$10 million increase (which he characterized as "significant") in his imports of crude petroleum and natural gas liquids with the removal of U.S. quantitative restrictions on imports of petroleum and related products.

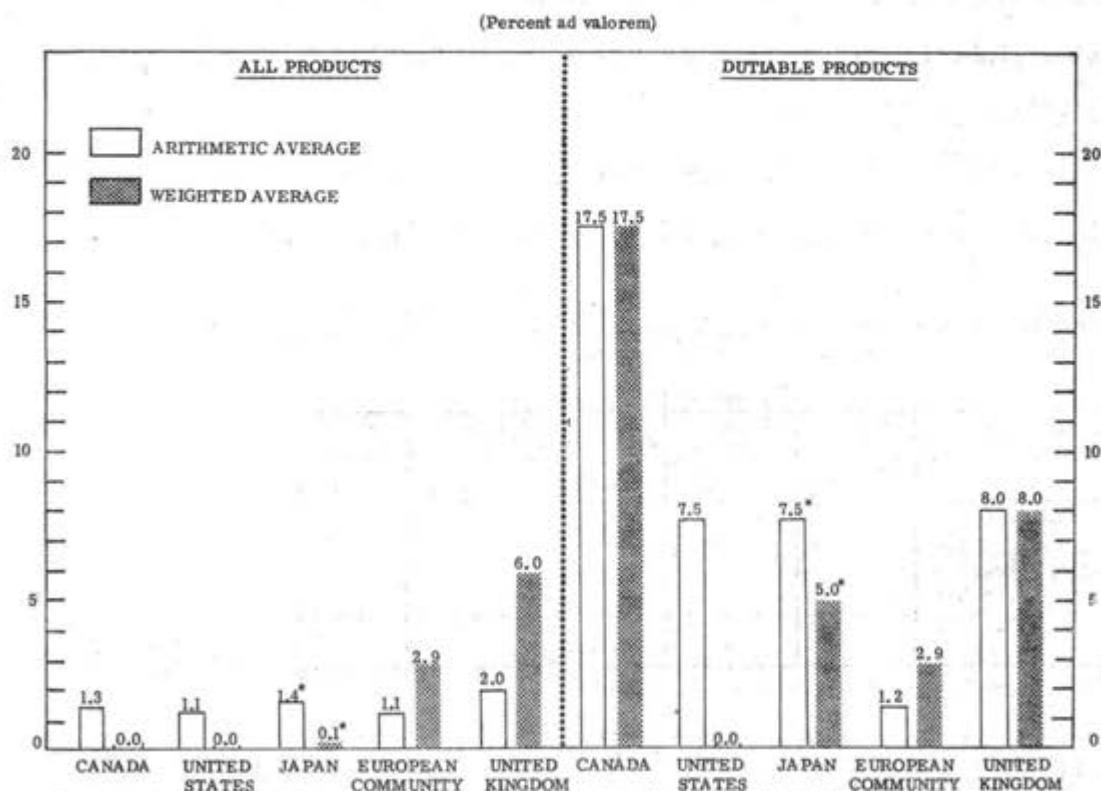
Coal, Coke and Agglomerates

Coal, coke and agglomerates include coal; briquettes, ovoids and similar solid fuels manufactured from coal; lignite; peat; and coke and semi-coke of coal, lignite or peat. ^{1/}

MFN tariffs

For all products in this subsector, the MFN tariff averages range from zero to 6 percent ad valorem (chart I-8-E). The United States

Chart I-8-E.--Average MFN rates on coal, coke and agglomerates



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For the specific coverage of this subsector, see BTN headings 27.01-.04.

and the European Community have the lowest arithmetic tariff averages (1.1 percent) and the United Kingdom, the highest (2 percent). U.S., Japanese and Canadian weighted average tariffs are zero or nearly zero (i.e., most imports enter free). The highest weighted average tariff is held by the United Kingdom (6 percent). Except for the European Community, the dutiable product averages are significantly higher than those for all products, due to the substantial amount of duty-free imports in this subsector. Canada holds both the highest arithmetic and weighted averages at 17.5 percent ad valorem. The Community has the lowest arithmetic average (1.2 percent); the United States, the lowest weighted average (zero).

The distribution of tariff provisions for coal, coke and agglomerates, by duty level, is shown in table I-8-E. For Canada, the

Table I-8-E.--Distribution, by duty level, of MFN tariff provisions for coal, coke and agglomerates

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	92.3	85.7	81.8	10.0	75.0
0.1-5.0 percent----	-	-	9.1	90.0	-
5.1-10.0 percent----	-	14.3	9.1	-	25.0
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	7.7	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

United States, and Japan, at least four-fifths of the MFN duty provisions are free. For the European Community, 90 percent of the provisions are in the 0.1-5 percent ad valorem bracket. Three-fourths

of United Kingdom provisions are free and the remaining fourth are in the 5.1-10 percent range. Only Canada has rates above 10 percent ad valorem.

Imports of coal, coke and agglomerates receiving preferential treatment are significant only for the United Kingdom. Virtually all MFN imports of coal, coke and agglomerates into Canada, the United States and Japan enter duty free. Almost all EC imports enter at rates of duty between 0.1 and 5 percent ad valorem. One-fourth of United Kingdom MFN imports enter duty free; the remaining three-fourths at rates in the 5.1-10 percent bracket (table I-8-F).

Table I-8-F.--Distribution, by duty level, of MFN imports of coal, coke and agglomerates
(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	99.8	100.0	98.6	0.1	24.8
0.1-5.0 percent----	-	-	1.4	99.9	-
5.1-10.0 percent---	-	-	-	-	75.2
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	-	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

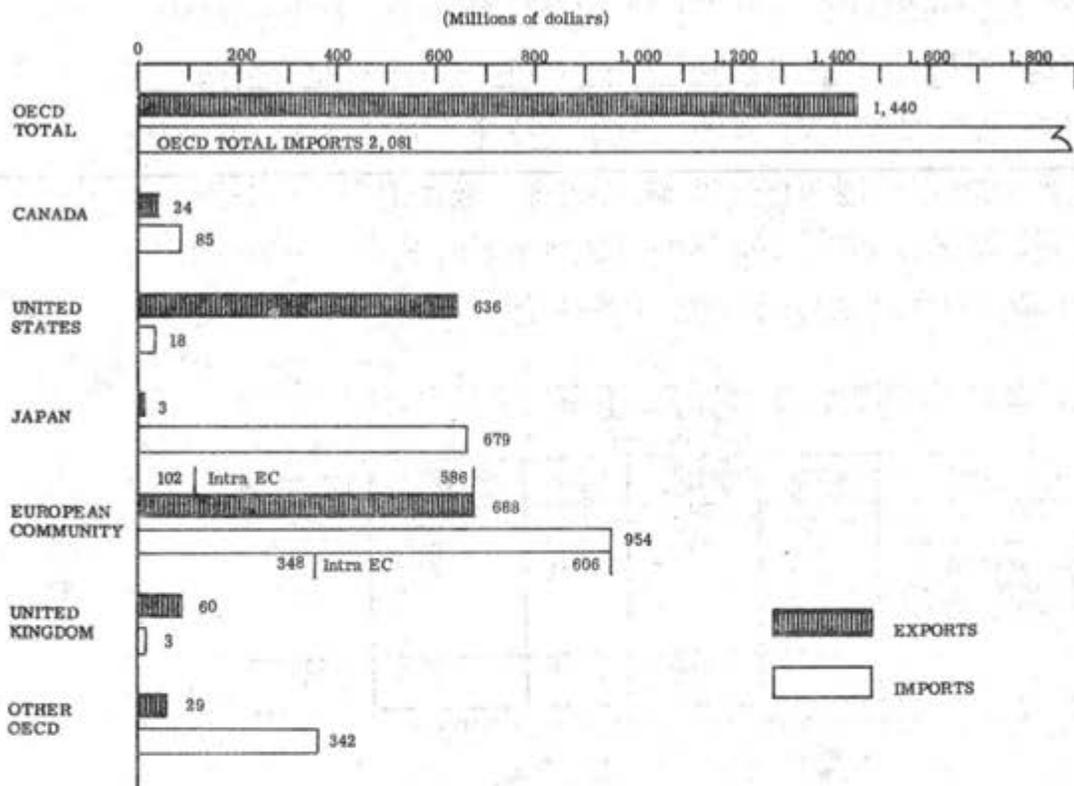
Canada has the most detailed MFN tariff schedule for coal, coke and agglomerates with 13 tariff lines, while the United Kingdom has the least with 4 tariff lines. Japan has 11 tariff lines; the European Community, 10; and the United States, 7.

Trade importance

Coal, coke and agglomerates account for over one-fourth of OECD industrial imports of mineral fuels and 11 percent of OECD exports. In 1969, OECD exports totaled \$1.4 billion; imports \$2.1

billion (chart I-8-F). In 1969, U.S. exports of coal, coke, and agglomerates were \$636 million; imports were \$18 million. U.S. 1971 imports

Chart I-8-F. --OECD trade in coal, coke and agglomerates, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

were \$25 million. Among the 119 industrial subsectors, coal, coke and agglomerates rank 22nd in value of MFN imports by GATT tariff study countries. This category is particularly important for Japan, where coal, coke and agglomerates rank sixth in value of MFN imports. It ranks 18th for the European Community, and 19th for Canada.

Trade network

The five major countries account for virtually all OECD exports and 84 percent of OECD imports. Over four-fifths of OECD exports go to the five major countries. If intra-EC exports are excluded, the United States is the most significant exporter of coal, coke and agglomerates (table I-8-3). Over one-third of U.S. exports are sent

Table I-8-G.-- OECD exports of coal, coke and agglomerates, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,440	24	636	3	<u>1/</u> 688	60	29
OECD total-----	1,345	24	572	X	669	58	22
Canada-----	162	-	160	-	1	-	1
United States---	17	16	-	X	X	-	1
Japan-----	252	7	244	-	-	X	1
European Community-----	<u>1/</u> 767	1	135	-	586	36	9
United Kingdom--	2	-	X	-	X	-	2
Other OECD-----	145	-	33	x	82	22	8
Non-OECD total----	95	1	64	3	19	2	6
IDC's-----	78	1	59	3	13	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

to Japan; one-fourth to Canada; and one-fifth to the European Community. Intra-EC exports are about six times greater than EC exports to outside destinations.

The principal importer of coal, coke and agglomerates among the five major countries is Japan, followed distantly by the European Community and Canada (table I-8-H). The United States and the United

Table I-8-H.-- OECD imports of coal, coke and agglomerates, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,081	85	18	679	1/ 954	3	342
OECD total-----	1,487	85	18	383	823	3	175
Canada-----	35	-	17	17	1	-	X
United States---	653	84	-	365	162	X	42
Japan-----	X	-	X	-	X	-	X
European Community-----	1/ 702	1	1	-	606	X	94
United Kingdom--	70	-	X	X	42	-	28
Other OECD-----	27	-	X	1	12	3	11
Non-OECD total----	594	-	X	296	131	-	167
IDC's-----	6	-	X	4	2	-	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Kingdom are insignificant importers. Both Japanese imports and EC outside imports have the United States as the source of half of their imports and the non-OECD countries as the source of another two-fifths. EC outside imports are equal to about 60 percent of intra-EC imports. Virtually all Canadian imports come from the United States.

Trade-agreement concessions

For all the major countries except the United States, average tariff levels on January 1, 1972, for coal, coke and agglomerates were either reduced slightly or remained constant with levels existing on pre-trade-agreement base dates. For the United States, the tariff average fell nearly 16 percentage points to zero. The lower levels, in part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all

countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	15.7	0.0
European Community	3.0	2.9
United Kingdom	7.5	6.0
Japan	0.1	0.1
Canada	3.1	1.3

Concessions under the GATT have been made on all MFN provisions for coal, coke and agglomerates in the tariff schedules of the United States and the European Community. In the Canadian schedule 85 percent of tariff provisions covering 100 percent of imports are fully covered by GATT concessions; for Japan, 36 percent of provisions covering 64 percent of imports; and for the United Kingdom, 25 percent of provisions covering 75 percent of imports.

Only two tariff concessions on coal, coke and agglomerates negotiated under the GATT were contained in national tariffs of member states of the European Community prior to adoption of the EC's Common External Tariff (CET). These two concessions were at rates below the CET rate.

Table I-8-I compares the five major countries' rates of duty on January 1, 1972, for coal with rates on pre-trade-agreement base dates. For the most part, presently and historically, this raw material has been accorded duty-free status.

Table I-8-I.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on coal

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	521.31
Canada-----	6.2% AVE	Free	Free	58600-1
European Community--	Free; 2%; 3 ⁴ % AVE ^{2/}	Free; 2%; 17% AVE ^{2/}	Free; 17% AVE ^{2/}	27.01 A, B
United Kingdom-----	Free	Free	Free	27.01
Japan-----	Free	Free	Free	27.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 195⁴.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Italy had a rate of 2% ad valorem on part of its coal imports; West Germany had a rate of 20 DM per 100 kg on most of its coal imports; the AVE of 3⁴ and 17 percent is calculated on 1971 import values for West Germany. The overall AVE for the European Community is estimated to be close to zero.

Natural Gas

Natural gas includes petroleum gases and other gaseous hydrocarbons. 1/

MFN tariffs

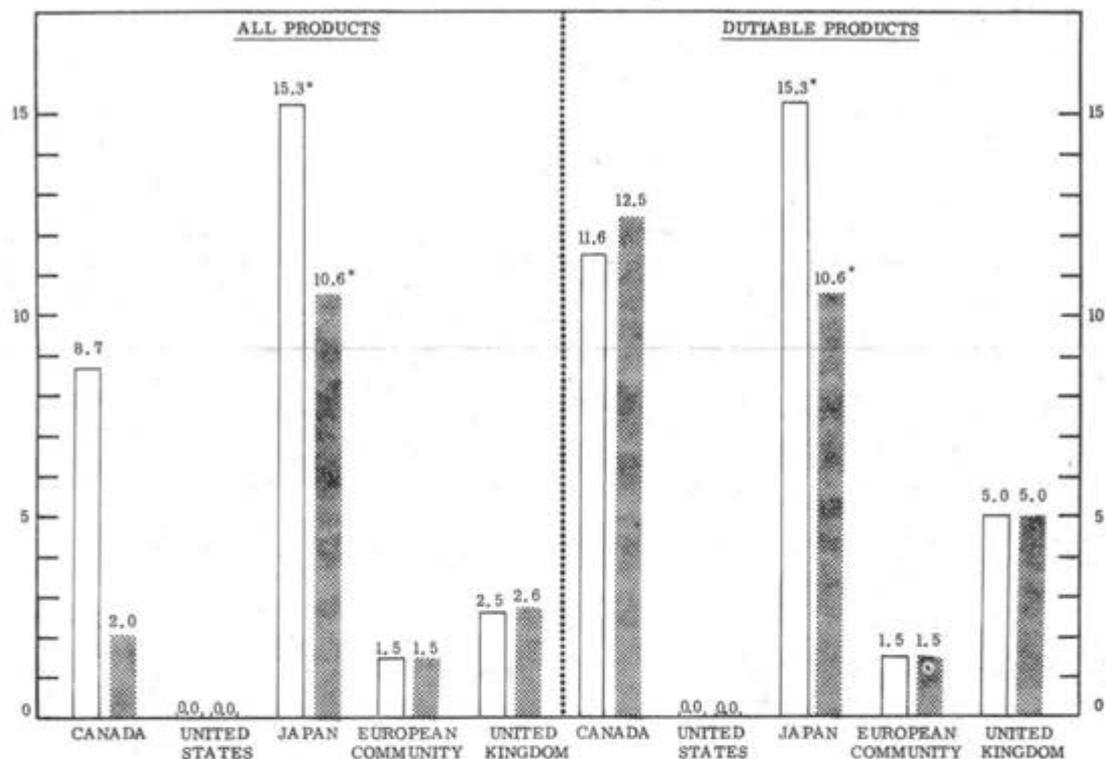
The arithmetic averages for all products range from 0 to 15.3 percent ad valorem; the weighted averages from 0 to 10.6 percent. The United States has the lowest arithmetic and weighted average tariff (i.e., zero) and Japan, the highest arithmetic average tariff (15.3 percent) and the highest weighted average (10.6 percent). For dutiable products, the averages of Japan, the European Community and the United States are identical to those for all products. For Canada and the United Kingdom, due to their substantial MFN duty-free imports, averages on all products are significantly below those for dutiable imports alone (chart I-8-G).

The distribution of tariff provisions by duty level is shown in table I-8-J. All MFN tariff provisions of the United States are duty free, as are half of the United Kingdom provisions and one-fourth of Canadian provisions. All EC tariff provisions and half of United Kingdom provisions are in the 0.1-5 percent ad valorem bracket. One-fourth of Canadian provisions are in the 5.1-10 percent range; the other half, in the 10.1-15 percent range. The Japanese provisions are equally divided between the 10.1-15 percent ad valorem bracket and the 15.1-20 percent bracket.

In terms of imports, all U.S. imports are free, all Japanese imports in the 10.1-15 percent ad valorem range and all EC imports

1/ For the specific coverage of this sector, see BTN heading 27.11.

Chart I-8-G.--Average MFN tariff rates on natural gas
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging from 20 percent to 100 percent made in 1972 on Japanese rates in this sector.

Source: Compiled from basic Documentation for the Tariff Study, GATT.

Table I-8-J.--Distribution, by duty level, of MFN tariff provisions for gas

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	25.0	100.0	-	-	50.0
0.1-5.0 percent----	-	-	-	100.0	50.0
5.1-10.0 percent---	25.0	-	-	-	-
10.1-15.0 percent--	50.0	-	50.0	-	-
15.1-20.0 percent--	-	-	50.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

in the 0.1-5 percent range. Over five-sixths of Canadian imports are free; the remaining imports enter at rates between 10.1 and 15 percent ad valorem. More than two-thirds of United Kingdom imports are free, while about one-third pay duties of 0.1 to 5 percent (table I-8-K).

Table I-8-K--Distribution, by duty level, of MFN imports of gas

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	83.9	100.0	-	-	68.1
0.1-5.0 percent----	-	-	-	100.0	31.9
5.1-10.0 percent---	-	-	-	-	-
10.1-15.0 percent--	16.1	-	100.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

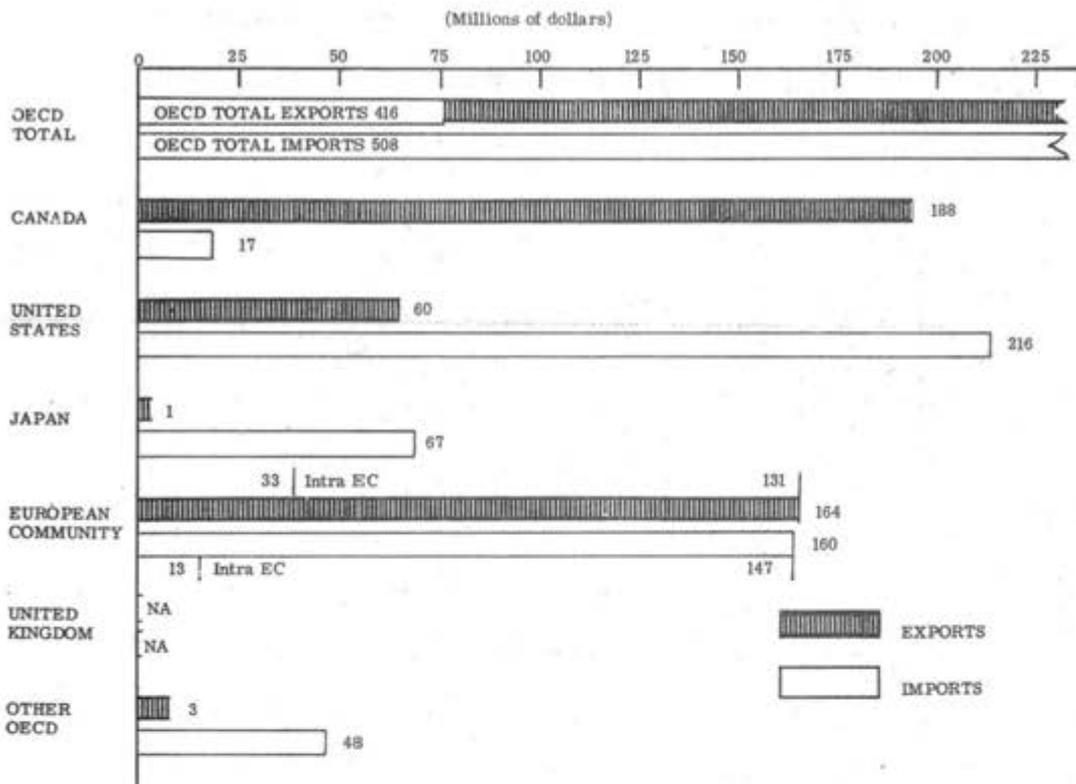
Imports of natural gas receiving preferential treatment are significant for two of the five major countries. Such treatment was accorded one-third of entries into the European Community and 8 percent of entries into the United Kingdom.

The European Community has the most detailed MFN tariff schedule for natural gas with six tariff lines, while the United States has the least with one tariff line. Canada has four tariff lines and Japan and the United Kingdom each have two.

Trade importance

Natural gas accounts for about 7 percent of OECD exports in the mineral fuels sector and 3 percent of imports. In 1969, OECD exports totaled \$416 million; imports \$508 million (chart I-8-H). In 1969, U.S. exports of natural gas were \$60 million; imports were \$216 million. U.S. 1971 imports were \$369 million.

Chart I-8-H.--OECD trade in natural gas, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

Canada, the United States, the European Community and Japan account for virtually all OECD exports and over 90 percent of OECD imports. ^{1/} About 85 percent of OECD exports are sent to the five major countries, with over 40 percent destined for the United States. Canada, the largest exporter of natural gas, sends virtually all its natural gas exports to the United States. Over one-third of U.S. exports are shipped to Canada, while half go to non-OECD nations. Most of the Community's outside exports go to "other" OECD countries. EC outside exports equal one-fourth of intra-EC exports. Japan is an insignificant exporter (table I-8-L).

^{1/} Country of destination data are unavailable for the United Kingdom.

Table I-8-L.-- OECD exports of natural gas, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	416	188	60	1	<u>1/</u> 164	N.A.	3
OECD total-----	377	188	30	-	156	-	3
Canada-----	23	-	22	-	X	-	X
United States---	182	182	-	-	X	-	-
Japan-----	9	6	3	-	X	-	-
European Community-----	<u>1/</u> 133	-	1	-	131	-	1
United Kingdom--	8	-	2	-	4	-	2
Other OECD-----	22	-	2	-	20	-	-
Non-OECD total----	39	X	30	1	7	-	1
LDC's-----	39	X	30	1	7	-	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States is the principal importer of natural gas among the five major countries. Virtually all U.S. imports come from Canada and all Canadian imports have their source in the United States. Most Japanese imports come from non-OECD countries. EC outside imports are insignificant, equaling 9 percent of intra-EC imports (table I-8-M).

Trade-agreement concessions

For all of the five major countries, except the United States, average tariff levels on January 1, 1972, for natural gas were substantially below levels existing on pre-trade-agreement base dates. The United States tariff level remained at zero. The tariff levels are

Table I-8-M--OECD imports of natural gas, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	508	17	216	67	<u>1/</u> 160	NA	48
OECD total-----	418	17	207	11	149	-	34
Canada-----	215	-	207	8	X	-	2
United States---	23	17	-	3	X	-	3
Japan-----	X	-	X	-	X	-	-
European Community-----	<u>1/</u> 174	X	X	X	147	-	27
United Kingdom--	3	-	X	-	X	-	3
Other OECD-----	3	-	-	-	X	-	3
Non-OECD total----	90	-	9	56	11	-	14
LDC's-----	76	-	9	56	9	-	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

compared in the tabulation below. The lower levels, in part, reflect concessions granted in reciprocal negotiations. For all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates in this subsector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 8.5 percent. All of Japanese imports enter under a provision having a specific rate of duty.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	0.0	0.0
European Community	3.5	1.5
United Kingdom	10.0	2.6
Japan	20.0	10.6
Canada	19.5	8.7

Concessions under the GATT have been made on all MFN provisions for natural gas in the tariff schedules of the European Community, the United States, and the United Kingdom. In the Canadian schedule, 25 percent of tariff provisions covering 84 percent of imports are fully covered by GATT concessions; for Japan, 50 percent of the provisions, covering all imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on natural gas negotiated under the GATT. The number of such concessions totaled three, of which one reflected a rate higher than the autonomous rate established in the CXT, and two were below the CXT rate.

Rates of the five major countries for natural gas on January 1, 1972, are compared with rates in effect on pre-trade-agreement base dates in table I-8-N.

Table I-8-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on natural gas

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	475.15
Canada-----	13.7% AVE ^{2/}	6.9% AVE	Free	58805-1
European Community--	3.5% ^{3/}	3.5% ^{3/}	1.5% ^{3/}	27.11
United Kingdom-----	10%	Free; 10%	Free; 5%	27.11
Japan-----	20%	9.9%; 20% AVE	7.9%; 20% AVE ^{4/}	27.11

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalent of specific rate of duty of 6 cents per thousand cubic ft., calculated on 1971 import values.

^{3/} Duty suspended for an indeterminate period on all items except for certain types of commercial propane and commercial butane.

^{4/} Ad valorem equivalent of specific rate of duty of 1,100 yen/per metric ton, calculated on 1971 import values for liquified petroleum gases.

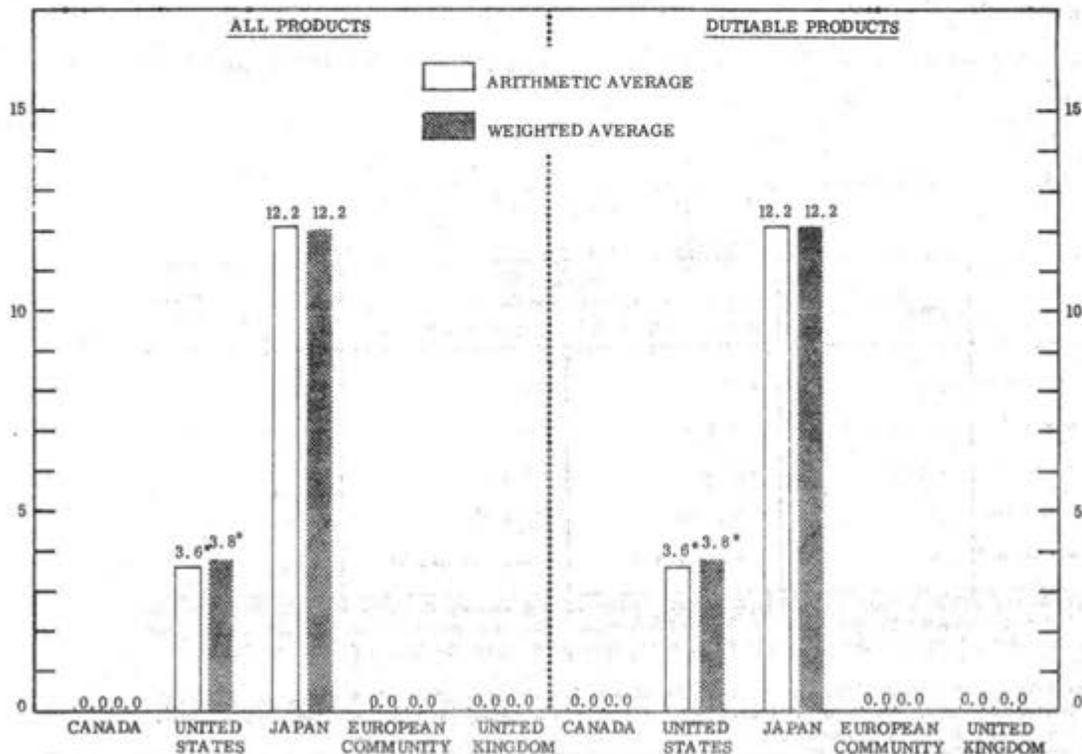
Crude Petroleum

Crude petroleum includes all crude petroleum and shale oils. 1/

MFN tariffs

The arithmetic and weighted average MFN tariffs of the five major countries for all products and dutiable products in the crude petroleum subsector are identical and range from zero for Canada, the European Community, and the United Kingdom to 12.2 percent for Japan. Since the U.S. and Japanese averages are identical for dutiable products and for all products, the absence of any MFN duty-free provisions for petroleum is indicated (chart I-8-I).

Chart I-8-I. -- Average MFN tariff rates on crude petroleum
(Percent ad valorem)



* U.S. tariff rates on petroleum and derived products have been suspended since May 1, 1973, and replaced by a system of fees charged for licenses covering imports over certain allocated quantities.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

1/ For the specific coverage of this sector, see BTN heading 27.09.

The distribution of MFN tariff provisions and imports, by duty level, are identical in this subsector (table I-8-0). For Canada,

Table I-8-0.--Distribution, by duty level, of MFN tariff provisions for crude petroleum and imports of crude petroleum

(In percent)					
Duty level	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	100.0	-	-	100.0	100.0
0.1-5.0 percent----	-	100.0	-	-	-
5.1-10.0 percent----	-	-	-	-	-
10.1-15.0 percent--	-	-	100.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the United States reflect the situation existing prior to modification of the U.S. import regime for petroleum effective May 1, 1973. Also, in recent years about 5 percent of U.S. imports have actually entered with the duties suspended under special conditions.

Note.--Due to rounding, figures may not add to 100 percent.

the European Community, and the United Kingdom, all provisions for crude petroleum and imports are free. All U.S. tariff provisions have rates in the 0.1-5 percent ad valorem bracket. ^{1/} For Japan, all provisions and imports are in the 10.1-15 percent bracket. Effective May 1, 1973, the U.S. tariffs on petroleum and derived products were suspended and a system of fees for licenses was instituted, covering petroleum imports over levels of imports specifically allocated for various areas of the United States which are permitted entry without payment of a fee. The value of the fees is scheduled to increase at six-month intervals until November 1, 1975. Annually, as of May 1, 1974, the levels of petroleum imports not subject to fees shall be reduced, until, on April 30, 1980, all imports will be subject to a license fee.

Imports of crude petroleum receiving preferential treatment are insignificant.

^{1/} In recent years, approximately 5 percent of U.S. imports have entered with suspended duties.

MFN tariff schedules show little detail for crude petroleum. The United States, Canada, and the United Kingdom each have two tariff lines, while Japan and the European Community each have one.

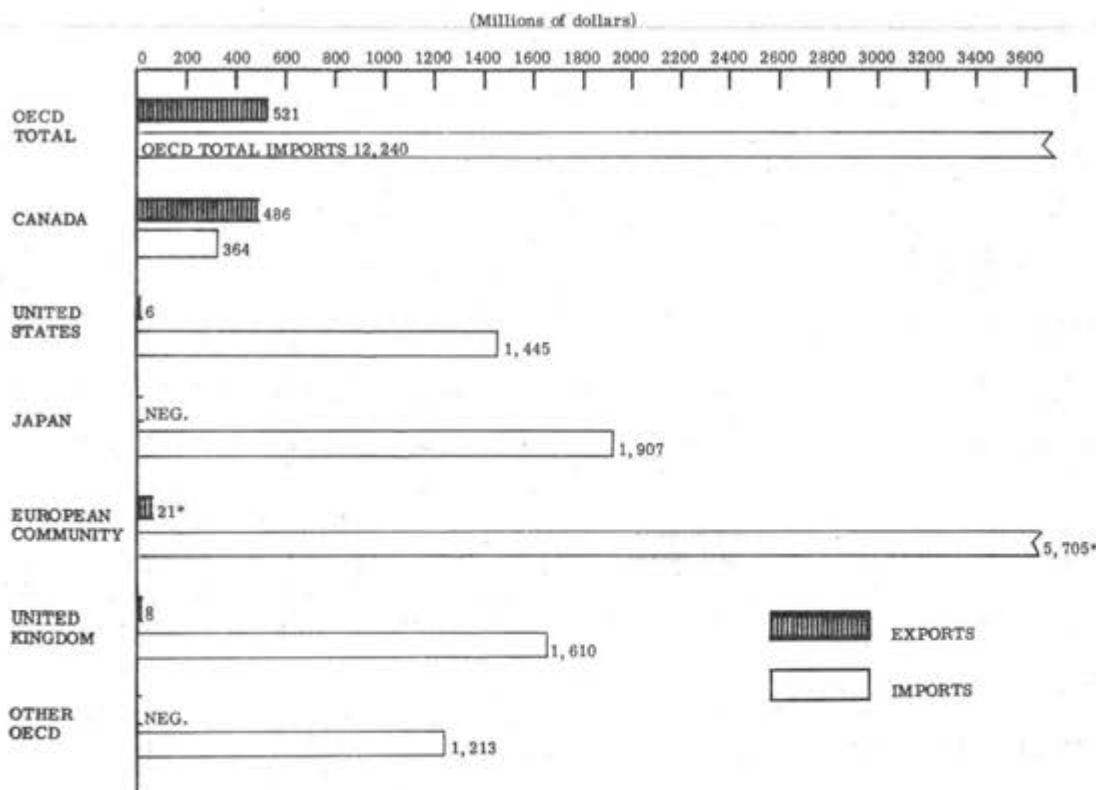
World production

The United States is the world's largest producer of crude petroleum; domestic sources supply about 88 percent of consumption of crude oil and other petroleum products. In 1969, U.S. production of crude petroleum amounted to 3.4 billion barrels at an estimated value of more than \$10 billion. Based on world areas (rather than national boundaries), the greatest production and proven reserves of petroleum exist in the Middle East where Iran, Saudi Arabia, and Kuwait supply about 70 percent of the area production, which in 1969 totaled 4.5 billion barrels at an estimated value of nearly \$10 billion. Other areas with substantial production of crude petroleum are: Africa, with total production in 1969 of 1.8 billion barrels, valued at an estimated \$4 billion, of which Libya supplied about 60 percent; and, South America, with total production in 1969 of 1.7 billion barrels, estimated at a value of nearly \$4 billion, of which more than 75 percent was supplied by Venezuela. Of the five countries under study, other than the United States, Canada in 1969 produced about 400 million barrels of crude petroleum, valued at about \$1 billion, and the Community produced about 100 million barrels of the crude, valued at about \$250 million; production by the United Kingdom and Japan was negligible by comparison.

Trade importance

Crude petroleum accounts for 9 percent of OECD exports of mineral fuels and three-fifths of imports. In 1969, OECD exports totaled \$521 million; imports \$12.2 billion (chart I-8-J). In 1969, U.S.

Chart I-8-J.--OECD trade in crude petroleum, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series G, 1969.

Intra EC trade is negligible.

exports of crude petroleum were \$6 million; imports were \$1.4 billion. U.S. 1971 imports were \$1.3 billion. Among the 119 industrial sub-sectors, crude petroleum ranks first in value of total imports by GATT tariff study countries. This category ranks first in importance for the United States, the European Community, and the United Kingdom, second for Japan, and third for Canada.

Trade network

Canada, exporting totally to the United States, accounts for over 90 percent of all OECD exports. These Canadian shipments, which supply the western part of the United States, represented about half of Canada's crude-oil production in 1969 and accounted for nearly 40 percent of U.S. imports of crude oil. EC outside exports equal half of intra-EC shipments. The five major countries, together, account for 90 percent of OECD petroleum imports. Virtually all Canadian, Japanese, United Kingdom, and EC petroleum imports originate in LDC's, as do nearly two-thirds of U.S. petroleum imports. The European Community is by far the largest importer. Canada is the least significant importer of crude petroleum (tables I-8-P and Q).

Table I-8-P.— OECD exports of petroleum, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other CoSD
World-----	521	486	6	X	<u>1/</u> 21	8	X
OECD total-----	520	486	5	-	21	8	X
Canada-----	X	-	X	-	-	-	-
United States---	488	486	-	-	1	1	X
Japan-----	2	-	2	-	-	-	-
European Community-----	<u>1/</u> 21	-	1	-	14	6	X
United Kingdom--	3	-	2	-	1	-	X
Other OECD-----	6	-	X	-	5	1	X
Non-OECD total----	1	-	1	X	-	X	X
LDC's-----	1	-	1	X	-	X	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-8-Q.-- OECD imports of petroleum, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	12,244	364	1,445	1,907	<u>1/</u> 5,705	1,610	1,213
OECD total-----	638	1	536	2	8	85	6
Canada-----	529	-	528	-	1	-	-
United States---	6	1	-	2	-	2	1
Japan-----	X	-	X	-	-	-	-
European Community-----	<u>1/</u> 64	-	5	-	5	50	4
United Kingdom--	3	-	2	-	X	-	1
Other OECD-----	36	-	1	-	2	33	-
Non-OECD total----	11,558	363	909	1,905	5,651	1,525	1,205
IDC's-----	11,298	363	909	1,897	5,515	1,525	1,089

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

About a third of the U.S. imports in 1969 came from Venezuela and other Latin American sources, while the remainder was supplied by Africa and the Middle East. More than 90 percent of the crude-oil imports of the Community and the United Kingdom were supplied by Middle Eastern and African sources, while 87 percent of Japan's imports were from the Middle East.

Tariffs have little effect in determining trade flows of crude petroleum for the five countries. Trade in crude petroleum, probably the world commodity of greatest strategic value, is governed largely by supply and demand factors, national security considerations, and the policy considerations of a group of major Middle East oil producers united in the Organization of Petroleum Exporting Countries. The European Community, the United Kingdom, and Japan are almost entirely dependent on imports of crude petroleum. Imports entering

the EC and the United Kingdom are duty free, but Japan has the highest tariff average of the five countries. Imports by the United States until May 1973 were primarily controlled by quota, while Canada has found it more economical to import crude petroleum to supply its east coast rather than to ship its western production cross-country.

Trade-agreement concessions

Tariff levels for the United States, the United Kingdom and Canada on January 1, 1972, were significantly below those existing on pre-trade-agreement base dates. The European Community remained at zero. However, the Japanese rate rose slightly. The lower levels, in part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japanese tariff rates in this subsector were not unilaterally reduced in 1972. The United States, Japan and the United Kingdom have only specific rates in this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	8.7	3.8
European Community	0.0	0.0
United Kingdom	5.0	0.0
Japan	10.0	12.2
Canada	10.5	0.0

Concessions under the GATT have been made on all MFN provisions for crude petroleum in the tariff schedules of the European Community. In the U.S. schedule, all of the provisions are partially covered by GATT concessions, and the remainder are covered by concessions in the

bilateral trade agreement with Venezuela. No imports of crude petroleum are bound by GATT concessions in the tariff schedules of Canada, Japan, or the United Kingdom.

In the four national tariffs of the member states of the European Community prior to adoption of the EC's Common External Tariff (CXT), there were two tariff concessions on crude petroleum negotiated under the GATT; one reflected rates higher than the autonomous rate established in the CXT and one was below the CXT rate.

Rates of duty of the five major countries for crude petroleum on January 1, 1972, are compared with rates on pre-trade-agreement base dates in table I-8-R.

Table I-8-R.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on crude petroleum, residual distillates, and unfinished oils

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	8%; 9.5% AVE	2.4%; 4.0% AVE	2.4%; 4.0% AVE ^{2/}	475.05, .10
Canada-----	Free 19.1% AVE	Free 9.5% AVE	Free 9.5% AVE ^{3/}	26701-1 26702-1; 26705-1
European Community--	Free	Free	Free-7%	27.09; 27.10
United Kingdom-----	Free ^{4/}	Free ^{4/}	Free-11% ^{4/}	27.09; 27.10
Japan-----	10%	19.2% AVE	5-30%	27.09; 27.10

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Average ad valorem equivalents of specific rates of duty of .0125 cents per gallon or 0.25 cents per gallon, calculated on 1971 import values.

^{3/} Average ad valorem equivalents of specific rate of duty of 0.5 cents per gallon, calculated on 1971 import values

^{4/} Subject to revenue duties.

Products Derived from Coal, Petroleum or Natural Gas

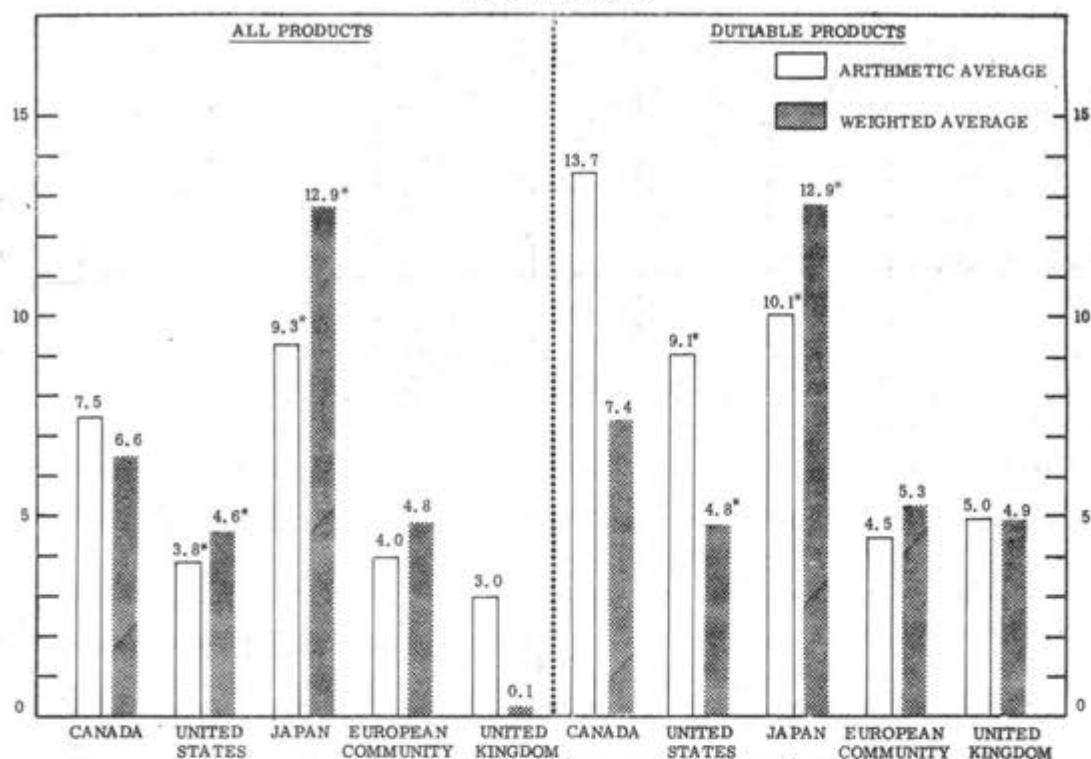
Products derived from coal, petroleum or gas include: Mineral tar; oils and products of the distillation of high temperature coal tar; pitch and pitch coke obtained from coal tar or other mineral tars; partly refined petroleum including topped crudes; gasoline, and kerosene (including jet fuel); distillate fuels; residual fuel oils; lubricating oils and greases; petroleum jelly; mineral waxes; bituminous mixtures based on asphalt, petroleum, etc.; lubricating preparations; and ammoniacal gas liquors and spent oxide (i.e., oxide produced in coal gas purification). 1/

MFN tariffs

The MFN tariff averages of the five major countries for all products derived from coal, petroleum or natural gas range from 0.1 to 12.9 percent ad valorem. The lowest averages are held by the United Kingdom (3 percent arithmetic and 0.1 percent weighted). Most of the other averages are clustered between 3.8 percent and 7.5 percent. Japan has the highest averages (9.3 and 12.9 percent, respectively) (chart I-8-K). The dutiable product averages are generally higher than those for all products. For dutiable products, the European Community has the lowest arithmetic average (4.5 percent ad valorem). The lowest weighted average belongs to the United States (4.8 percent), followed closely by the United Kingdom (4.9 percent). Canada holds the highest arithmetic average at 13.7 percent and Japan, the highest weighted average at 12.9 percent.

1/ For the specific coverage of this subsector, see BTN headings 27.06-.08; 27.10; 27.12-.14; 27.16; 34.03 and 38.04.

Chart I-8-K. -- Average MFN tariff rates on products derived from coal, petroleum or natural gas
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on about half of the Japanese rates in this sector; of the remaining rates about two-thirds were reduced by amounts ranging from 21 percent to 100 percent.

* U.S. tariff rates on petroleum and derived products have been suspended since May 1, 1973, and replaced by a system of fees charged for licenses covering imports over certain allocated quantities.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of tariff provisions by duty level is shown in table I-8-S. For the United States, Canada, and the United Kingdom, between 39 and 58 percent of rate provisions are duty free, as are 13 percent of EC provisions and 9 percent of Japanese provisions. One-fifth of U.S. provisions, one-fourth of Japanese provisions and over half of EC and United Kingdom provisions are in the 0.1-5 percent ad valorem bracket. Japan and the Community each have nearly one-third of their provisions in the 5.1-10 percent range. Canada has one-fifth of its provisions in the 10.1-15 percent range. U.S. and

Table I-8-S.--Distribution, by duty level, of MFN tariff provisions for products derived from coal, petroleum or natural gas

Duty level	(In percent)				
	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	45.5	58.0	8.9	12.5	39.1
0.1-5.0 percent---	-	18.2	24.4	55.3	56.5
5.1-10.0 percent---	15.4	9.1	31.0	32.1	4.3
10.1-15.0 percent--	20.4	6.7	22.1	-	-
15.1-20.0 percent--	18.2	4.5	8.8	-	-
20.1-25.0 percent--	-	2.3	-	-	-
25.1-30.0 percent--	-	1.1	4.4	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the United States reflect the situation existing prior to modification of the U.S. import regime for petroleum and petroleum products effective May 1, 1973.

Note.--Due to rounding, figures may not add to 100 percent.

Japanese rates range into the 25.1-30 percent ad valorem level; Canadian rates into the 15.1-20 percent ad valorem level.

Virtually all United Kingdom imports enter duty free. Nearly two-thirds of EC imports enter at rates between 0.1 and 5 percent ad valorem. For Canada, over three-fourths of imports enter in the 5.1-10 percent range. More than 60 percent of Japan's imports are in the 10.1-15 percent range, while 26 percent are in the 15.1-20 percent range. Japan is the only major country without duty-free MFN imports (table I-8-T). Only four percent of U.S. imports enter under tariff provisions which are free, but about 20 percent of U.S. "dutiable" imports usually enter with duties actually suspended under special conditions. The great bulk of U.S. dutiable imports pay rates between 0.1 and 5 percent ad valorem. On May 1, 1973, the U.S. tariffs on petroleum and derived products were suspended. A license fee system was instituted at this time covering all imports over certain allocated quantities. However, there are to be no fees

Table I-8-T.--Distribution, by duty level, of MFN imports of products derived from coal, petroleum or natural gas

Duty level	(In percent)				
	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	11.0	4.1	-	9.6	98.9
0.1-5.0 percent----	-	82.1	5.2	64.3	1.0
5.1-10.0 percent---	78.7	.1	2.0	26.3	-
10.1-15.0 percent--	9.1	-	61.5	-	-
15.1-20.0 percent--	1.3	13.7	26.3	-	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	4.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the United States reflect the situation existing prior to modification of the U.S. import regime for petroleum and petroleum products effective May 1, 1973. Also, the percentages are calculated in terms of nominal U.S. tariff provisions and do not take into consideration large imports of "dutiable" products on which the duty is actually suspended under special conditions.

Note.--Due to rounding, figures may not add to 100 percent.

on motor gas and other finished petroleum products from Canada (with few exceptions) until May 1, 1974, and the fees then imposed on these Canadian products will increase at a slower rate than for other nations.

Preferential treatment of products derived from mineral fuels is significant only for the European Community, where 7 percent of entries had preferential access.

The United States has the most detailed MFN tariff schedule for products derived from fuel with 88 tariff lines, while the United Kingdom has the least with 23 tariff lines; the European Community has 56 tariff lines; Japan has 45 and Canada has 44.

World production

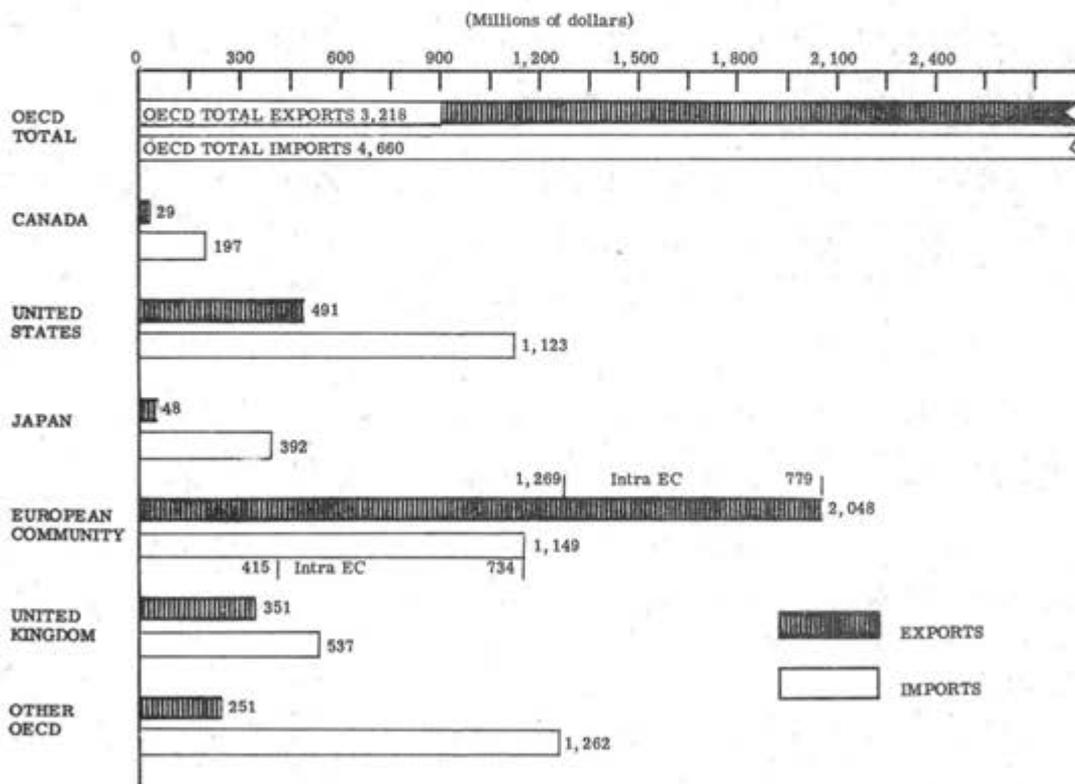
The output of petroleum products by oil refineries accounts for most of the total output of mineral fuel products covered by this subgroup. Refinery production of North America and Western Europe accounts for about

Table I-8-U.--Petroleum products: Refinery production, share of world total, and primary composition, for selected countries, 1970

Country	Production (million barrels)	Share of world production ^{1/} (percent)	Composition (percent)			
			Gasoline	Jet fuel and kerosene	Residual fuel oil	Distillate fuel oil
United States-----	4,290	30	49	9	6	21
European Community----	3,088	22	13	3	33	31
Japan-----	1,232	9	11	10	47	11
United Kingdom-----	742	5	13	6	38	23
Canada-----	467	3	35	8	15	27

^{1/} Excludes Sino-Soviet area output.

Chart I-8-L. -- OECD trade in products derived from coal, petroleum or natural gas, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

two-thirds of the world output, excluding the Sino-Soviet area. Table I-8-U shows for the five countries under study refinery production, share of the world output, and primary composition of refinery production in 1970.

Trade importance

Products derived from mineral fuels account for almost three-fifths of OECD exports of the mineral fuels and derived products sector and one-fourth of imports. In 1969, OECD exports totaled \$3.2 billion; imports \$4.7 billion (chart I-8-L). In 1969, U.S. exports of products derived from mineral fuels were \$491 million; imports were \$1.1 billion. U.S. 1971 imports were \$1.2 billion. Among the 119 industrial subsectors, products derived from mineral fuels rank fourth in value of total imports by GATT tariff study countries. The subsector ranks 2nd for the United Kingdom, 4th for Japan, 6th for the United States, 10th in value for the European Community, and 16th for Canada.

Trade network

The five major countries account for 92 percent of OECD exports and 73 percent of imports. Half of OECD exports are destined for the five major countries and 15 percent for the non-OECD nations. Nearly two-fifths of OECD imports have their source in LDC's. The European Community is the principal exporter of products derived from coal, petroleum and natural gas. Complete country of destination data are unavailable for 15 percent of EC exports. Of those accounted for,

44 percent are intra-EC shipments, one-fourth go to "other" OECD countries and 14 percent to the United Kingdom. Thirty-seven percent of U.S. exports go to non-OECD nations. Among the five major countries, the European Community and Japan each take about one-fifth of U.S. exports. Virtually all Japanese exports go to non-OECD nations, while virtually all Canadian exports go to the United States. Two-thirds of United Kingdom exports are shipped to "other" OECD countries; Japan and Canada are rather insignificant exporters (table I-8-V).

Table I-8-V.-- OECD exports of products derived from coal, petroleum or natural gas, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,218	29	491	48	<u>1/</u> 2,048	351	251
OECD total-----	2,413	27	311	6	1,561	297	211
Canada-----	74	-	69	X	4	2	X
United States---	164	26	-	5	104	18	11
Japan-----	82	X	79	-	1	1	1
European Community-----	<u>1/</u> 974	X	110	X	779	52	33
United Kingdom--	312	X	23	X	253	-	36
Other OECD-----	807	1	30	1	419	224	132
Non-OECD total----	491	2	180	42	190	54	23
LDC's-----	428	2	156	37	174	43	16

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 15 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States is the most substantial importer of products derived from coal, petroleum or natural gas (excluding intra-EC shipments), with over 85 percent of imports arriving from non-OECD countries.

EC outside imports are equal to almost three-fifths of intra-EC shipments. Half of EC outside imports come from non-OECD nations and one-fifth from the United States. Nearly 60 percent of United Kingdom imports have their source in the European Community; almost 30 percent in less developed countries. Three-fourths of Japanese imports arrive from non-OECD countries, as do about 65 percent of Canadian imports (table I-8-W).

Table I-8-W.-- OECD imports of products derived from coal, petroleum or natural gas, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	4,660	197	1,123	392	<u>1/</u> 1,149	537	1,262
OECD total-----	2,465	71	155	93	913	380	853
Canada-----	28	-	25	X	-	2	1
United States---	303	63	-	89	86	24	41
Japan-----	5	X	5	-	X	X	X
European Community-----	<u>1/</u> 1,581	5	98	2	734	311	431
United Kingdom--	325	2	16	1	56	-	250
Other OECD-----	223	1	11	1	37	43	130
Non-OECD total----	2,183	126	968	300	222	157	410
LDC's-----	1,813	126	962	281	93	153	198

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

As shown in the tabulation below, average tariff levels on January 1, 1972, for products derived from mineral fuels were substantially below levels existing on pre-trade-agreement base dates.

The lower levels, in part, reflect concessions granted in reciprocal negotiations. For all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Specific rates cover about 2 percent of United Kingdom imports, 4 percent of U.S. imports, 14 percent of Japanese imports and 21 percent of Canadian imports.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	18.9	4.6
European Community	9.5	4.8
United Kingdom	5.2	0.1
Japan	14.1	12.9
Canada	14.6	7.5

Concessions under the GATT have been made on all MFN provisions for products derived from mineral fuels in the tariff schedule of the European Community. In the U.S. schedule, 95 percent of tariff provisions covering 30 percent of imports are fully covered by GATT concessions; for 5 percent of the tariff provisions, covering 70 percent of the imports, only part of an item is covered in the GATT, but the remainder is covered in the bilateral agreement with Venezuela. For Canada, 59 percent of the provisions covering 21 percent of imports; for Japan, 80 percent of provisions covering 13 percent of imports; and for the United Kingdom, 65-70 percent of provisions covering 2 percent of imports are covered by GATT concessions.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on products derived from coal, petroleum and natural gas negotiated under the GATT. The number of such concessions totaled 59, of which 31 reflected rates higher than the autonomous rate established in the CXT, 10 were at the CXT rate and 18 were below the CXT rate.

Reductions which have occurred in rates of duty of the five major countries for certain petroleum products between pre-trade-agreement base dates and January 1, 1972, are shown in table I-8-X.

Table I-8-X.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on petroleum products, other than crude, containing 70 percent, or more, of petroleum or shale oil

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free-33.8 (11.1)% AVE <u>2/</u>	Free-16.9 (2.8)% AVE <u>3/</u>	Free-16.9(2.8)% AVE <u>3/</u>	475.05-.10; 475.25-.70
European Community--	Free-7% <u>4/</u>	Free-7% <u>5/</u>	Free-7% <u>6/</u>	27.10
Canada-----	Free-35% AVE <u>7/</u>	Free-20% <u>8/</u>	Free-20% <u>8/</u>	26710-1; 26800-1; 26805-1; 26810-1; 26901-1; 26902-1; 26905-1; 27101-1; 27102-1; 27200-1; 27205-1; 27215-1
United Kingdom-----	Free; 10%	Free; 10%	Free; 5%	27.10 A; 27.10 B
Japan-----	1-54% AVE <u>9/</u>	Free-48% AVE <u>10/</u>	5%-48% AVE <u>11/</u>	27.10

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ The ad valorem equivalents (AVE) included are based on imports during 1970 and represent specific rates of 0.5-4 cents per gallon and a compound rate of 2 cents per pound plus 20 percent ad valorem; also included is a rate of 20 percent ad valorem.

3/ The ad valorem equivalents (AVE) included are based on imports during 1970 and represent specific rates of 0.125-2 cents per gallon and a compound rate of 1 cent per pound plus 10 percent ad valorem; also included is a rate of 10 percent ad valorem.

4/ The rates included represent temporary reductions or suspensions; the permanent rates range from 10 percent to 14 percent ad valorem.

5/ The rates included represent temporary reductions or suspensions; the permanent rates range from 5 percent to 14 percent ad valorem.

6/ The rates included represent temporary reductions or suspensions; the permanent rates range from 5 percent to 7 percent ad valorem.

7/ Includes ad valorem equivalents (AVE), based on imports during 1970, which represent specific rates of from 1 cent to 2-1/2 cents per gallon.

8/ Includes ad valorem equivalents (AVE), based on imports during 1970, which represent specific rates of from 1/3 cents to 2-1/4 cents per gallon.

9/ Includes ad valorem equivalents (AVE), based on imports during 1970, which represent specific rates of from 570 yen to 3,370 yen per kiloliter; also included are ad valorem rates of 20 and 30 percent.

10/ Includes ad valorem equivalents (AVE), based on imports during 1970, which represent specific rates (some temporary) of from 250 yen to 3,033 yen per kiloliter; also included are ad valorem rates of from 15 to 22.5 percent.

11/ Includes ad valorem equivalents (AVE), based on imports during 1970, which represent specific rates (some temporary) of from 125 to 3,033 yen per kiloliter; also included are ad valorem rates of from 7.5 to 20 percent.

Note.--Ad valorem equivalents (AVE) shown in parentheses are those for the principal items of trade.

Industrial Sector I-9

MINERAL PRODUCTS AND FERTILIZERS

The mineral products and fertilizers sector covers crude and processed minerals other than precious stones, mineral fuels, metallic ores and salts and other chemicals or metals. The sector includes such products as natural fertilizers, manufactured fertilizers, sand, gravel, marble, limestone, sulphur, iron pyrites, lime, cement, fabricated building materials, plasters, ceramics, pottery, tile, glass and glassware. ^{1/}

MFN tariffs

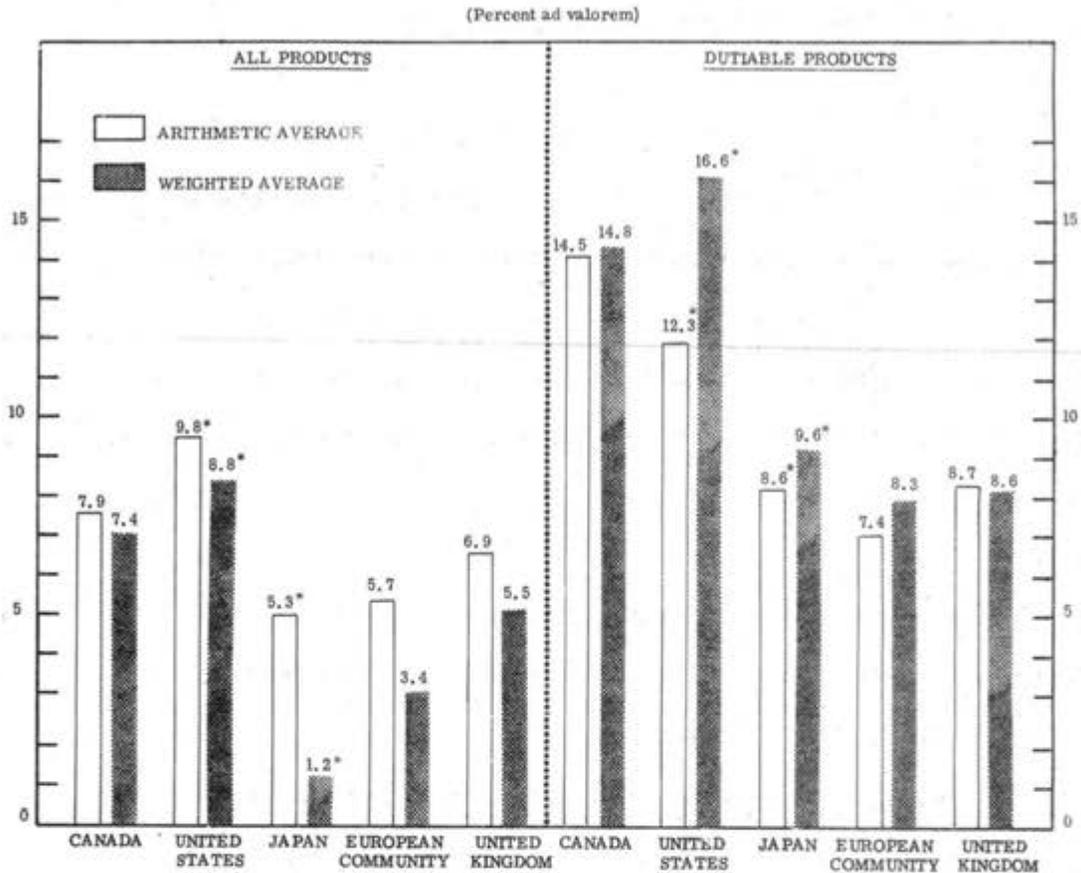
For all mineral products and fertilizers (combined dutiable and free), Japan has both the lowest arithmetic average, 5.3 percent ad valorem, and the lowest weighted average, 1.2 percent ad valorem (see chart I-9-A). The United States has both the highest arithmetic and weighted averages (9.8 percent and 8.8 percent, respectively). For dutiable products only, the European Community holds both of the lowest averages (7.4 percent, arithmetic and 8.3 percent, weighted). Canada holds the highest arithmetic average at 14.5 percent ad valorem and the second highest weighted average (14.8 percent). The United States has the highest weighted average at 16.6 percent ad valorem.

In 1962, following an escape-clause investigation by the U.S. Tariff Commission, the United States temporarily increased rates of duty on which concessions had been made under the GATT with

^{1/} For the specific coverage of this sector, see BTN headings 25.01-.32; 26.02; 26.04; 31.01-.05; 68.01-.16; 69.01-.14; 70.01-.21.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-9-A. -- Average MFN tariff rates on mineral products and fertilizer, ceramic products, and glass



*The U.S. averages include escape-clause rates on sheet glass, on which concession rates are being restored. If the averages were calculated with concession rates on sheet glass, they would read as follows: all products, 9.3 percent arithmetic, 7.9 percent weighted; dutiable products, 11.7 percent arithmetic, 16.4 percent weighted.

*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on most Japanese rates in this sector; several rates were reduced by amounts ranging from 33.3 percent to 100 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

respect to sheet glass. In 1967, the increased escape-action rates on some sheet glass were terminated; but the escape-action rates on most window glass continued. These rates are scheduled to revert to the trade-agreement rates at the close of January 31, 1974. The U.S. tariff averages shown here reflect the escape-clause rates of duty on flat glass. If the escape action were completely removed, the U.S. rates would be as follows: for all products, 9.3 percent for the arithmetic average, 7.9 percent for the weighted;

for dutiable products, 11.7 percent for the arithmetic average and 16.4 for the weighted.

The distribution of tariff provisions by duty level is shown in table I-9-A. A significant portion of rate provisions for all

Table I-9-A.--Distribution, by duty level, of MFN tariff provisions for mineral products and fertilizers, ceramic products and glass

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	45.8	20.0	37.6	23.4	20.3
0.1-5.0 percent----	5.8	21.6	15.9	29.9	32.9
5.1-10.0 percent---	8.9	18.3	35.0	32.0	27.8
10.1-15.0 percent--	13.5	20.2	9.6	10.2	12.7
15.1-20.0 percent--	24.8	7.9	1.3	2.5	4.4
20.1-25.0 percent--	.6	5.7	.6	1.5	1.9
25.1-30.0 percent--	-	2.1	-	.5	-
30.1-40.0 percent--	.6	2.3	-	-	-
40.1-50.0 percent--	-	.9	-	-	-
Over 50 percent----	-	.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

of the five major countries are free, ranging from one-fifth for the United States to nearly one-half for Canada. Another 14 percent of Canada's provisions are in the 10.1-15 percent ad valorem bracket, while nearly one-fourth are in the 15.1-20 percent range. The United States has about one-fifth of its provisions in each of the following classes: 0.1-5 percent, 5.1-10 percent, 10.1-15 percent. The remaining one-fifth of the U.S. tariff rates range from 15 percent ad valorem to over 50 percent. Japan, the European Community, and the United Kingdom each have about 50 to 60 percent of their tariff provisions divided between the 0.1-5 percent bracket and the 5.1-10 percent bracket.

Imports of mineral products and fertilizers receiving preferential tariff treatment are significant for most of the major countries. Such treatment was accorded 21 percent of entries into the United Kingdom, 9 percent into Canada, 3 percent into the United States, and intra-EC shipments exceed imports from outside countries. Canada and the United States are the only countries with a significant portion of their imports dutiable at rates higher than 15 percent ad valorem (table I-9-B). All five major countries

Table I-9-B.--Distribution, by duty level, of MFN imports of mineral products and fertilizers, ceramic products and glass

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	49.8	46.9	87.8	59.4	35.8
0.1-5.0 percent----	8.1	8.9	2.0	11.3	19.7
5.1-10.0 percent---	7.5	10.1	5.9	19.5	30.6
10.1-15.0 percent--	7.3	13.5	4.2	4.8	7.8
15.1-20.0 percent--	26.4	5.8	.1	3.1	6.2
20.1-25.0 percent--	.1	6.1	-	1.8	-
25.1-30.0 percent--	-	1.8	-	.1	-
30.1-40.0 percent--	.8	2.8	-	-	-
40.1-50.0 percent--	-	1.5	-	-	-
Over 50 percent----	-	2.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

have duty-free MFN imports, ranging from the United Kingdom's 36 percent to Japan's 88 percent of total MFN imports in 1970. Half of Canada's entries are duty free, and between 7 and 8 percent fall in each of the three brackets ranging from 0.1 to 15 percent. Over one-fourth of Canadian imports are in the 15.1-20 percent range. Nearly 47 percent of imports into the United States are duty free. About one-tenth of U.S. entries are in each of the three brackets between 0.1 and 15 percent, with an additional one-fifth of U.S. imports entering at rates over 15 percent. Nearly 60 percent of EC

imports are duty free, one-tenth in the 0.1-5 percent bracket, and one-fifth in the 5.1-10 percent bracket. About 36 percent of United Kingdom entries are also duty free, one-fifth in the 0.1-5 percent range and 31 percent in the 5.1-10 percent range.

The United States has the most detailed tariff schedule for mineral products and fertilizers with 391 tariff lines, while Japan has the simplest, with 157 lines. Canada has 227 lines; the European Community, 197 lines; and the United Kingdom, 158.

Trade importance

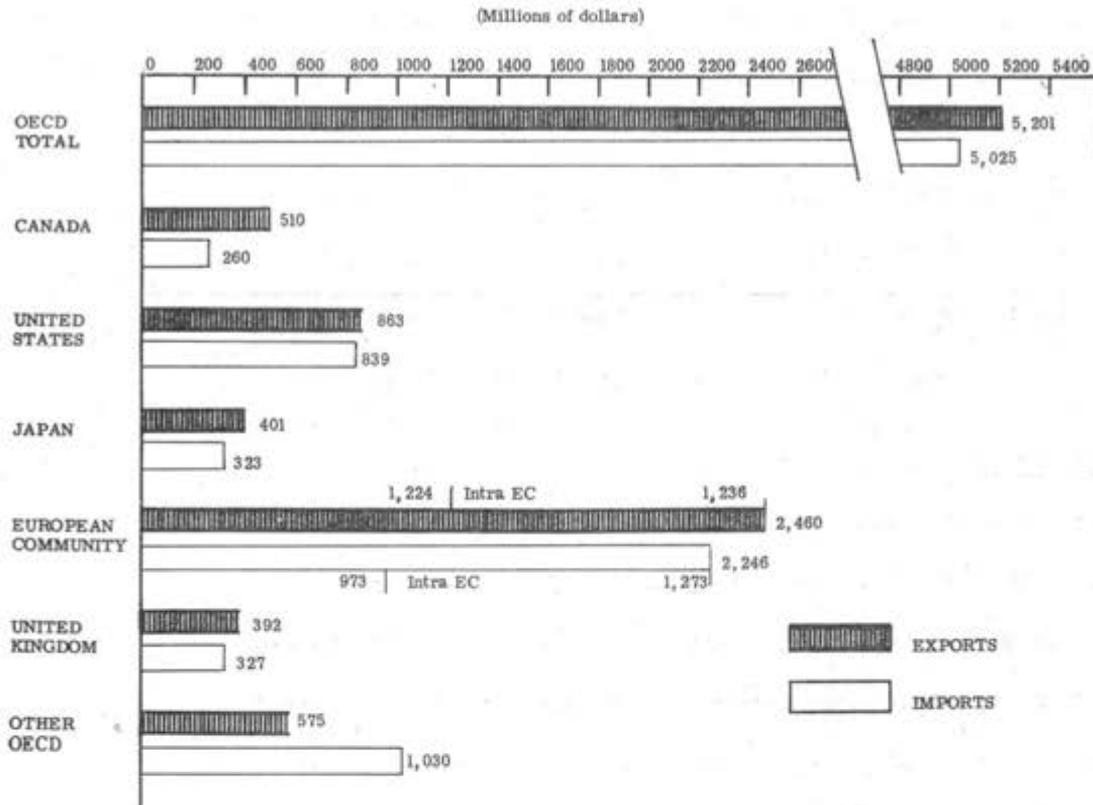
Mineral products and fertilizers rank ninth in OECD exports and tenth in imports. The sector accounts for about 3 percent of both OECD industrial imports and exports. For the United States, the sector is the tenth most important in both imports and exports.

Imports by the GATT tariff study countries were valued at \$2.8 billion in 1967, and \$4 billion in 1970. Intra-EC shipments were an additional \$949 million in 1967 and \$1.5 billion in 1970. OECD 1969 imports were \$5 billion (including \$1.3 billion of intra-EC shipments) and exports were \$5.2 billion (see chart I-9-B).

Trade network

The five major countries account for about 89 percent of OECD exports and 80 percent of imports. Nearly 59 percent of OECD exports go to the five major countries; one-fifth to LDC's. Seventy percent of OECD imports are supplied by the five major countries.

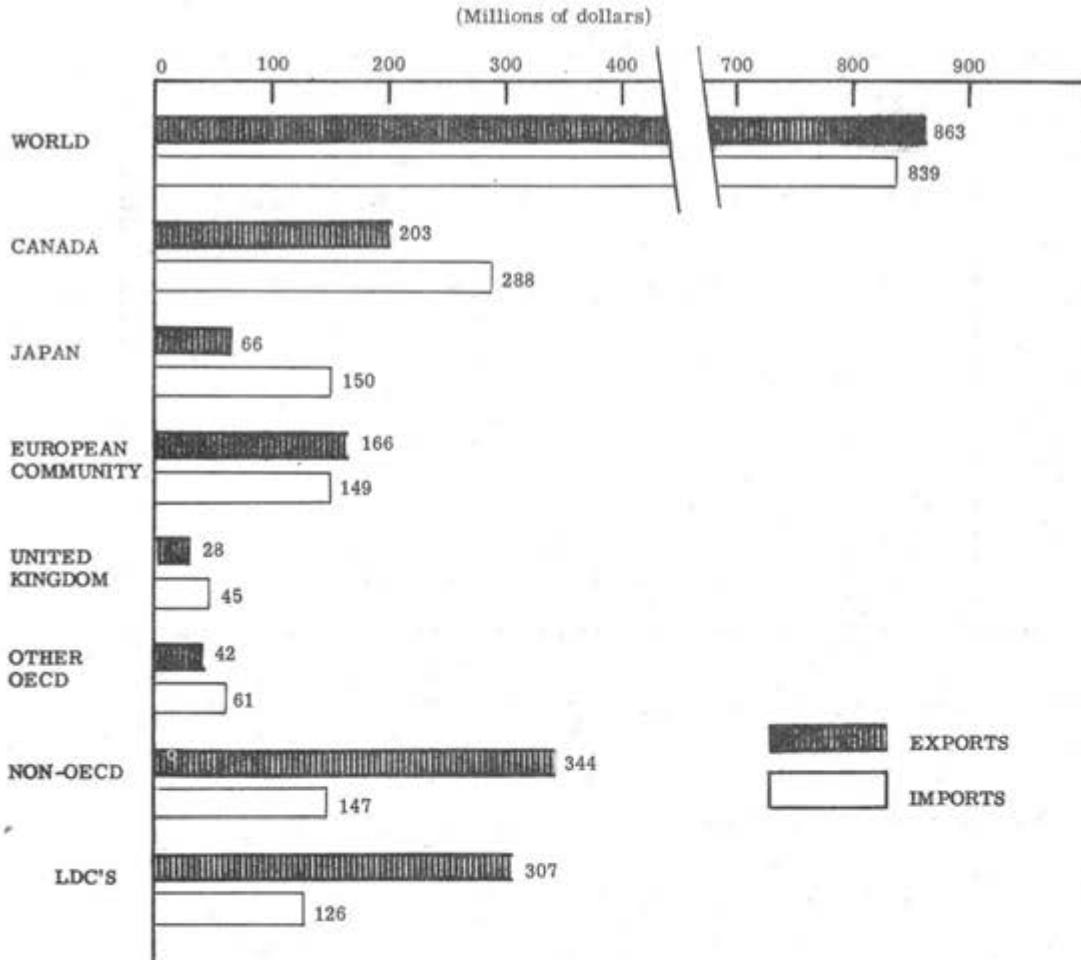
Chart I-9-B, -- OECD trade in mineral products and fertilizers, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Over one-third of U.S. exports go to less developed countries (chart I-9-C), where higher tariffs and other trade barriers generally prevail. Canada is the principal developed country market for U.S. products, followed by the European Community. The United States takes over half of Canada's exports; the Community and the LDC's take 14 percent and 13 percent, respectively. Japan ships over one-third of its exports to LDC's, nearly two-fifths to the United States, and only 5 percent to the Community. Intra-EC exports are

Chart I-9-C. -- United States trade in mineral products and fertilizers, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

only slightly more than the Community's shipments to outside markets. Non-OECD countries take about 40 percent of the EC's outside exports; 13 percent go to the United States, and 9 percent to the United Kingdom. The United Kingdom ships over 30 percent of its products to LDC's and other non-OECD countries. The Community is the principal market for the United Kingdom among the five major countries, followed by the United States (table I-9-C).

Table I-9-C.--OECD exports of mineral products and fertilizers, ceramic products, and glass, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,201	510	863	401	<u>1/</u> 2,460	392	575
OECD total-----	3,782	414	505	208	1,946	258	451
Canada-----	277	-	203	13	26	30	5
United States---	684	277	-	156	158	42	51
Japan-----	120	29	66	-	18	3	4
European Community-----	<u>1/</u> 1,785	70	166	21	1,236	90	202
United Kingdom--	195	21	28	4	107	-	35
Other OECD-----	721	17	42	14	401	93	154
Non-OECD total----	1,338	97	344	190	483	122	102
IEC's-----	1,008	65	307	141	363	68	64

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Mineral products and fertilizers rank 8th in industrial imports for Japan, 10th for Canada, the United States, and the European Community, and 12th for the United Kingdom. U.S. imports of mineral products and fertilizers were valued at \$671 million in 1967, \$919 million in 1970, and \$956 million in 1971. Canada supplies over one-third of U.S. imports; Japan and the European Community each about 18 percent (table I-9-D). The United States is the source of 65 percent of Canada's imports and nearly 30 percent of Japan's imports. Twelve percent of Canada's imports come from the United Kingdom and almost half of Japanese imports from non-OECD nations. About one-fifth of imports into the European Community from outside sources come from the United States, but the total

Table I-9-D.--OECD imports of mineral products and fertilizers, ceramic products, and glass, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,025	260	839	323	1/ 2,246	327	1,030
OECD total-----	4,067	241	693	163	1,910	231	829
Canada-----	431	-	288	37	51	25	30
United States---	557	170	-	95	196	35	61
Japan-----	204	12	150	-	27	4	11
European Community-----	1/ 2,014	24	149	16	1,273	122	430
United Kingdom--	321	32	45	6	125	-	113
Other OECD-----	540	3	61	9	238	45	184
Non-OECD total----	896	12	147	157	322	89	169
LDC's-----	500	6	126	83	156	49	80

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

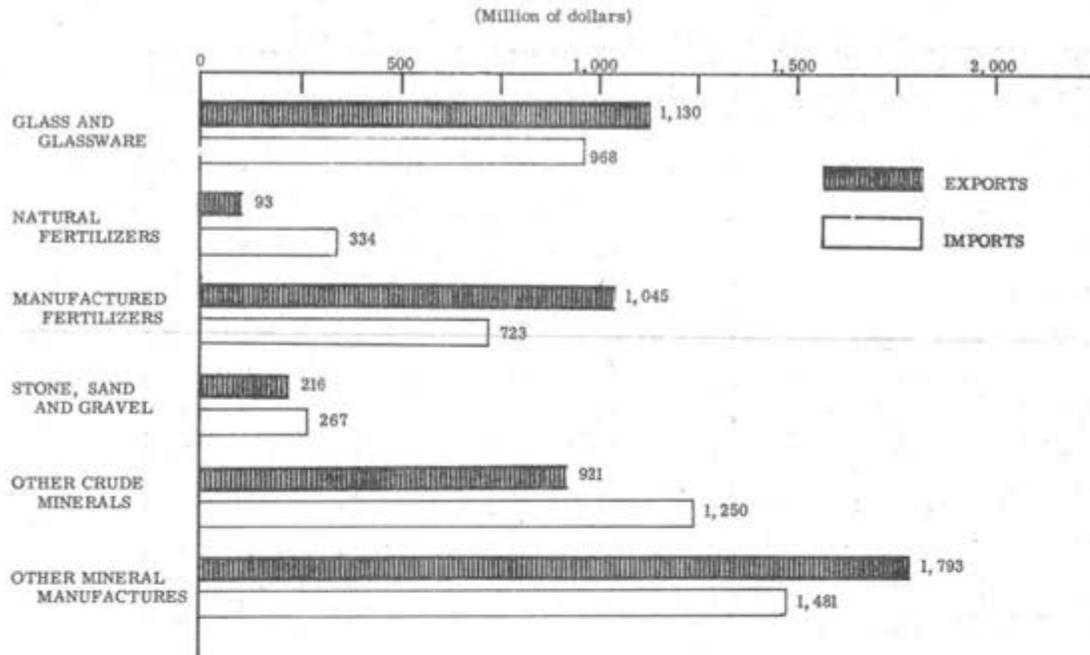
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Community imports from all external sources are only slightly over three-fourths as large as intra-Community shipments. The Community is the chief source of United Kingdom imports, followed by the LDC's and other non-OECD countries. Japan is a significant supplier only to the United States.

Trade composition

Mineral products and fertilizers are divided into six sub-sectors, of which "other mineral manufactures" is the largest in both exports and imports (35 percent of exports, 29 percent of imports). The relative importance of the six subsectors is shown in chart I-9-D.

Chart I-9-D. -- OECD trade in mineral products and fertilizers, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series G, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for mineral products and fertilizers were below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced by about 20 percent in 1972. The European Community and the United States are the only two among the five major countries having significant portions of specific rates. About 26 percent of

U.S. tariff lines, and 12 percent of EC lines, are specific duties covering about 27 percent and 9 percent of MFN imports, respectively.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	25.0	8.8
European Community	4.8	3.4
United Kingdom	15.0	5.5
Japan	1.8	1.2
Canada	19.6	7.9

Concessions under the GATT have been made on all MFN provisions for mineral products and fertilizers in the tariff schedules of the United States, as well as 99 percent of the provisions (covering all EC mineral products and fertilizers imports) in the Community's Common External Tariff. For Canada, about 75 percent of the provisions, covering about 85 percent of MFN imports, have GATT concessions; in the Japanese schedule, about 94 percent of the tariff provisions, covering about 85 percent of imports, have GATT concessions. In the tariff schedules of the United Kingdom, about 90 to 94 percent of the provisions involving about 80 percent of MFN imports have GATT concessions.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on mineral products and fertilizers negotiated under the GATT. The number of such concessions totaled 638, of which 343 reflected rates higher than the autonomous rate established in the CXT, 125 were at the CXT rate, and 170 were below the CXT rate.

Trade complaints

The Tariff Commission received over 150 complaints concerning trade barriers in the mineral products and fertilizers sector. The complaints involved 60 countries and several regional trade blocs. LDC's were cited twice as often as developed countries. The 10 countries most frequently mentioned and the number of times they were mentioned were Japan (10), Mexico (8), Argentina (7), Spain (7), Greece (5), Italy (5), West Germany (5), India (4), and Turkey (4).

The largest number of complaints concerned types of quantitative restrictions (quotas, embargoes, licensing, or export restraints). The second largest area dealt with the various duties, taxes, fees, and other charges levied on imports of mineral products and fertilizers by several countries. Several complaints were also made against state trading and government monopolies.

Quantitative limitations.--The largest single group of complaints dealt with the embargoes maintained by several of the developing countries. Mexico and several South American countries reportedly use embargoes to protect domestic industries. The existence of embargo-like situations was another source of complaint. For example, Mexico was cited as effectively creating embargoes by refusing to issue import licenses. Similarly, certain Arab countries were listed as creating embargoes by refusing to grant letters of credit.

Complaints on licensing practices were about evenly divided between the developed countries and LDC's. U.S. producers and traders are concerned about the import licenses required in certain countries.

The process of obtaining licenses can cost a prospective importer both time and money and thus can discourage or eliminate imports.

Import quotas maintained by five countries (mostly LDC's) drew complaints. Complaints involved West Germany's import limitations on ceramic articles from Japan and Korea because it appeared that these German restrictions diverted heavy concentrations of Japanese and Korean products into U.S. markets. A large U.S. producer of household glassware reported that Spain severely limits imports of glass products not made of borosilicate glass.

Complaints were also made against the voluntary export restraints of Japan and Korea on shipments of wall tiles, mosaic tiles, and pottery to West Germany, Australia, the United Kingdom, and the United States. Another type of export limitation complaint involving developing countries, such as Mexico and Iran, concerned the restriction of exports of crude minerals in order to develop domestic refining industries.

Import duties and other charges.---The United States, Argentina, Colombia, Peru, and Venezuela were all cited as maintaining very high protective duties on certain products in the mineral products and fertilizers sector. Several complaints dealt with the discriminatory tariff treatment occasioned by the Commonwealth Preference System and regional trading groups, including the LAFTA, the Andean Pact and the European Community. Nontariff charges on imports (stamp taxes, consular fees, port taxes, etc.) imposed by numerous developing countries were also mentioned.

State trading and government monopolies.--State trading practices and the existence of government monopolies were the object of several complaints involving over 13 countries. Most of these involved LDC's where trade in certain products (e.g., salt, fertilizers, and cement) is frequently confined to the government.

In the Tariff Commission's survey of trade barriers, only 16 of the respondents in the mineral products and fertilizers sector gave an estimate for the probable increase in trade that would result from the removal of the trade barrier that they had brought to the Commission's attention. Ten of the estimates described the probable increases in trade as "moderate," stipulating that the estimates represented the cumulative effect of removal of all barriers impinging on the product. The remaining six estimates said there would be "significant" increases in trade possible with the elimination of a single barrier. The estimated increases in trade ranged from 3 to 200 percent and averaged 55.7 percent, but they totaled only \$1,890,000 and averaged only \$118,000.

Glass and Glassware

Glass and glassware covers virtually all glass and glass manufactures including mirrors, yarn and fabrics of glass fiber, bricks, tiles and other construction materials of pressed or molded glass, glass for electric lamps, clock and watch glasses, glass containers and tableware, laboratory, hygienic and decorative glassware. 1/

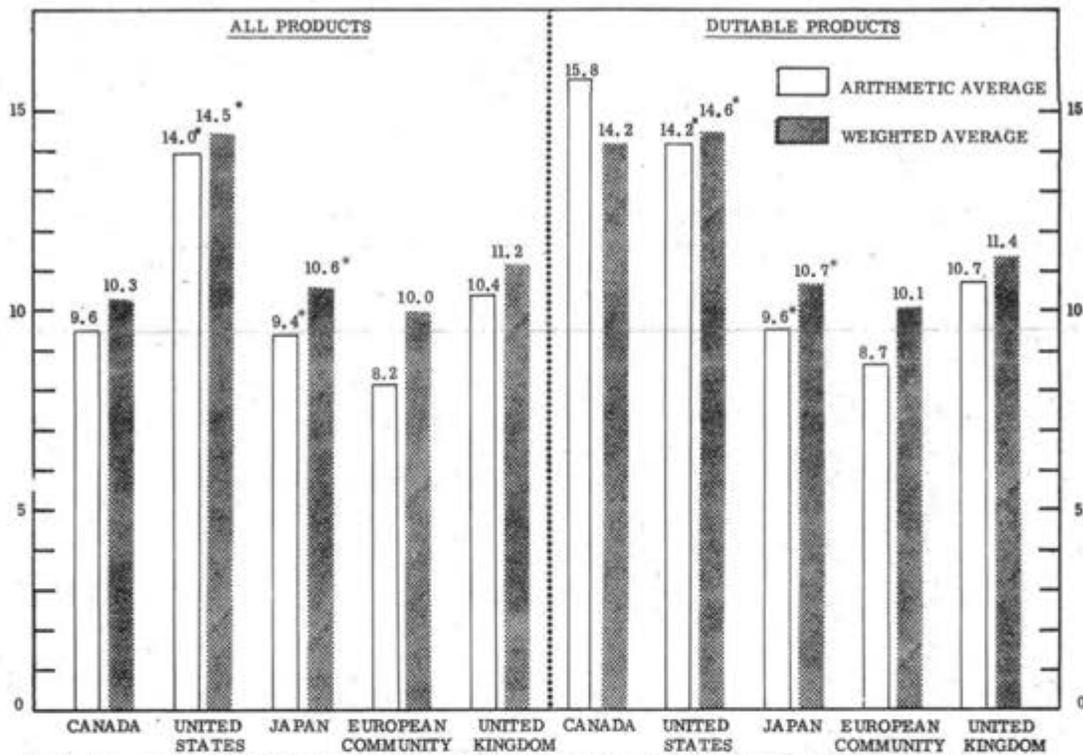
MFN tariffs

The arithmetic average rates of duty on glass and glassware for the five major countries, except the United States, are clustered in the range between 8.2 percent ad valorem and 10.4 percent (see chart I-9-E). Most of the weighted averages are grouped between 10 percent and 11.2 percent. The United States has the highest averages (14 percent, arithmetic; 14.5 percent, weighted). The European Community has the lowest averages. For dutiable products, Canada's averages rise significantly, claiming the highest arithmetic average (15.8 percent ad valorem) and the second highest weighted average (14.2 percent). The highest weighted average at 14.6 percent is held by the United States. The lowest averages again belong to the European Community.

Glass and glassware is made up of two subdivisions: (1) flat glass and manufactures, and (2) glassware and other glass manufactures, n.e.s. Because of the tariff history of flat glass, it would be most desirable to discuss each of these subdivisions separately.

1/ For specific coverage of this subsector see BTN chapter 70.

Chart I-9-E. -- Average MFN tariff rates on glass and glassware
(Percent ad valorem)



*Note.--U.S. averages include escape-clause rates on sheet glass, on which concession rates will be restored January 31, 1978. If the averages were calculated with concession rates on sheet glass, they would read as follows: all products, 13.1 percent, arithmetic, 13.6 percent, weighted; dutiable products, 13.3 percent, arithmetic, 13.7 percent, weighted.

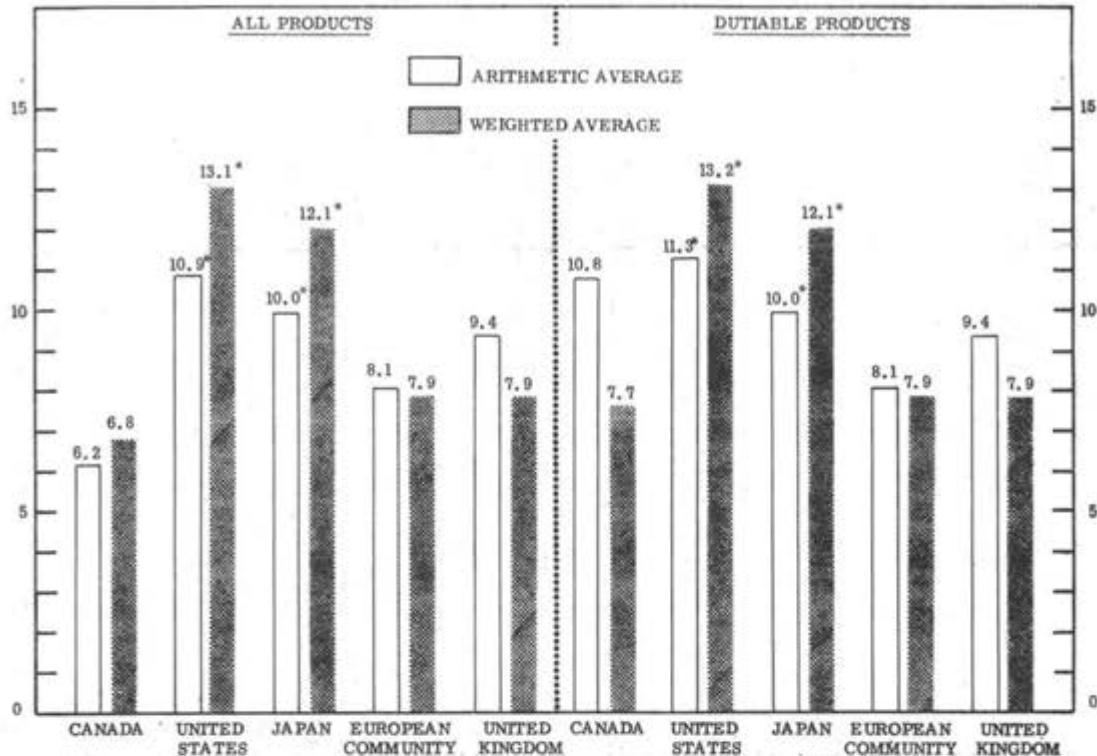
*Note.--Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on most Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Separate tariff data are available for the two subdivisions, but a detailed breakdown of the trade network is not available, and it is necessary, therefore, to discuss the trade in flat glass within the larger framework of "glass and glassware."

The average MFN tariff rates for flat glass and manufactures and for glassware and other glass manufactures, n.e.s., are shown in charts I-9-F and G. Canada holds the lowest average rates for total trade in flat glass and manufactures; the United States, the highest. Averages for Japan, the Community, and the United Kingdom are

Chart I-9-F. -- Average MFN tariff rates on flat glass and manufactures
(Percent ad valorem)



* Note.--U.S. averages include escape-clause rates on sheet glass, on which concession rates will be restored January 31, 1974. If the averages were calculated with concession rates on sheet glass, they would read as follows: all products, 9.3 percent arithmetic, 11.5 percent weighted; dutiable products, 9.7 percent arithmetic, 11.6 percent weighted.

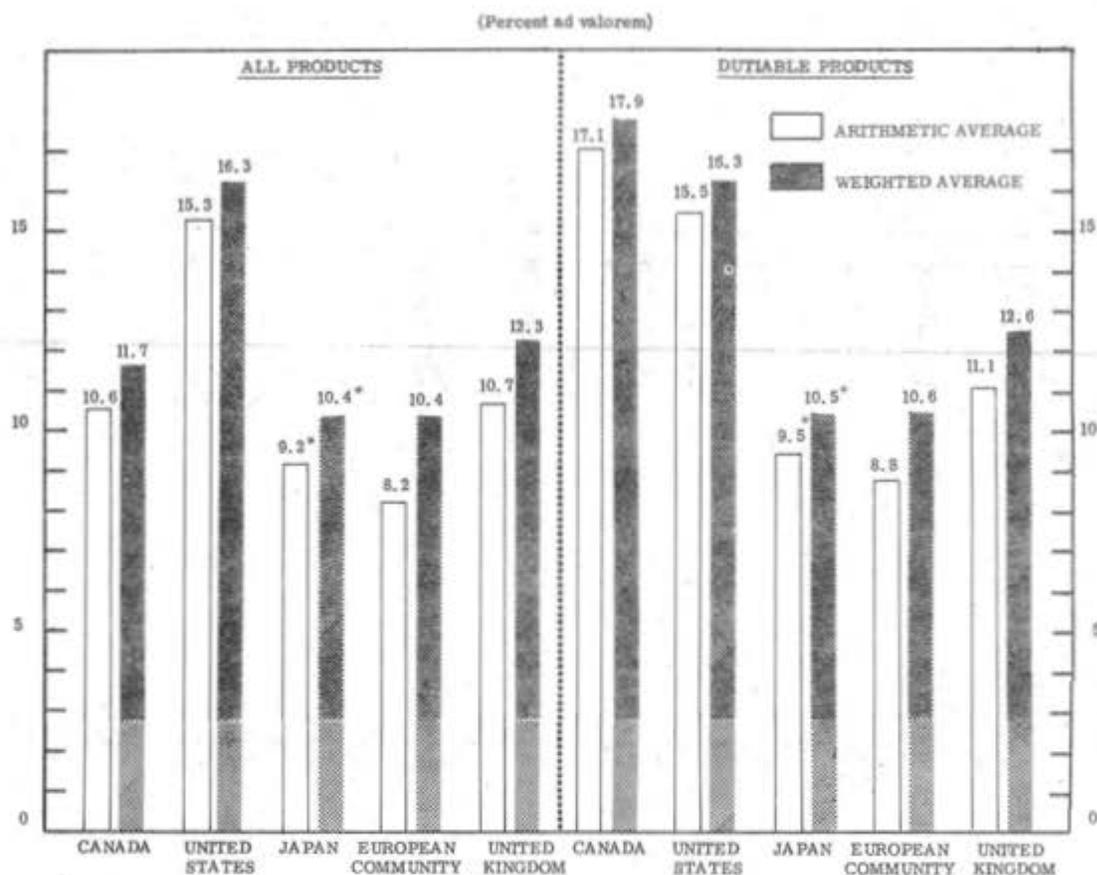
* Note.--Figures for Japan do not reflect the unilateral reductions (by 20 percent) on virtually all Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

clustered between 7.9 and 12.1 percent ad valorem. The dutiable-product averages are higher for the United States and Canada (arithmetic, 11.3 and 10.8 percent, respectively; weighted 13.2 and 7.7 percent, respectively).

In 1962, the United States took "escape-clause" action with respect to GATT concessions then in force on sheet glass and rates of duty on imports of this product were increased. The increased rates remained in effect until 1967, when the concession rates were restored on all types of glass except on most window glass. The remaining

Chart I-9-G. --Average MFN tariff rates on glassware and other glass manufactures, n.e.s.



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) on nearly all the Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

"escape-clause rates" will terminate at the close of January 31, 1974, and the remaining suspended trade-agreement rates will come back into operation. The U.S. tariff average rates appearing in charts I-9-E and F reflect the escape-clause rates. If the effect of the escape-clause rates were removed from these averages, the resulting U.S. average rates for all glass and glassware (chart I-9-E) would be: All products -- 13.1 percent ad valorem, arithmetic, 13.6 percent, weighted; dutiable products -- 13.3 percent,

arithmetic, 13.7 percent, weighted. For flat glass and manufactures (chart I-9-F), the U.S. rates would be: All products -- 9.3 percent ad valorem, arithmetic, 11.5 percent, weighted; dutiable products -- 9.7 percent, arithmetic, 11.6 percent, weighted.

In chart I-9-G appear the average MFN tariff rates on glassware and other glass manufactures, n.e.s., which were not affected by escape action. The United States has the highest averages for all products (15.3 percent ad valorem, arithmetic and 16.3 percent, weighted) and the European Community, the lowest averages (8.2 percent, arithmetic, 10.4 percent, weighted). Japan also has a weighted average of 10.4 percent ad valorem. For dutiable products, only the averages for Canada change significantly, with both the arithmetic and weighted averages rising about 7 percentage points.

All shipments of glass and glassware into the Community from external countries and virtually all imports by Japan are on an MFN basis. Five percent of Canada's imports, 8 percent of imports by the United States, and 18 percent of entries into the United Kingdom receive preferential tariff treatment.

All five major countries have duty-free provisions for glass and glassware, with nearly 40 percent of Canada's tariff provisions being duty free (table I-9-E). An additional one-third of Canadian provisions are in the 15.1-20 percent ad valorem bracket. About 18 percent of U.S. provisions are in both the 5.1-10 percent range and the 15.1-20 percent range, with an additional 37 percent of the provisions in the 10.1-15 percent bracket. About two-thirds of Japan's tariff provisions and those of the European Community are

Table I-9-E.--Distribution, by duty level, of MFN tariff provisions for glass and glassware

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	38.9	2.0	2.2	5.1	2.9
0.1-5.0 percent----	6.3	9.3	8.9	10.2	20.6
5.1-10.0 percent----	7.4	18.4	68.9	64.2	35.3
10.1-15.0 percent--	10.6	36.6	15.5	18.0	26.4
15.1-20.0 percent--	33.7	18.3	4.4	2.6	14.7
20.1-25.0 percent--	2.1	8.5	-	-	-
25.1-30.0 percent--	-	5.2	-	-	-
30.1-40.0 percent--	1.1	.7	-	-	-
40.1-50.0 percent--	-	1.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

in the 5.1-10 percent bracket. One-fifth of United Kingdom provisions are in the 0.1-5 percent bracket, 35 percent in the 5.1-10 percent class and over one-fourth in the 10.1-15 percent bracket.

In terms of MFN imports, almost 28 percent of Canada's entries are duty free; over one-third enter at rates in the 15.1-20 percent ad valorem range (table I-9-F). Nearly 30 percent of U.S. imports

Table I-9-F.--Distribution, by duty level, of MFN imports of glass and glassware

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	27.7	0.3	0.5	1.6	1.4
0.1-5.0 percent----	16.9	11.6	6.8	6.0	4.0
5.1-10.0 percent----	10.3	28.9	45.4	57.6	52.8
10.1-15.0 percent--	8.4	23.2	43.7	14.4	14.1
15.1-20.0 percent--	34.5	16.4	3.7	20.3	27.8
20.1-25.0 percent--	.3	6.2	-	-	-
25.1-30.0 percent--	-	10.1	-	-	-
30.1-40.0 percent--	1.9	-	-	-	-
40.1-50.0 percent--	-	3.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

are in the 5.1-10 percent ad valorem range, one-fourth in the 10.1-15 percent bracket, and one-sixth in the 15.1-20 percent bracket. Over half of EC and United Kingdom imports enter at rates in the 5.1-10 percent range. Forty-five percent of imports by Japan are in the 5.1-10 percent range; another 44 percent of its entries are in the 10.1-15 percent ad valorem range.

The United States has the most complex tariff structure for glass and glassware with 153 lines. Schedules for Canada have 95 lines; Japan, 45 lines; the European Community, 39 lines; and the United Kingdom, 34 lines.

Trade importance

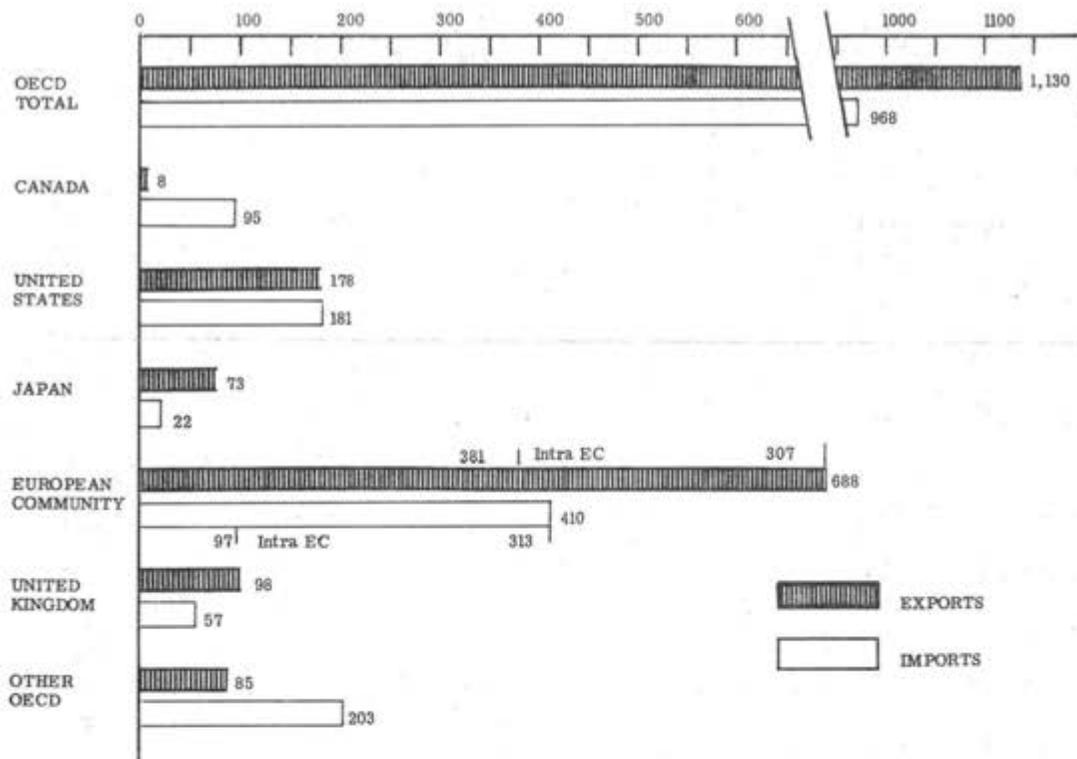
OECD exports of glass and glassware totaled \$1.1 billion in 1969, about 22 percent of OECD export trade in all mineral products and fertilizers. Imports were \$968 million, or about 19 percent of total import trade in the mineral products and fertilizers sector (chart I-9-H). The glass and glassware subsector is the third largest category of OECD imports of mineral products and fertilizers. U.S. exports in 1969 were \$178 million, and imports were valued at \$181 million. U.S. imports in 1971 were valued at \$210 million.

Trade network

The five major countries account for 92 percent of exports of glass and glassware and 79 percent of imports (tables I-9-G and H). Complete country of destination data are unavailable for 63 percent of Canadian exports, 6 percent of U.S. exports, and 5 percent of EC

Chart I-9-H. --OECD trade in glass and glassware, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exports. The European Community is the largest exporter. Known EC shipments to outside countries account for nearly one-third of OECD export shipments (intra-EC exports are an additional \$307 million). Both for flat glass and manufactures and for other glass manufactures, the European Community is the most important supplier, accounting for about 60 percent of OECD exports in each of these two subdivisions of glass and glassware (including intra-EC exports); the least important exporter is Canada.

Complete country of origin data are unavailable for 18 percent of Japanese imports, 5 percent of EC imports and 14 percent of United Kingdom imports. The United States is the most important importer of glass

Table I-9-G.-- OECD exports of glass and glassware, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,130	8	178	73	<u>1/</u> 688	98	85
OECD total-----	827	3	118	38	548	54	66
Canada-----	108	-	79	2	18	6	3
United States---	144	3	-	30	84	10	17
Japan-----	16	X	10	-	4	X	2
European Community-----	<u>1/</u> 362	X	19	3	307	13	20
United Kingdom--	40	1	3	1	26	-	9
Other OECD-----	157	-	7	2	109	25	15
Non-OECD total----	250	X	50	35	108	40	17
LDC's-----	182	X	41	28	82	20	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 63 percent of Canadian exports, 6 percent of U.S. exports, and 5 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-9-H.-- OECD imports of glass and glassware, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	968	95	181	22	<u>1/</u> 410	57	203
OECD total-----	859	88	159	17	370	44	181
Canada-----	26	-	21	X	X	1	4
United States---	103	61	-	12	18	6	6
Japan-----	40	1	33	-	3	2	1
European Community-----	<u>1/</u> 561	16	80	5	313	29	118
United Kingdom--	60	8	10	X	15	-	27
Other OECD-----	69	2	15	X	21	6	25
Non-OECD total----	61	4	21	1	18	5	12
LDC's-----	18	1	12	X	3	X	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 18 percent of Japanese imports, 5 percent of EC imports, and 14 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

and glassware (about one-fifth of OECD imports), followed by the European Community and Canada. For flat glass and manufactures, the United States is also the primary importer. However, for other glass manufactures, the European Community is the most important importer. The least important importer in both of these subdivisions is Japan.

The United States sends nearly one-quarter of its known exports of glass and glassware to LDC's and about 47 percent to Canada. Canada exports glass and glassware principally to the United States and the United Kingdom. About half of Japan's exports go to LDC's and other non-OECD countries and about 40 percent to the United States. Intra-EC exports of glass and glassware, which are accounted for, are equal to about 88 percent of known external shipments which go principally to the United States, non-OECD countries and "other" OECD nations. Over two-fifths of United Kingdom exports also are sent to non-OECD countries and 13 percent arrive in the European Community.

About 44 percent of U.S. imports come from the European Community, 18 percent from Japan and 7 percent from LDC's. Over 40 percent of U.S. imports of flat glass and manufactures come from the Community and about 10 percent each from Canada and Japan. Almost two-thirds of Canadian imports of glass and glassware come from the United States, as do two-thirds of Japan's known entries. Twenty-four percent of EC outside imports of glass and glassware, which are accounted for, come from the United States, 24 percent from non-OECD countries and

20 percent from the United Kingdom. Fifty-nine percent of United Kingdom imports, for which origins are known, arrive from the European Community.

Trade-agreement concessions

The average tariffs of the major countries on January 1, 1972, were significantly lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest rate drops consistently belonged to the United States: 33 percentage points for flat glass and manufactures, and 37 percentage points for glassware and other glass manufactures, n.e.s.

Flat glass and manufactures:

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	46.2	13.1
European Community	13.5	7.9
United Kingdom	1.5	7.9
Japan	20.8	12.1
Canada	23.4	6.2

Glassware and other glass manufactures, n.e.s.:

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	53.1	16.3
European Community	19.0	10.4
United Kingdom	18.9	12.3
Japan	20.5	10.4
Canada	26.2	10.6

GATT concessions cover all U.S., EC, Japanese and United Kingdom MFN provisions on flat glass and manufactures and 57 percent of Canada's provisions, covering 88 percent of imports. On other glass manufactures, GATT concessions cover all U.S. and EC MFN provisions; 97 percent of Japanese provisions (100 percent of imports); and 70 percent of Canadian provisions (82 percent of imports). Ninety-two percent of the United Kingdom tariff provisions on other glass manufactures, covering 70 percent of MFN imports, are fully covered by GATT concessions; for 4 percent of the provisions, covering 1 percent of MFN imports, concessions are on only part of an item.

One hundred and forty-six GATT concessions were made in EC member state national tariffs prior to adoption of the Common External Tariff. Of these concessions, 99 were at rates higher than the new CXT rates, 13 at the CXT rate and 34 below it.

Tables I-9-I and J show the trade-agreement concessions in major country tariffs dealing with unworked drawn or blown glass in rectangles (a component of flat glass and manufactures) and glass tableware for household use, hotel use, etc. (a component of glassware and other glass manufactures, n.e.s.). All of the five major countries have granted trade-agreement concessions on their tariffs on glass. The tariff rates on unworked glass were reduced by the five major countries to about one-half of the pre-trade-agreement rates. The rates of duty on glass tableware were generally reduced by at least 25 percent.

Table I-9-I.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on unworked, drawn or blown glass, in rectangles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	12.0%-47.5% AVE	2.4%-22.3% AVE	2.4%-22.3% AVE	542.11-.98
Canada-----	17.5%	7.5%	7.5%	31800-1
European Community--	10% <u>2/</u>	10% <u>2/</u>	6% <u>3/</u>	70.05
United Kingdom-----	15%	15%	7.5%	70.05
Japan-----	10-25%	10-20%	5-10%	70.05

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ 10 percent but not less than 1 CMU per 100 kg. CMU = Common Monetary Unit = approximately U.S. \$1.

3/ 6 percent but not less than 0.60 CMU per 100 kg.

Table I-9-J.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on glass tableware for household, hotel or restaurant use

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	50%; 60%	21%-50%	10.5%-50% <u>2/</u>	546.11-.59
Canada-----	32.5%	22.5%	15%; 20%	32606-1; 32609-1; 32612-1
European Community--	24%	20%	15.5%	70.13
United Kingdom-----	20%	20%; 25%	15.5%	70.13
Japan-----	10%; 20%	20%	10%; 15% <u>3/</u>	70.13

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Tariff classes not subjected to reductions in the Kennedy Round amounted to only 13.4 percent of the value of imports in 1971.

3/ Rates were further reduced by 20 percent by Japanese unilateral reductions in November 1972.

Other Mineral Manufactures (Except Glass)

"Other" mineral manufactures include lime, cement and fabricated building materials, clay construction materials and certain refractory construction materials, worked mica, manufactures of asbestos, and articles of ceramic materials (including household tableware). ^{1/}

MFN tariffs

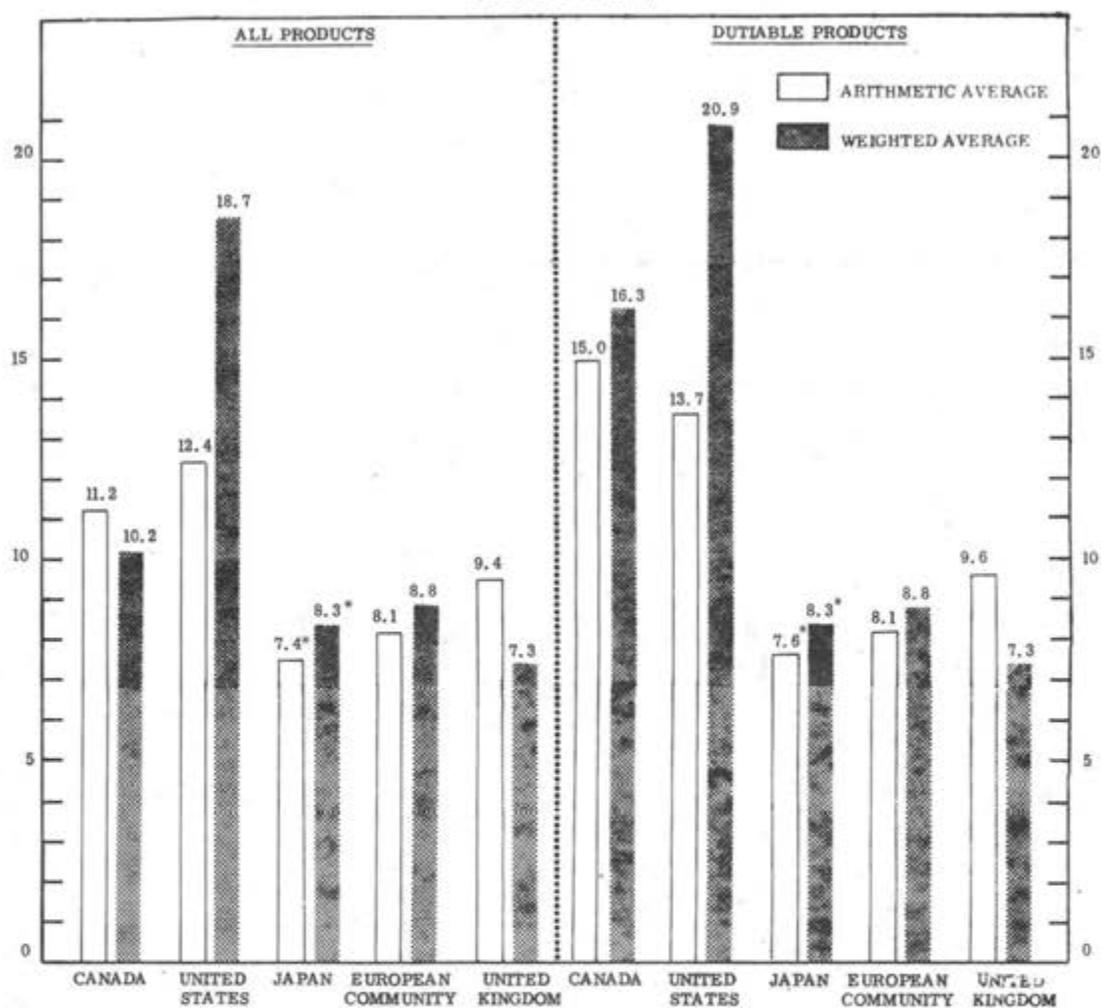
Among the five major countries, Japan and the European Community have the lowest arithmetic tariff averages (7.4 and 8.1 percent ad valorem, respectively) for total MFN imports of "other" mineral manufactures. The lowest weighted average belongs to the United Kingdom. The United States has the highest total trade averages (12.4 percent ad valorem for the arithmetic and 18.7 percent for the weighted). Except for Canada and the United States, the tariff averages for dutiable imports alone are not significantly higher than the averages calculated for total MFN imports (see chart I-9-I).

Preferential imports are significant in the trade of Canada and the United Kingdom. In Canada over 20 percent of total imports, and in the United Kingdom over 37 percent of imports are given preferential treatment.

All five major countries, except the European Community, have duty-free tariff provisions for "other" mineral manufactures (see table I-9-K). One-fourth of Canada's provisions are duty free, one-fifth in the 10.1-15 percent ad valorem bracket and over one-third in the

^{1/} For specific coverage of this subsector see BTN headings 25.22-.23; 68.01-.16; 69.01-.14.

Chart I-9-1. -- Average MFN tariff rates on manufactured mineral products except fertilizers and glass
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on nearly all the Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-9-K.--Distribution, by duty level, of MFN tariff provisions for manufactured mineral products, except fertilizers

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	25.2	9.2	2.3	-	1.9
0.1-5.0 percent----	4.9	20.0	32.6	38.3	29.7
5.1-10.0 percent----	11.3	21.7	51.1	42.0	40.8
10.1-15.0 percent----	20.3	20.4	14.0	12.2	16.8
15.1-20.0 percent--	37.4	8.6	-	2.4	7.5
20.1-25.0 percent--	-	11.9	-	1.2	3.7
25.1-30.0 percent--	-	1.6	-	3.7	-
30.1-40.0 percent--	.8	3.2	-	-	-
40.1-50.0 percent--	-	1.1	-	-	-
Over 50 percent----	-	2.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

15.1-20 percent bracket. Nearly one-tenth of U.S. tariff provisions are free with an additional one-fifth of the provisions falling into each of the three ranges between 0.1 and 15 percent ad valorem. Only the United States and Canada have tariff provisions over 30 percent. Japan, the Community, and the United Kingdom each have approximately one-third of their rates in the 0.1-5 percent range and between 40 and 51 percent in the 5.1-10 percent bracket.

In terms of MFN trade in "other" mineral manufactures, only the United States and Canada have duty-free imports (table I-9-L).

Table I-9-L.--Distribution, by duty level, of MFN imports of manufactured mineral products, except fertilizers

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	37.1	10.7	-	-	-
0.1-5.0 percent---	1.6	16.3	22.2	36.4	43.2
5.1-10.0 percent---	9.0	5.6	59.9	42.7	45.3
10.1-15.0 percent--	10.8	16.9	17.7	6.3	9.3
15.1-20.0 percent--	41.5	8.5	-	3.9	2.0
20.1-25.0 percent--	-	25.7	-	7.5	.1
25.1-30.0 percent--	-	.9	-	3.1	-
30.1-40.0 percent--	.1	4.4	-	-	-
40.1-50.0 percent--	-	.2	-	-	-
Over 50 percent----	-	10.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Thirty-seven percent of Canada's imports are duty free; nearly 42 percent are in the 15.1-20 percent ad valorem bracket. About one-tenth of U.S. imports are duty free. About one-sixth of U.S. imports enter in both the 0.1-5 percent range and the 10.1-15 percent range. One-fourth of U.S. entries are in the 20.1-25 percent bracket, one-tenth in the over 50 percent bracket. Sixty percent of Japan's imports are in the 5.1-10 percent ad valorem range. About two-fifths of EC imports enter in both the 0.1-5 and the 5.1-10 percent ranges. The United Kingdom also has over 40 percent of its imports in both the 0.1-5 and the 5.1-10 percent brackets.

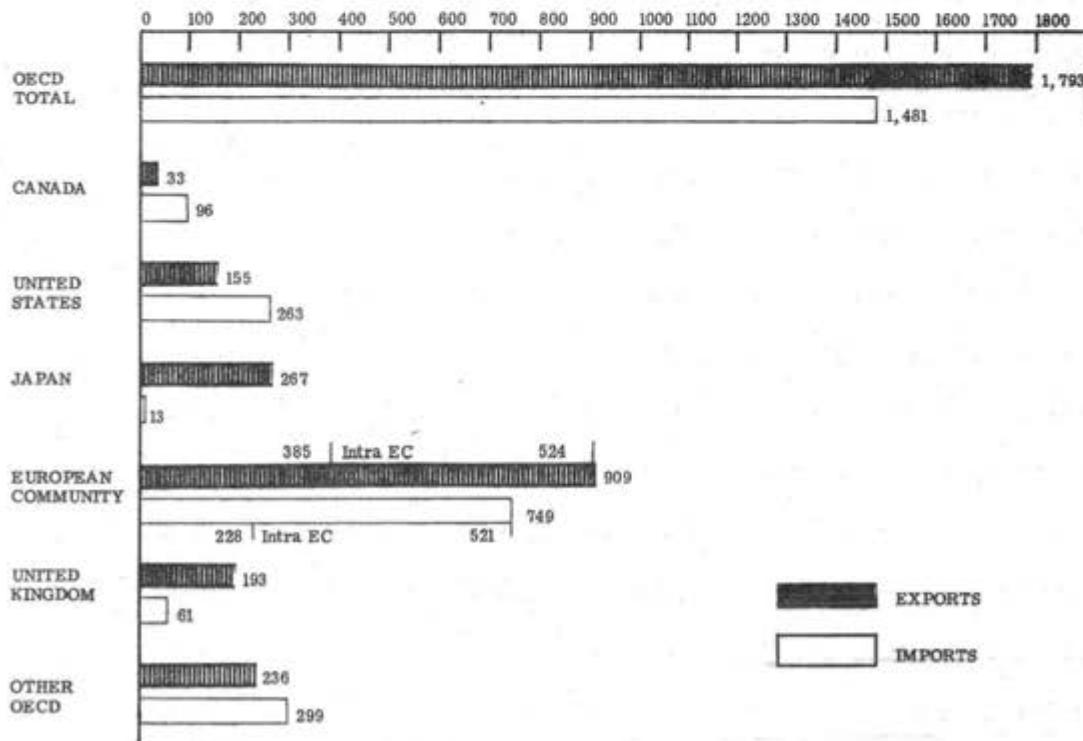
The United States exhibits the most complex tariff schedule for "other" mineral manufactures, with 185 lines; Japan has the simplest, only 43 lines. Schedules for Canada have 123 lines; for the European Community, 81 lines; and for the United Kingdom, 54 lines.

Trade importance

The "other" mineral manufactures subsector, in value of trade, is the largest category of mineral products and fertilizers, accounting for about 35 percent of OECD export trade and 29 percent of OECD imports in the sector. OECD exports totaled \$1.8 billion in 1969, imports were \$1.5 billion (chart I-9-J). In U.S. trade,

Chart I-9-J. -- OECD trade in manufactured mineral products, except fertilizers and glass, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the "other" mineral manufactures subsector is also the largest category of mineral products and fertilizers. U.S. exports in 1969 were valued at \$155 million, and imports were valued at \$263 million. U.S. imports in 1971 were valued at \$288 million.

Trade network

The five major countries account for about 87 percent of OECD exports and 80 percent of imports (tables I-9-M and N). Complete country of destination data are unavailable for 6 percent of United Kingdom exports. The largest supplier to the world is the European Community, with its shipments to outside countries accounting for slightly over one-fifth of OECD exports, followed by Japan and the United Kingdom. The principal importing countries are the United States and the European Community, followed by Canada. Non-OECD countries receive about one-third of EC external exports and U.S. exports, 37 percent of Japanese exports and 31 percent of known United Kingdom exports. The remainder of U.S. exports go chiefly to Canada (31 percent) and the Community (16 percent). Eighty-five percent of Canada's exports go to the United States. The most important developed country destination for Japanese exports is the United States. About 14 percent of the EC's exports to outside countries are shipped to the United States, as are 17 percent of United Kingdom exports for which destinations are known. An additional 19 percent of known shipments from the United Kingdom go to the Community.

Over 40 percent of U.S. imports come from Japan, about one-fifth from the European Community and 12 percent from the United Kingdom.

Table I-9-M.--OECD exports of manufactured mineral products, except fertilizers and glass, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,793	33	155	267	<u>1/</u> 909	193	236
OECD total-----	1,331	30	94	168	741	125	173
Canada-----	88	-	48	10	7	23	X
United States---	252	28	-	124	53	31	16
Japan-----	9	X	5	-	1	1	2
European Community-----	<u>1/</u> 684	X	25	18	524	35	82
United Kingdom--	47	X	6	2	27	-	12
Other OECD-----	251	2	10	14	129	35	61
Non-OECD total----	396	3	55	98	135	57	48
LDC's-----	298	2	49	76	105	33	33

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 6 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-9-N.--OECD imports of manufactured mineral products, except fertilizers and glass, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,481	96	263	13	<u>1/</u> 749	61	299
OECD total-----	1,364	92	237	12	706	56	261
Canada-----	27	-	23	X	2	X	2
United States---	109	51	-	7	28	11	12
Japan-----	163	10	117	-	23	3	10
European Community-----	<u>1/</u> 740	6	50	1	521	26	136
United Kingdom--	139	22	31	1	41	-	44
Other OECD-----	186	3	16	3	91	16	57
Non-OECD total----	73	2	25	1	20	4	21
LDC's-----	39	1	24	X	9	1	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Intra-EC shipments are over twice as large as EC receipts from outside sources, about 18 percent of which are supplied by the United Kingdom. The United States is the supplier of over half the imports of Canada and Japan and 18 percent of the entries into the United Kingdom. Forty-three percent of United Kingdom imports arrive from the Community.

Trade-agreement concessions

As the following tabulation shows, for all of the five major countries average tariff levels for "other" mineral manufactures are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. The largest drop, almost 24 percentage points, was in the U.S. tariff. Japan, in November 1972, made unilateral 20-percent reductions in all of its rates on "other" mineral manufactures, thereby reducing the Japanese average level to about 6.6 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	42.6	18.7
European Community	14.3	8.8
United Kingdom	14.4	7.3
Japan	21.8	8.3
Canada	24.0	11.2

All MFN provisions for "other" mineral manufactures in the tariff schedules of the United States and the European Community have been the subject of GATT concessions. In the Japanese schedule, 93 percent of the provisions, covering 92 percent of MFN imports, have GATT concessions; and in the Canadian schedule, 89 percent of

the provisions, covering 97 percent of MFN imports have GATT concessions. For the United Kingdom, 89 percent of the tariff provisions, covering 91 percent of MFN imports are fully covered by GATT concessions; for 7 percent of the provisions, covering 3 percent of MFN imports, only part of an item is covered.

Specific rates are important for the United States (one-fourth of tariff lines, covering 46 percent of MFN imports), the European Community (19 percent of tariff lines, covering 38 percent of imports), and the United Kingdom (13 percent of tariff lines, covering 21 percent of MFN imports).

All EC member state national tariffs prior to adoption of the Common External Tariff contained concessions under the GATT. Of 301 concessions in the national tariffs, 186 were at rates above the CXT autonomous rates, 20 at the CXT rate, and 95 below the CXT rate.

Tariffs on glazed tile and articles of cement, concrete or artificial stone, two of the most important trade items, have been reduced in trade-agreement concessions by all five major countries (see tables I-9-0 and P). For glazed tile, the most significant reductions in duties have been granted by the United States, Japan, and the European Community. Each of these nations reduced the duty rate by at least half. The U.S. reductions took place entirely before the Kennedy Round. For articles of cement, concrete or artificial stone, very significant reductions have been made in the tariffs of all five major countries.

Table I-9-O.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on glazed tile

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	55%	24.5%	24.5%	532.21
	55%	22.5%	22.5%	532.24
Canada ^{2/} -----	20%	17.5%	17.5%	28405-1 (pt.)
	35%	20%	15%	28410-1 (pt.)
	25%	22.5%	20%	28415-1 (pt.)
	30%	20%	20%	28500-1 (pt.)
European Community--	18%	18%	9% ^{3/}	69.08 A
	18%	18%	9%	69.08 BI
	18%	18%	9% ^{4/}	69.08 BII
United Kingdom-----	15-20%	15% AVE	15% AVE	69.08 (A)(1)
	15-20%	15%-20% AVE	15% ^{5/}	69.08 (A)(2)
	15-20%	30%	15% ^{6/}	69.08 (B)
Japan-----	10%	10%	5%	69.08

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The 4 items, in order: Earthenware roof tile, gypsum tile, other earthenware tile, and flooring tile (all four are glazed or unglazed).

^{3/} 9 percent, but not less than 0.30 Common Monetary Units (similar to U.S. \$0.30) per square meter, and its incidence to be not more than 18 percent.

^{4/} 9 percent, but not less than 0.30 Common Monetary Units (similar to U.S. \$0.30) per square meter, and its incidence to be not more than 18 percent.

^{5/} 2s. 6d. per square yard or 15 percent, whichever is the greater.

^{6/} 2s. 3d. per square yard or 15 percent, whichever is the greater.

Table I-9-P.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on articles of cement, concrete or artificial stone

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	30%-55	12.5%-27%	6%-21% ^{2/}	511.31-.71
Canada-----	22.5%	17.5%	12.5%	28205-1
European Community--	10%	8%	4%	68.11
United Kingdom-----	10%	10%	5%	68.11
Japan-----	10%	15%	7.5% ^{3/}	68.11

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Floor and wall tiles, comprising about 30 percent of U.S. imports, based on values for 1971, were not subject to concessions in the Kennedy Round; about 68 percent of U.S. imports were dutiable at 7.5 percent ad valorem following the Kennedy Round.

^{3/} Rate was further reduced by 20 percent by Japanese unilateral reductions in November 1972.

Manufactured Fertilizers

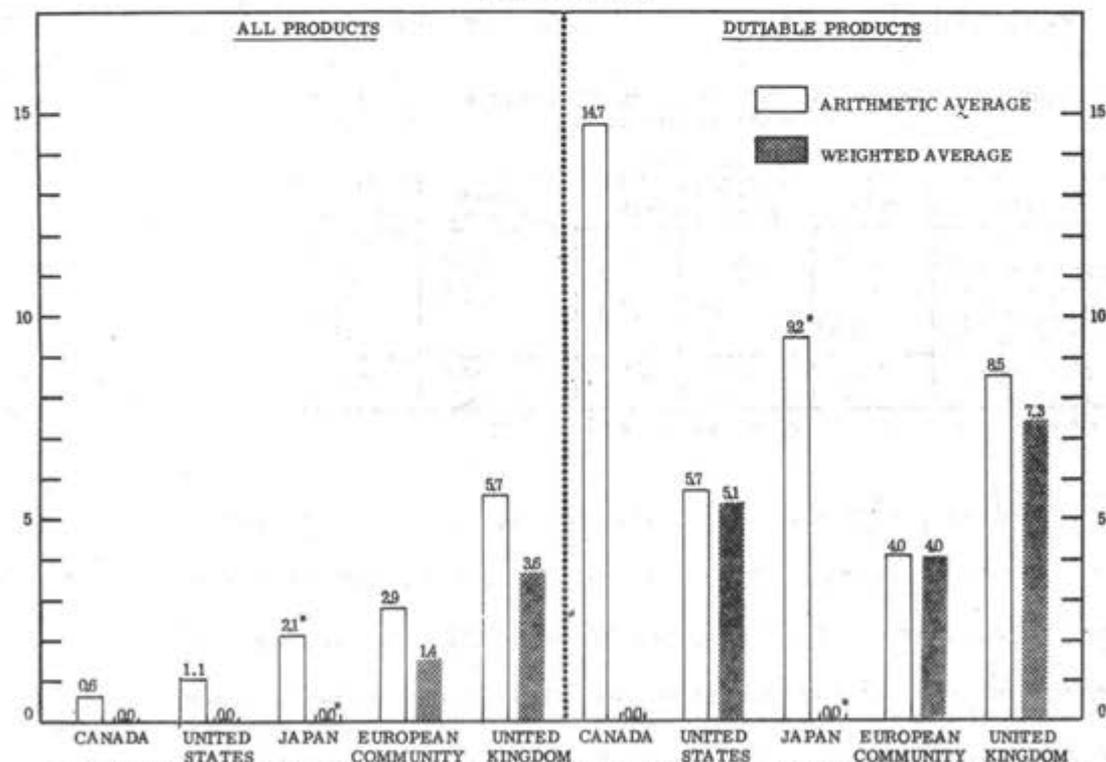
Manufactured fertilizers include natural sodium nitrate, natural potassic salts (crude), basic slag and other manufactured fertilizers. ^{1/}

MFN tariffs

Average MFN tariffs on manufactured fertilizers imported into the five major countries range from zero (the weighted average for Canada, the United States, and Japan on total imports) to 5.7 per cent ad valorem (the United Kingdom arithmetic average for all products) (see chart I-9-K). The dutiable-product averages are significantly

Chart I-9-K. -- Average MFN tariff rates on manufactured fertilizers

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 20 percent on three of the dutiable items and 100 percent on the remaining one) made in 1972 in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector, see BTN headings 31.02-.05.

higher. The arithmetic averages range from 4 percent ad valorem for the European Community to 14.7 percent for Canada, while the weighted averages run from zero (for Canada and Japan) to 7.3 percent ad valorem (the United Kingdom). The great diversity in the averages for total products and dutiable products is due primarily to the large proportion of duty-free provisions in the tariff schedules of Canada, the United States and Japan.

Imports receiving preferential tariff treatment are significant in the United Kingdom and the European Community. Seventeen percent of United Kingdom entries and 31 percent of shipments into the Community are accorded tariff preferences.

All five major countries have duty-free provisions for manufactured fertilizers (table I-9-Q). In the tariff schedules of

Table I-9-Q.--Distribution, by duty level, of MFN tariff provisions for manufactured fertilizers

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	96.2	80.6	76.9	27.8	33.3
0.1-5.0 percent----	-	12.9	-	55.6	11.1
5.1-10.0 percent---	-	6.5	23.1	16.7	33.3
10.1-15.0 percent--	3.8	-	-	-	22.2
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canada, the United States and Japan, such provisions form the vast majority. About one-third of EC and United Kingdom provisions are duty free. Over half of the additional EC provisions are in the 0.1-5 percent ad valorem range, while one-third of the United Kingdom provisions are in the 5.1-10 percent range and an additional one-fifth in the 10.1-15 percent range.

In terms of imports, all Canadian, U.S., and Japanese entries are duty free. Nearly two-thirds of EC entries and over half of United Kingdom entries enter duty free. No imports of manufactured fertilizers shipped to the five major countries enter at rates over 10 percent ad valorem (table I-9-R).

Table I-9-R.--Distribution, by duty level, of MFV imports of manufactured fertilizers

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	100.0	80.6	100.0	64.0	50.6
0.1-5.0 percent----	-	12.9	-	28.4	2.0
5.1-10.0 percent----	-	6.5	-	7.6	47.4
Total-----	100.0	100.0	100.0	100.0	100.0

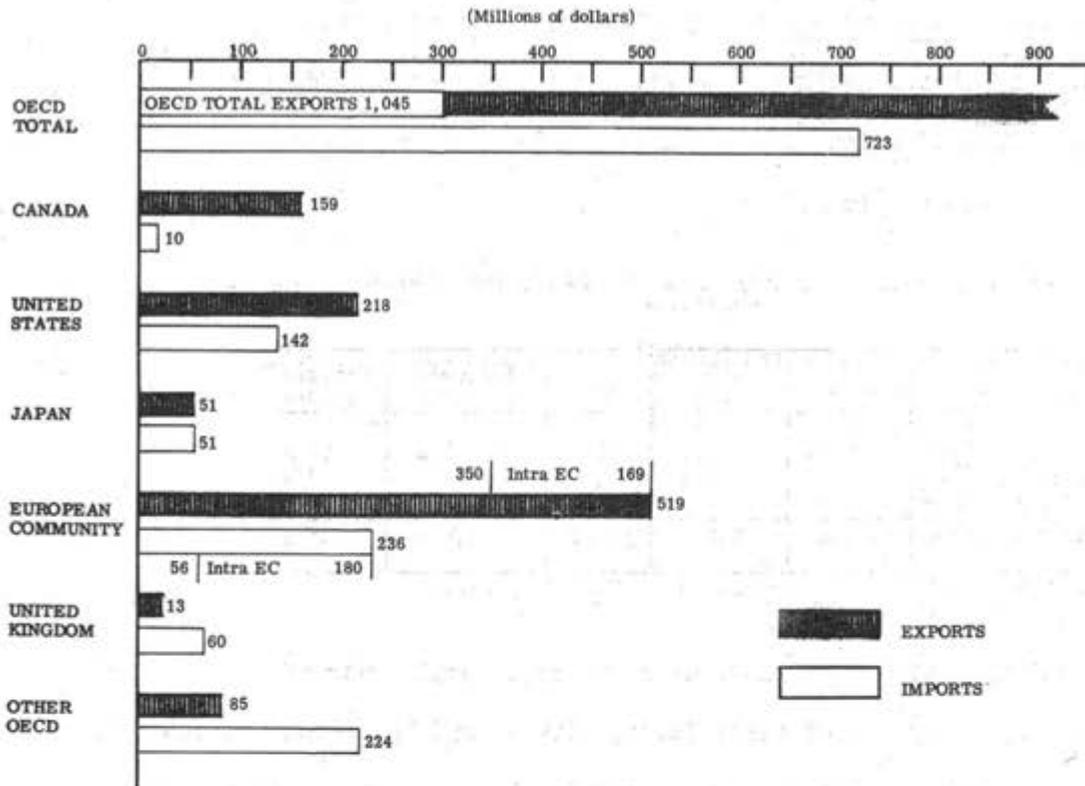
Note.--Due to rounding, figures may not add to 100 percent.

The United States and Canada have the most complex tariff structures for manufactured fertilizers, with 31 and 26 lines, respectively. Schedules for the European Community have 18 lines; Japan, 13 lines; and the United Kingdom, 9 lines.

Trade importance

OECD exports of manufactured fertilizers totaled \$1 billion in 1969, about 20 percent of OECD export trade in all mineral products and fertilizers. Imports were \$723 million, or about 14 percent of total import trade in the mineral products and fertilizers sector (chart I-9-L). It is the fourth largest category of OECD imports of mineral products. U.S. exports in 1969 were \$218 million, when imports were valued at \$142 million.

Chart I-9-L. -- OECD trade in manufactured fertilizers, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for about 92 percent of exports of manufactured fertilizers and 69 percent of imports (tables I-9-S and T). The European Community is the largest exporter, with shipments to outside countries valued at \$350 million (intra-EC exports were an additional \$169 million). The United States, the largest importer (excluding intra-EC imports), is the destination of about one-fifth of OECD export shipments. The Community ships over 40 percent of its outside exports to LDC's and 10 percent to the United Kingdom. Canada sends 76 percent of its exports to the United States, while LDC's receive about three-fourths of U.S. export

Table I-9-S.--OECD exports of manufactured fertilizers, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,045	159	218	51	<u>1/</u> 519	13	85
OECD total-----	575	142	49	1	317	5	61
Canada-----	12	-	12	X	X	X	-
United States---	129	121	-	1	4	X	3
Japan-----	31	12	12	-	7	-	-
European Community-----	<u>1/</u> 198	9	15	-	169	1	4
United Kingdom--	38	X	X	-	35	-	3
Other OECD-----	167	X	10	X	102	4	51
Non-OECD total----	469	17	169	51	201	8	23
LDC's-----	364	14	161	30	141	6	12

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade; Series C, 1969.

Table I-9-T.--OECD imports of manufactured fertilizers, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	723	10	142	51	<u>1/</u> 236	60	224
OECD total-----	622	10	129	41	205	47	190
Canada-----	149	-	120	18	3	3	5
United States---	64	10	-	15	17	3	19
Japan-----	1	-	1	-	-	-	X
European Community-----	<u>1/</u> 331	X	5	7	180	36	103
United Kingdom--	8	X	X	-	1	-	7
Other OECD-----	69	X	3	1	4	5	56
Non-OECD total----	75	X	8	9	24	11	23
LDC's-----	27	X	8	3	9	1	6

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

shipments, 59 percent of Japanese exports, and 46 percent of shipments from the United Kingdom.

The United States supplies virtually all of Canadian imports and receives about 85 percent of its imports from Canada. Sixty-five percent of Japanese imports come from Canada and the United States. The European Community receives 43 percent of its outside imports from non-OECD countries and an additional 30 percent from the United States. Sixty percent of entries into the United Kingdom arrive from the Community.

Trade-agreement concessions

Except for Canada, average tariffs of the major countries on January 1, 1972, were lower than the average levels on pre-trade-agreement base dates or remained at zero. As the following tabulation shows, the largest drop, over 28 points, was in the United Kingdom tariff. Canada's average at the beginning of 1972 was slightly higher than its pre-trade-agreement levels.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	0.0	0.0
European Community	2.6	1.4
United Kingdom	32.0	3.6
Japan	0.0	0.0
Canada	0.0	0.6

GATT concessions cover all U.S., EC, and United Kingdom rate provisions. Ninety-two percent of the Japanese tariff provisions, covering 98 percent of MFN imports, are fully covered by GATT concessions; for 8 percent of the provisions, covering 2 percent of MFN imports, only part of an item is covered. Fifty percent of

Canada's tariff provisions covering 97 percent of MFN imports are also covered by GATT concessions.

Forty-three GATT concessions were made in EC member state national tariffs prior to adoption of the Common External Tariff, and 16 of these were at rates higher than the new CXT rate.

Concessions in each country's principal tariff provisions for potassic fertilizer and potassic fertilizer material (the most important BTN heading in this subsector) are shown in table I-9-U. The duty-free status of this product in most of the five major nations serves to illustrate the generally duty-free nature of trade in this subsector.

Table I-9-U.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on potassic fertilizer and potassic fertilizer material

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	480.50, .55, .60, .75
Canada-----	Free	Free	Free	93104-1,2,3,4; 93105-2
European Community--	3%	3%	2.4%	31.04 B
United Kingdom-----	Free	Free	Free	31.04 B
Japan-----	Free	Free	Free	31.04

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

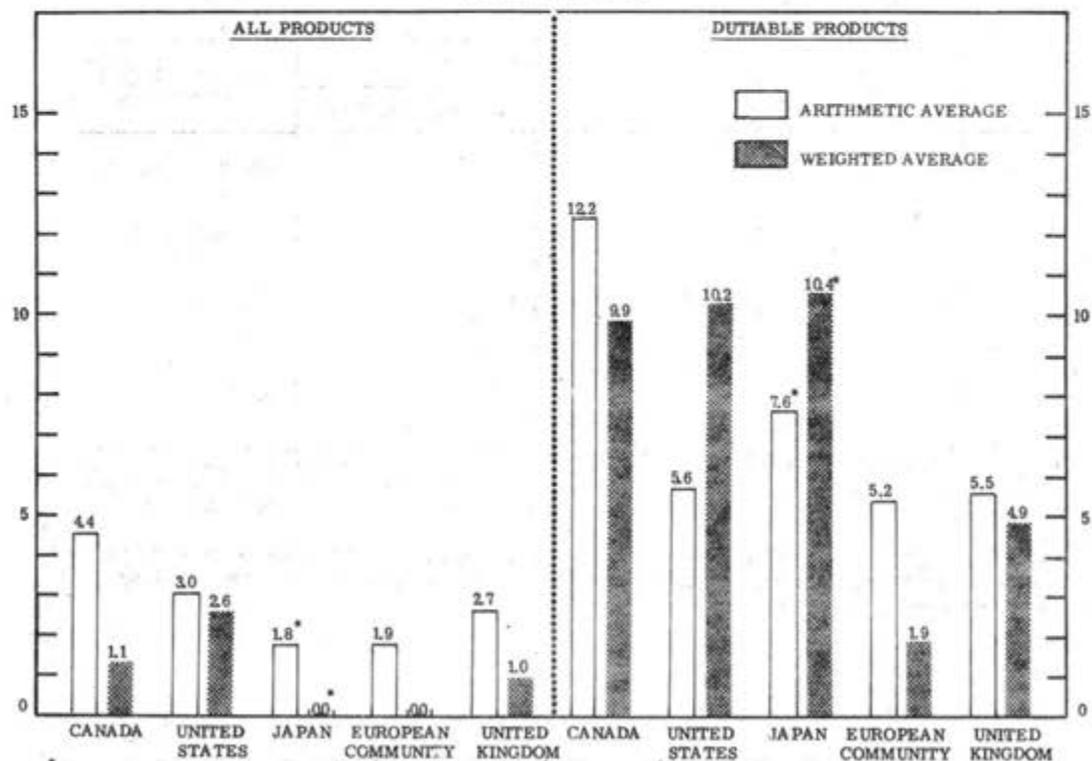
Crude Minerals, Other Than Fertilizers and Stone,
Sand and Gravel

The "other" crude minerals subsector consists of sulphur and unroasted iron pyrites, natural abrasives (excluding industrial diamonds), common salt, natural graphite, chalk, asbestos, meerschaum, amber, and other crude minerals, except stone, sand, gravel and fertilizers. ^{1/}

MFN tariffs

For total MFN imports of "other" crude minerals, Japan holds the lowest tariff averages, 1.8 percent ad valorem on an arithmetic basis and zero on a weighted basis; the Community, while also having a weighted average of zero, has a slightly higher arithmetic average of 1.9 percent ad valorem (chart I-9-M). The highest averages on total

Chart I-9-M. -- Average MFN tariff rates on crude minerals other than stone, sand, gravel and fertilizers
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 25.01-.04; 25.06-.09; 25.11-.13; 25.18-.19; 25.24-.32; 26.02; 26.04; 27.15; 71.04.

imports are held by Canada for the arithmetic (4.4 percent) and the United States for the weighted (2.6 percent). With respect to dutiable MFN imports, the Community has the lowest average tariffs (5.2 percent and 1.9 percent), Canada the highest arithmetic average (12.2 percent ad valorem), and Japan the highest weighted average (10.4 percent). U.S. arithmetic and weighted average rates for dutiable imports are 5.6 and 10.2 percent ad valorem.

MFN tariff treatment has been accorded to all imports entering the United States in recent years, to virtually all Canadian imports, and to 95 percent of all shipments into the Community from external countries. Nearly half of imports into the United Kingdom are given preferential treatment. About 13 percent of Japanese imports are from sources which received neither MFN nor preferential treatment.

For all five major countries except the United States, one-half to three-fourths of the tariff provisions for "other" crude minerals are duty free (table I-9-V). Forty-five percent of U.S.

Table I-9-V.--Distribution, by duty level, of MFN tariff provisions for crude minerals other than stone, sand, gravel and fertilizers

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	64.1	45.2	76.6	63.6	51.2
0.1-5.0 percent----	7.7	29.5	10.6	27.2	41.9
5.1-10.0 percent---	6.4	20.9	8.5	2.3	7.0
10.1-15.0 percent--	14.1	2.7	4.2	2.3	-
15.1-20.0 percent--	7.7	-	-	4.6	-
20.1-25.0 percent--	-	.9	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

tariff provisions are duty free, while another 30 percent of the provisions are in the 0.1-5 percent ad valorem bracket. Eleven percent of the Japanese provisions, 27 percent of the EC provisions, and 42 percent of the United Kingdom provisions are also in the 0.1-5 percent range. Virtually all Japanese and EC MFN imports are duty free, as well as about 80 percent of United Kingdom imports, 89 percent of Canadian imports and three-fourths of shipments to the United States. Another 14 percent of U.S. imports enter at rates in the 5.1-10 percent ad valorem bracket. Twenty percent of MFN shipments into the United Kingdom are dutiable at rates ranging from 0.1-5 percent (table I-9-W).

Table I-9-W.--Distribution, by duty level, of MFN imports of crude minerals other than stone, sand, gravel and fertilizers

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	88.5	74.9	99.8	97.5	79.2
0.1-5.0 percent---	3.8	5.8	-	2.4	19.7
5.1-10.0 percent---	2.8	13.7	-	-	1.1
10.1-15.0 percent--	4.5	2.3	.1	-	-
15.1-20.0 percent--	.4	-	-	-	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	3.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

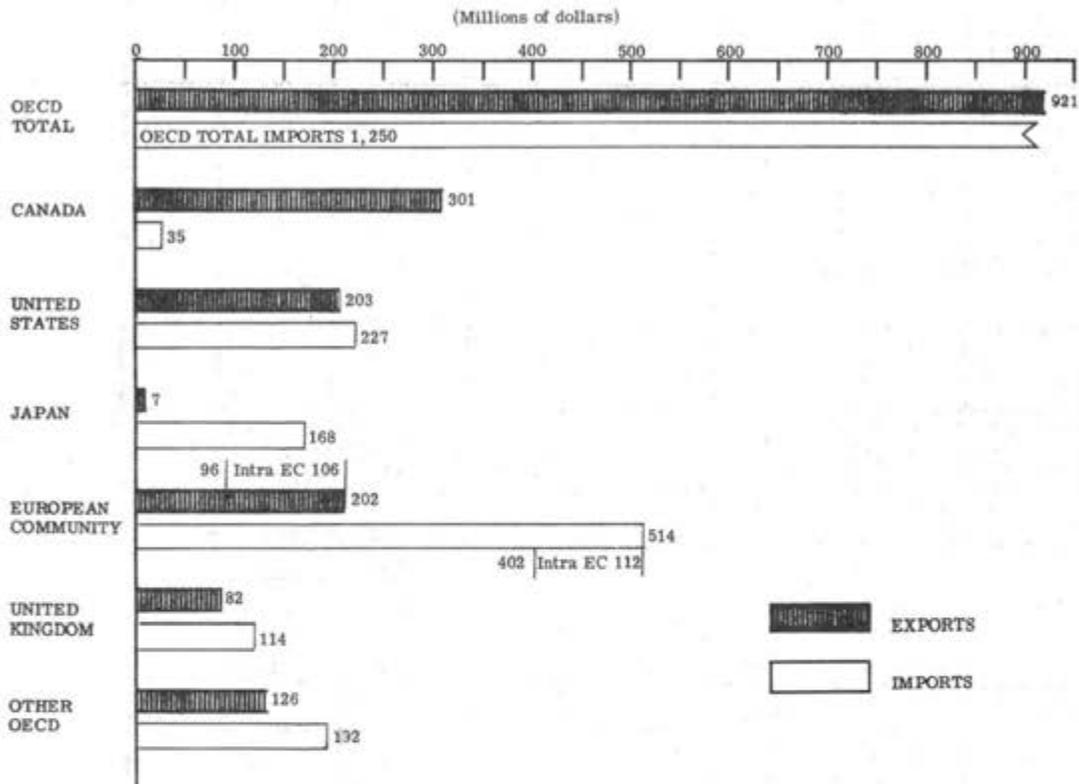
The United States exhibits the most complex tariff structure for "other" crude minerals with 115 lines, the United Kingdom the simplest with 43 lines. Schedules for Canada had 78 lines; Japan, 47 lines; and the European Community, 44 lines.

Trade importance

OECD exports of "other" crude minerals totaled \$921 million in 1969, about 18 percent of OECD export trade in the mineral products

and fertilizers sector. Imports were about \$1.3 billion, or 25 percent of total import trade in mineral products and fertilizers (chart I-9-N). It is the second largest category of OECD imports

Chart I-9-N. -- OECD trade in crude minerals other than stone, sand, gravel, and fertilizers, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of mineral products and fertilizers. United States exports in 1969 were \$203 million, when imports were valued at \$227 million.

Trade network

The five major countries account for about 86 percent of exports and 85 percent of imports (tables I-9-X and Y). Country of destination data are unavailable for 19 percent of U.S. exports, 29 percent

Table I-9-X.--OECD exports of crude minerals other than stone, sand, gravel and fertilizers, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	921	301	203	7	<u>1/</u> 202	82	126
OECD total-----	663	226	124	1	169	67	76
Canada-----	31	-	28	-	X	1	2
United States---	135	112	-	X	7	2	14
Japan-----	31	17	10	-	X	1	3
European Community----	<u>1/</u> 307	60	68	X	106	37	36
United Kingdom--	55	19	11	X	16	-	9
Other OECD-----	104	18	7	1	40	26	12
Non-OECD total----	165	75	41	4	18	14	13
LDC's-----	115	48	31	4	16	9	7

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 19 percent of U.S. exports, 29 percent of Japanese exports, and 7 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-9-Y.--OECD imports of crude minerals other than stone, sand, gravel, and fertilizers, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,250	35	227	168	<u>1/</u> 514	114	192
OECD total-----	737	27	135	39	333	67	136
Canada-----	209	-	106	19	44	19	21
United States---	147	23	-	16	82	13	13
Japan-----	1	X	1	-	X	X	X
European Community----	<u>1/</u> 194	X	10	X	112	23	49
United Kingdom--	83	2	2	1	45	-	33
Other OECD-----	103	2	16	3	50	12	20
Non-OECD total----	370	5	78	114	91	40	42
LDC's-----	180	4	71	59	20	22	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 9 percent of Canadian imports, 6 percent of U.S. imports, 9 percent of Japanese imports, 18 percent of EC imports, and 6 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of Japanese exports, and 7 percent of EC exports. Canada, the largest exporter, is the origin of almost one-third of OECD export shipments. Country of origin data are unavailable for 9 percent of Canadian imports, 6 percent of U.S. imports, 9 percent of Japanese imports, 18 percent of EC imports, and 6 percent of United Kingdom imports. The European Community is the largest importer, with known entries from outside sources valued at \$312 million (intra-EC imports were an additional \$112 million). Canada ships over one-third of its exports to the United States, 20 percent to the Community and 16 percent to LDC's. Nineteen percent of U.S. exports, which have been accounted for, go to LDC's, as do 20 percent of known EC exports to outside countries and 11 percent of shipments from the United Kingdom. Another two-fifths of U.S. exports, for which destinations are known, are shipped to the European Community, as are 45 percent of United Kingdom exports. Almost half of known U.S. imports come from Canada, while another third come from LDC's. LDC's also provide about 39 percent of Japan's imports, which have been accounted for. The Community receives 29 percent of its known outside imports from non-OECD countries and an additional 26 percent from the United States. Over 20 percent of entries into the United Kingdom, for which destinations are known, are supplied by the European Community; an additional fifth comes from the LDC's.

Trade-agreement concessions

Average tariffs of the major countries on January 1, 1972, were lower than the average levels on pre-trade-agreement base dates. As the following tabulation shows, the largest drop, about 9 percentage points, was in the Canadian tariff.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	8.1	2.6
European Community	0.1	0.0
United Kingdom	1.9	1.0
Japan	0.2	0.0
Canada	13.4	4.4

GATT concessions cover 98 percent of EC provisions for "other" crude minerals and all of EC imports; 99 percent of U.S. provisions (97 percent of imports) are bound in GATT. GATT concessions cover about 88 percent of United Kingdom provisions and about 95 percent of United Kingdom imports. For Japan, about 90 percent of the provisions, covering about 68 percent of MFN imports, have GATT concessions; in the Canadian schedule about two-thirds of the provisions, covering 70 percent of MFN imports, have GATT concessions. Specific duties are important only for the United States, covering 30 percent of its tariff lines and 23 percent of MFN imports.

EC member state national tariffs prior to adoption of the Common External Tariff contained 103 GATT concessions. Of these concessions, 32 were above the CXT rate, 16 below the CXT rate and 55 at the CXT rate.

Trade agreement concessions in major country tariffs dealing with the two most important BTN headings in this subsector, iron pyrites and sulphur, other than sublimed, precipitated or colloidal sulphur, are shown in tables I-9-Z and I-9-AA. These tables further illustrate the large amount of duty-free provisions in this subsector.

Table I-9-Z.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on iron pyrites

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	418.90
Canada-----	25%	15%	15%	92835-1
European Community--	Free	Free	Free	25.02
United Kingdom-----	Free	Free	Free	25.02
Japan-----	Free	Free	Free	25.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Table I-9-AA.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on sulphur, other than sublimed, precipitated or colloidal

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	415.45
Canada-----	Free	Free	Free	92503-1
European Community--	10%	8%	4%	25.03A, B
United Kingdom-----	Free	Free	Free	25.03
Japan-----	10%	10%	10% ^{2/}	25.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Rate was further reduced by 20 percent by Japanese unilateral reductions in November 1972.

Miscellaneous Mineral Products and Fertilizers

The remaining categories of mineral products and fertilizers, which will not be discussed in detail, are stone, sand and gravel and crude fertilizers. The relative world trade importance of these categories can be seen in chart I-9-D at the beginning of the discussion of mineral products and fertilizers.

U.S. trade has been as follows (in millions of dollars):

	Exports (1969)	Imports (1969) (1970)	
Stone, sand and gravel-----	17	21	20
Crude fertilizers-----	90	4	3

For each of these categories and for each of the five major countries, there are listed in table I-9-BB arithmetic and weighted average MFN rates of duty for total imports, and the highest duty bracket

Table I-9-BB--Average MFN tariff rates on miscellaneous types of mineral products and fertilizers, and the highest rate bracket in which provisions of the major tariffs fall.

(Percent Ad Valorem)						
Type of mineral product :	Canada	United States	Japan ^{1/}	European Community	United Kingdom	
<u>Stone, sand and gravel:</u>						
Arithmetic average----	3.7	3.8	0.9	1.0	0.2	5.8
Weighted average-----	0.7	0.5	0.0	0.0	0.2	4.2
Highest rate bracket--	17.1-20	10.1-11	4.1-5	5.1-6	20.1-25	
<u>Crude fertilizers:</u>						
Arithmetic average----	0.0	0.0	0.0	0.0	0.0	2.5
Weighted average-----	0.0	0.0	0.0	0.0	0.0	0.0
Highest rate bracket--	0.0	0.0	0.0	0.0	0.0	4.1-5

^{1/} Figures for Japan do not reflect the unilateral reductions made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

in which provisions of each of the five tariffs fall. In a simple count of "highest" and "lowest" rankings in the data in this table (i.e. highest/lowest arithmetic average, weighted average, etc.), the United Kingdom has the largest number of "highest" rankings and Japan has the largest number of "lowest" rankings.

Industrial Sector I-10

**PROFESSIONAL, SCIENTIFIC AND CONTROLLING INSTRUMENTS,
PHOTOGRAPHIC APPARATUS, CLOCKS AND WATCHES**

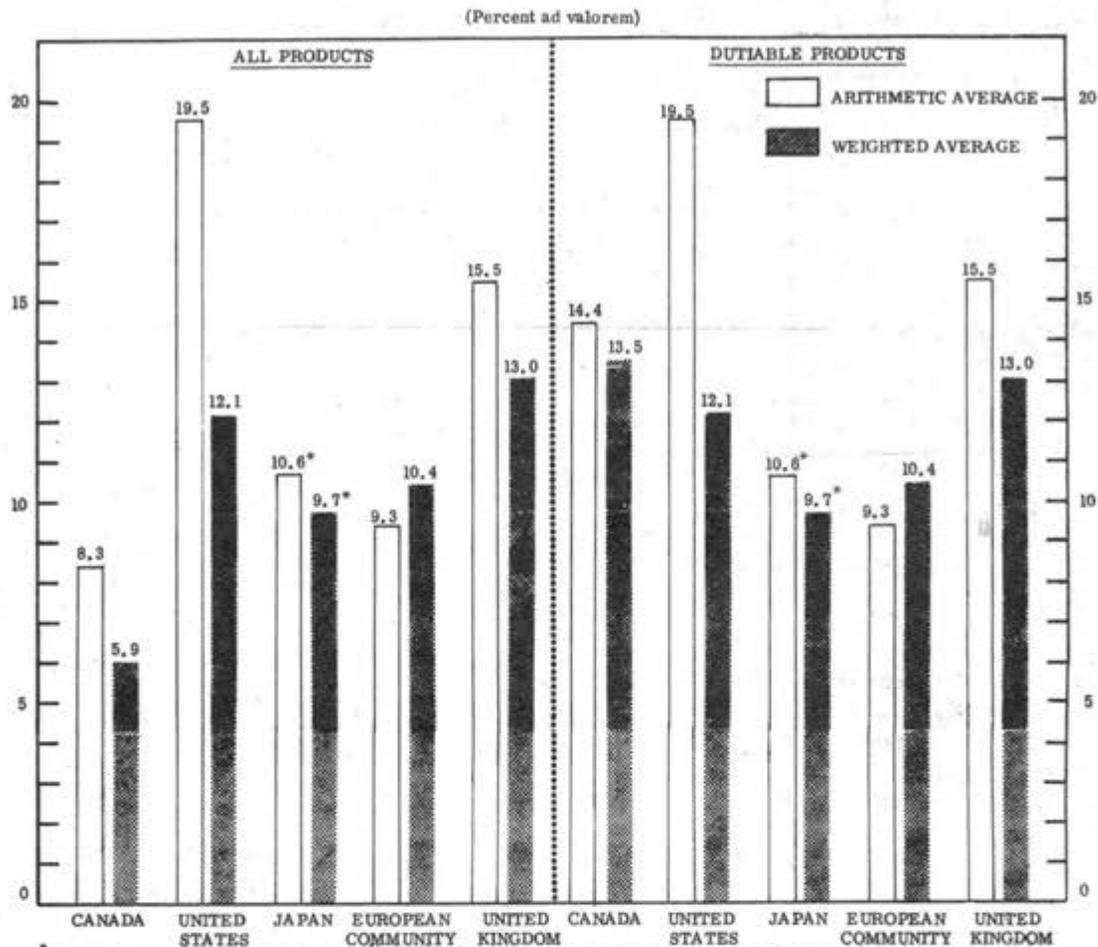
Professional, scientific and controlling instruments include a wide variety of high precision lenses; telescopes; surveying, navigational, geophysical, medical and dental instruments; X-ray apparatus; electrical-control apparatus; and apparatus for testing flow, depth, revolutions, etc. This sector also covers photographic cameras, other photographic apparatus, watches, clocks and watch or clock movements and cases. ^{1/} For brevity, the term "professional apparatus" is used here to refer to all products included in this sector.

MFN tariffs

The arithmetic tariff averages for all MFN imports of professional apparatus range from 8.3 percent ad valorem to 19.5 percent (chart I-10-A). The weighted averages run from 5.9 percent ad valorem to 13 percent. Canada has both the lowest weighted and arithmetic averages. The United States has the highest arithmetic average, while the United Kingdom holds the second highest arithmetic average (15.5 percent) and the highest weighted average. For dutiable products, only the tariff averages of Canada change, rising to 14.4 percent for the arithmetic average and 13.5 percent for the weighted average. The European Community holds the lowest arithmetic average for dutiable products (9.3 percent) and Japan, the lowest weighted average (9.7 percent). The United States again has the highest arithmetic average; Canada, the highest weighted average.

^{1/} For specific coverage of this sector, see BTN headings 90.01-.18; 90.20-.29; 91.01-.11. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-10-A. --- Average MFN tariff rates on professional, scientific and controlling instruments, photographic apparatus, clocks and watches



* Figures for Japan do not reflect the unilateral reductions in 1972 on about 70 percent of the Japanese rates in this sector; most of the remaining rates were cut by amounts ranging from 32 percent to 66 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of MFN tariff provisions by duty level is shown in table I-10-A. The tariff schedules of the United States and Canada contain MFN duty-free provisions; those of Japan, the Community and the United Kingdom do not. Over 40 percent of Canada's provisions are duty free, 16 percent in the 10.1-15 percent ad valorem range and nearly one-fourth in the 15.1-20 percent range. Only 0.3 percent of U.S. tariff provisions are duty free, one-fifth are in the 5.1-10 percent ad valorem range, nearly one-fifth in the 10.1-15 percent class, 17 percent in the 20.1-25 percent bracket and 13 percent in the 25.1-30 percent bracket.

Table I-10-A.--Distribution, by duty level, of MFN tariff provisions for professional, scientific and controlling instruments, photographic apparatus, clocks and watches

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	42.3	0.3	-	-	-
0.1-5.0 percent----	3.5	4.9	1.6	1.6	-
5.1-10.0 percent----	12.7	20.4	71.2	68.9	28.6
10.1-15.0 percent--	16.2	18.0	20.0	29.5	17.1
15.1-20.0 percent--	23.5	12.3	6.4	-	41.4
20.1-25.0 percent--	1.9	16.9	.8	-	12.9
25.1-30.0 percent--	-	13.1	-	-	-
30.1-40.0 percent--	-	10.6	-	-	-
40.1-50.0 percent--	-	.8	-	-	-
Over 50 percent----	-	2.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Over 70 percent of Japan's provisions, two-thirds of the EC provisions and over one-fourth of United Kingdom provisions are in the 5.1-10 percent class. Of the remaining United Kingdom provisions, over 40 percent are in the 15.1-20 percent duty range.

Over 56 percent of Canada's MFN imports of professional apparatus are duty free (table I-10-B). About 15 percent of Canada's imports,

Table I-10-B.--Distribution, by duty level, of MFN imports of professional, scientific and controlling instruments, photographic apparatus, clocks and watches

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	56.2	-	-	-	-
0.1-5.0 percent----	1.4	11.6	2.6	0.3	-
5.1-10.0 percent----	15.4	46.4	79.0	48.8	27.9
10.1-15.0 percent--	11.2	19.3	8.6	50.8	49.7
15.1-20.0 percent--	14.9	8.0	7.9	-	17.8
20.1-25.0 percent--	1.0	7.0	1.9	-	4.7
25.1-30.0 percent--	-	3.4	-	-	-
30.1-40.0 percent--	-	3.9	-	-	-
40.1-50.0 percent--	-	.4	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

46 percent of U.S. entries, 79 percent of Japanese entries, one-half of EC imports and 28 percent of United Kingdom imports are in the 5.1-10 percent ad valorem bracket. In the 10.1-15 percent bracket are one-fifth of the U.S. provisions and one-half of the provisions of the European Community and the United Kingdom. Imports of professional apparatus receiving preferential tariff treatment are significant only for Canada and the United Kingdom.

The United States has the most detailed tariff schedule for professional apparatus, with 331 tariff lines, while the European Community has the least, with 61 lines. Japan has 125 lines; Canada, 260 lines; and the United Kingdom, 70 lines. However, the multiple dispersion of U.S. and Canadian tariff items into the BTN format overstates the detail of the schedules of these nations. An adjustment for this problem yields a more accurate item count of 256 items for the United States and 106 items for Canada.

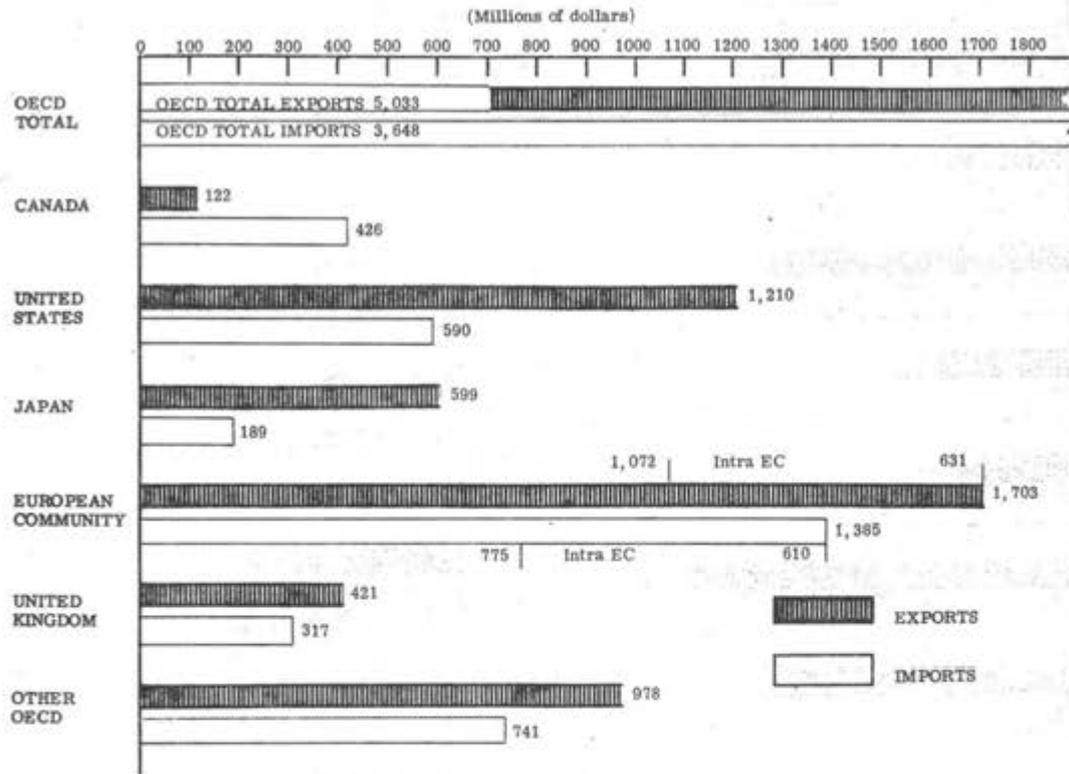
Trade importance

The professional apparatus sector ranks 10th in OECD exports and 12th in imports. It accounts for about 3 percent of OECD industrial exports and 2 percent of industrial imports. For the United States, the sector is seventh most important in exports. It ranked 12th in 1969 U.S. imports, but fell to 13th in 1970.

Imports by the GATT tariff study countries were valued at nearly \$2.3 billion in 1967 and \$3.5 billion in 1970. OECD 1969 imports were \$3.6 billion (including \$610 million of intra-EC shipments) and exports were

\$5 billion (see chart I-10-B). In 1970 OECD imports rose to \$4.3 billion, exports to \$5.9 billion.

Chart I-10-B. -- OECD trade in professional, scientific and controlling instruments, photographic apparatus, clocks and watches, 1969



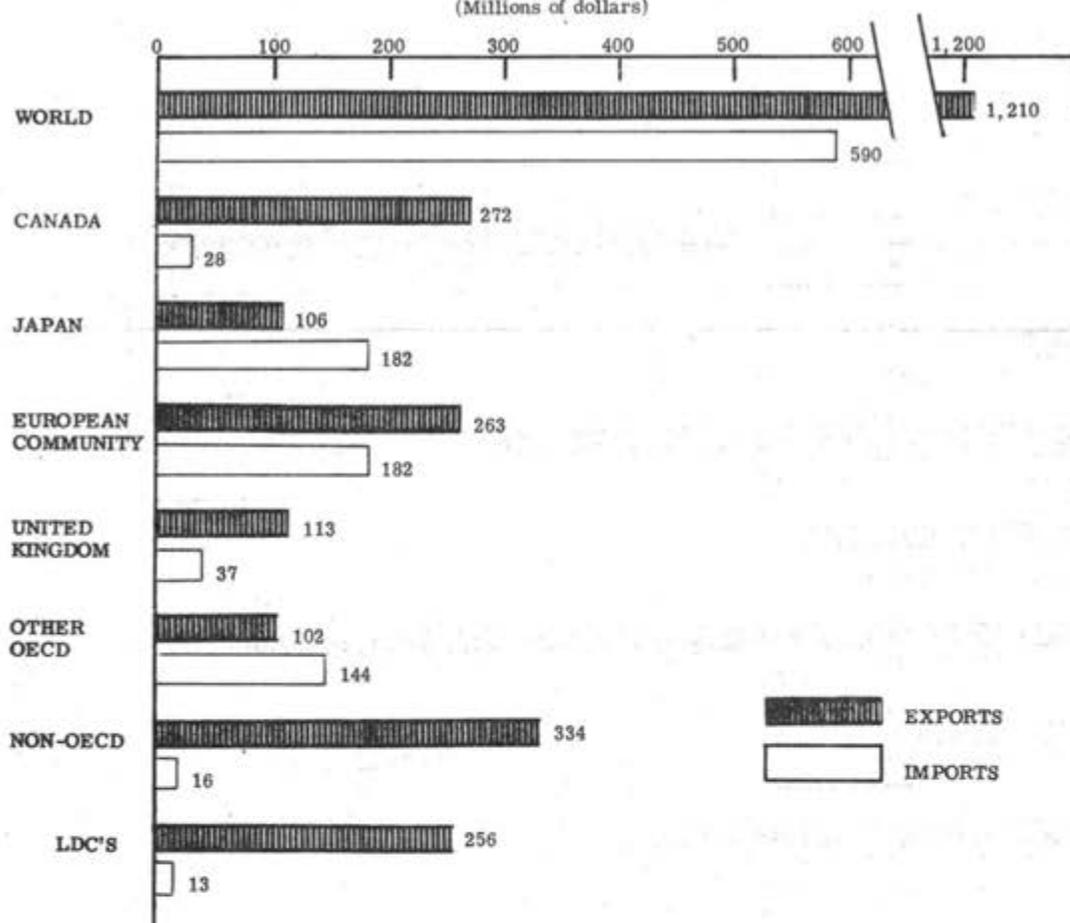
Source: "Smaller" from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for about 81 percent of OECD exports and 80 percent of imports. Over half of OECD exports go to the five major countries; one-fifth to LDC's. Eight percent of OECD imports are supplied by the five major countries.

Over one-fifth of U.S. exports go to less developed countries (chart I-10-C), where substantially higher tariffs and other trade barriers are

Chart I-10-C. -- United States trade in professional, scientific and controlling instruments, photographic apparatus, clocks and watches, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

generally encountered. Canada and the European Community are the principal developed markets for U.S. products, each taking about one-fifth of U.S. exports. The United States takes over two-thirds of Canada's exports. Japan ships 35 percent of its exports to LDC's, almost one-third to the United States and 15 percent to the European Community. Intra-EC exports are equal to more than half of the Community's shipment to outside markets. LDC's take over one-fifth of the EC's outside exports; one-fifth go to the United States, and about 7 percent to the United Kingdom. The United

Kingdom ships one third of its products to LDC's and other non-OECD countries. The Community is the principal developed country market for the United Kingdom (see table I-10-C).

Table I-10-C.--OECD exports of professional, scientific and controlling instruments, photographic apparatus, clocks and watches, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,033	122	1,210	599	<u>1/</u> 1,703	421	978
OECD total-----	3,560	110	856	344	1,301	283	666
Canada-----	354	-	272	18	28	18	18
United States---	699	83	-	190	210	46	170
Japan-----	176	1	106	-	26	7	36
European Community-----	<u>1/</u> 1,373	11	263	88	631	128	252
United Kingdom--	263	10	113	15	71	-	54
Other OECD-----	695	5	102	33	335	84	136
Non-OECD total----	1,413	14	334	254	362	139	310
LDC's-----	1,024	9	256	208	240	63	248

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Professional apparatus ranks 8th in industrial imports for Canada, 11th for the Community and the United Kingdom, 12th for Japan, and 13th for the United States. U.S. imports of professional apparatus were valued at \$439 million in 1967, \$590 million in 1969 and \$755 million in 1971. The European Community and Japan each supply almost one-third of U.S. imports; the United Kingdom about 6 percent (table I-10-D). The United States is the source of over three-fourths of Canada's imports and nearly three-fifths of Japan's. About 37 percent of imports into the European

Table I-10-D.--OECD imports of professional, scientific and controlling instruments, photographic apparatus, clocks and watches, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,648	426	590	189	1/ 1,385	317	741
OECD total-----	3,562	421	573	184	1,365	293	726
Canada-----	49	-	28	X	9	9	3
United States---	945	334	-	110	289	113	99
Japan-----	345	19	182	-	72	19	53
European Community-----	1/ 1,278	29	182	30	610	85	342
United Kingdom--	319	23	37	8	150	-	101
Other OECD-----	626	16	144	36	235	67	128
Non-OECD total----	87	3	16	5	23	23	17
IDC's-----	44	2	13	2	7	9	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

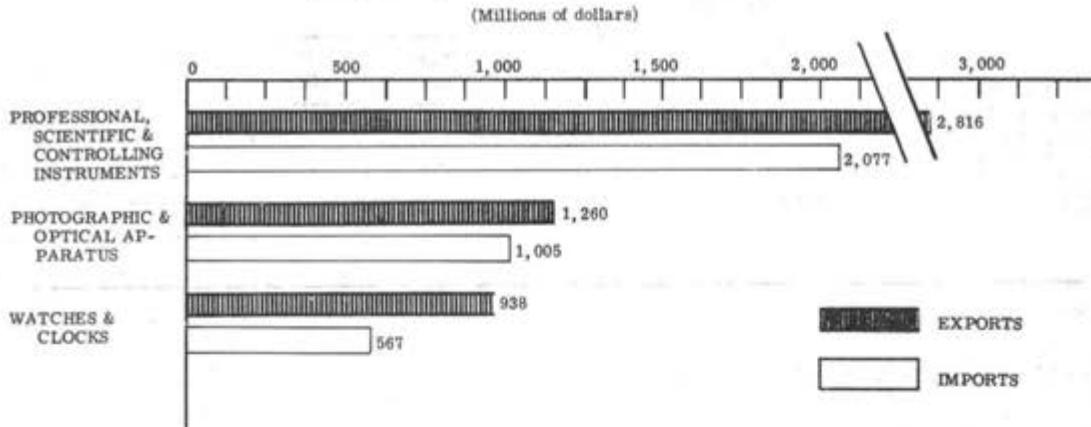
Community from outside sources come from the United States and 19 percent from the United Kingdom. The United States is the chief source of the United Kingdom's imports, followed by the Community.

Trade composition

Professional apparatus is divided into three subsectors:

(1) professional, scientific, and controlling instruments; (2) photographic and optical apparatus; and (3) watches and clocks. Professional, scientific, and controlling instruments is the largest subsector in both exports and imports (about 56 percent of each), followed by photographic and optical apparatus. The relative importance of the three subsectors is shown in chart I-10-D.

Chart I-10-D. -- OECD trade in professional, scientific & controlling instruments, photographic apparatus, clocks & watches, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all five major countries, average tariff levels on January 1, 1972, for professional apparatus were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. All but one of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 7.8 percent. In the tariff of the United States, 44 percent of the tariff lines covering 30 percent of MFN imports have specific or combined specific and ad valorem rates of duty.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	47.8	12.1
European Community	15.8	10.4
United Kingdom	38.7	13.0
Japan	18.4	9.7
Canada	20.3	8.3

Concessions under the GATT have been made on all MFN provisions for professional apparatus in the tariff schedules of the United States, the European Community, Japan and the United Kingdom, as well as on 70 percent of the provisions (covering 76 percent of MFN imports) in Canada's tariff schedule.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on professional apparatus negotiated under the GATT. The number of such concessions totaled 356, of which 207 reflected rates higher than the autonomous rate established in the CXT, 5 were at the CXT rate, and 144 were below the CXT rate.

Trade complaints

In the Tariff Commission's survey of trade barriers, over 200 complaints were received concerning practices which affect trade in products included in the sector for professional, scientific and controlling instruments, photographic apparatus, and clocks and watches. Half of the complaints were against practices of developed countries, and more than a quarter of the total number concerned only four countries: Japan, the United States, France, and the United Kingdom. Among the 22 developing countries specifically named in

the complaints, Brazil, the Philippines, Colombia and Mexico were most frequently mentioned. Only one complaint was registered against a Communist country, East Germany, while over 10 percent were so general in nature that no specific country was mentioned.

Quantitative restrictions and licensing.--Licensing practices, embargoes and other types of quantitative restrictions were the trade barriers receiving the most complaints. Mandatory licensing for watches and watch movements, clocks, watch cases, clock parts, precision measuring tools, and eyeglass frames in France, Mexico, Brazil, Colombia, Peru, South Africa, and Venezuela was reported to be a hindrance to trade by some U.S. producers. Argentina, Brazil, Colombia, Mexico, and Peru were listed as using licensing procedures for imports to protect their national producers of medical equipment. The Netherlands was reported to have a restrictive licensing practice in regard to optical, scientific and precision instruments. The U.S. requirement of export licenses to monitor and control exports of laboratory apparatus, scientific, and industrial precision instruments caused one U.S. producer to complain.

Complaints concerning embargoes or practices which effectively exclude imports were mainly concentrated against LDC's. A U.S. producer of eyeglass frames encountered this kind of problem in trying to export to Chile, Colombia, India, Pakistan, Peru, and the Philippines. Argentina and Mexico require import licenses for tape measuring devices, but the licenses were reported to be unobtainable. Imports of

watches are barred in Egypt, unless they have been specifically approved by a government ministry, and in Ceylon, because they are considered a luxury. It was also reported that only photocopiers that are assembled or produced in Korea may be sold in Korea.

Quotas were the object of complaints by some U.S. producers. Argentina, Brazil, Colombia, Mexico, and Peru were said to impose quotas on medical equipment; France was reported to impose quotas on watches, watch movements and watch parts; Peru, on photographic products; Japan, Turkey, and most European countries, on certain scientific and technical instruments.

Standards and labelling requirements.--A producer of hospital equipment reported as a burden to his trade the fact that each state of Brazil has enacted individual standards regarding hospital equipment, and that the standards are not identical to those of the national government. Countries of the European Community drew complaints because of their activities to harmonize electrical and other standards through CEN and CENELEC. The United States also was criticized for not giving stronger support to standards organizations. Japan was cited for requiring excessive testing and evaluations on medical equipment. Complaints were received from U.S. importers concerning requirements for the Underwriters Laboratory guarantee which duplicates testing already conducted in the countries of origin and increases the cost of the imported product.

For electrical measuring devices, Canada requires that the country of origin must be stamped, etched, engraved, or labelled in a

permanent conspicuous manner on the product. For imported watch and clock movements, watch and clock cases, and dials, the United States requirement of a special marking (including the country of origin, number of jewels, name of manufacturer, number of adjustments, and metallic composition) was felt to impede trade.

Subsidies and other governmental aids.--A large U.S. producer of numerous products in this sector stated that direct or indirect governmental aids to producers in France, West Germany, Japan, and the United Kingdom gave industries in those countries an unfair competitive advantage in the U.S. market and in third country markets. The complaints against governmental assistance in these countries were concerned with (1) subsidization of research and development where end use is for commercial sales; (2) direct or indirect assistance for business expansion and start-up costs; (3) a tax system which allows the build up of exceptional reserve accounts, which can be used as interest-free working capital; (4) income tax relief geared to export performance; and (5) concessionary financing to export customers of their manufacturers for purchase of capital goods.

Nontariff charges on imports.--Taxes or other charges on imports received numerous complaints from U.S. producers. The European Community received the most complaints in regard to border tax adjustments, which were reported to range from 10 to 20 percent on the c.i.f. duty paid value of the products in question. Other countries reported to have border tax adjustments were: Japan and several West European

countries, among them Sweden and the United Kingdom. Although no specific countries were mentioned, some producers complained of port and statistical taxes, in the form of surtaxes, as being a hindrance to trade. An "additional" tax or a "complementary" tax of 5 to 15 percent was said to be collected in the Central African Republic against eyeglasses, while special import taxes were reported to be operating in South America on chlorinators.

Customs procedures.--Consular formalities, fees and documentation requirements were all reported to be barriers to the trade of products in this sector. One U.S. producer complained that for hospital supplies the Philippines requires consular invoices even on small shipments, whereas most other countries either use a standard form or do not require any special paper work on small shipments. Consular fees for hospital supplies and scientific instruments were reported to be required for shipments to several countries in Latin America and the Middle East. One U.S. producer considers the paperwork required by the United States in administering its export control regulations to be excessive and costly. Excessive general documentation requirements, accompanied by delays in clearance, were reported in several countries of South America and in other nonspecified markets. In order to export watches to Japan it was reported that a company must first submit forms showing their distribution network to be covered in Japan, prices for the product at each stage of distribution until purchased by the consumer, and finally names and commission payments of all middlemen involved in the distribution process.

Customs valuation practices were believed by some U.S. producers to have an adverse effect on their trade. Certain producers felt that the "uplift" made by Japan in some customs valuations is arbitrary and excessive. Many U.S. producers complained against the use by many countries of c.i.f. costs as a base for valuation rather than f.o.b. costs.

Government procurement. --One importer complained that the tougher "buy American" restrictions of the U.S. Defense Department have resulted in a resistance to purchases from Denmark of electric measuring instruments. A U.S. producer reported that Belgium-Luxembourg, in the period 1970-1975, will grant preferential treatment to orders from the European Community over U.S. made computers and peripheral equipment. "Buy national" policies of France, Japan, United Kingdom, and other European countries were said to inhibit trade immensely in this area.

Of the complaints received by the Commission concerning trade practices affecting products in this sector, only 28 were accompanied by an estimate or assessment of the restrictive trade effects of the barriers encountered. Fourteen of these estimated a "significant" increase in trade if the barriers complained of were removed; 12, a "moderate" increase; and 2, only a "small" change. Several of these estimates involved the removal of more than one barrier. In the cases where a dollar estimate of the trade increase was also given, increases characterized as "significant" ranged from 16 to 50 percent of the present trade, and those characterized as "moderate" from 8 to 20 percent. All of the dollar estimates given totaled only \$20 million.

Professional, Scientific and Controlling Instruments

Professional, scientific and controlling instruments cover surveying, navigational and geophysical instruments, compasses, drawing and mathematical calculating instruments, medical and dental instruments, X-ray apparatus, testing machinery and a great variety of apparatus for checking flow, depth, revolutions, temperature and the like, including parts and accessories. Not included are control and measuring instruments which are incorporated into machines. ^{1/}

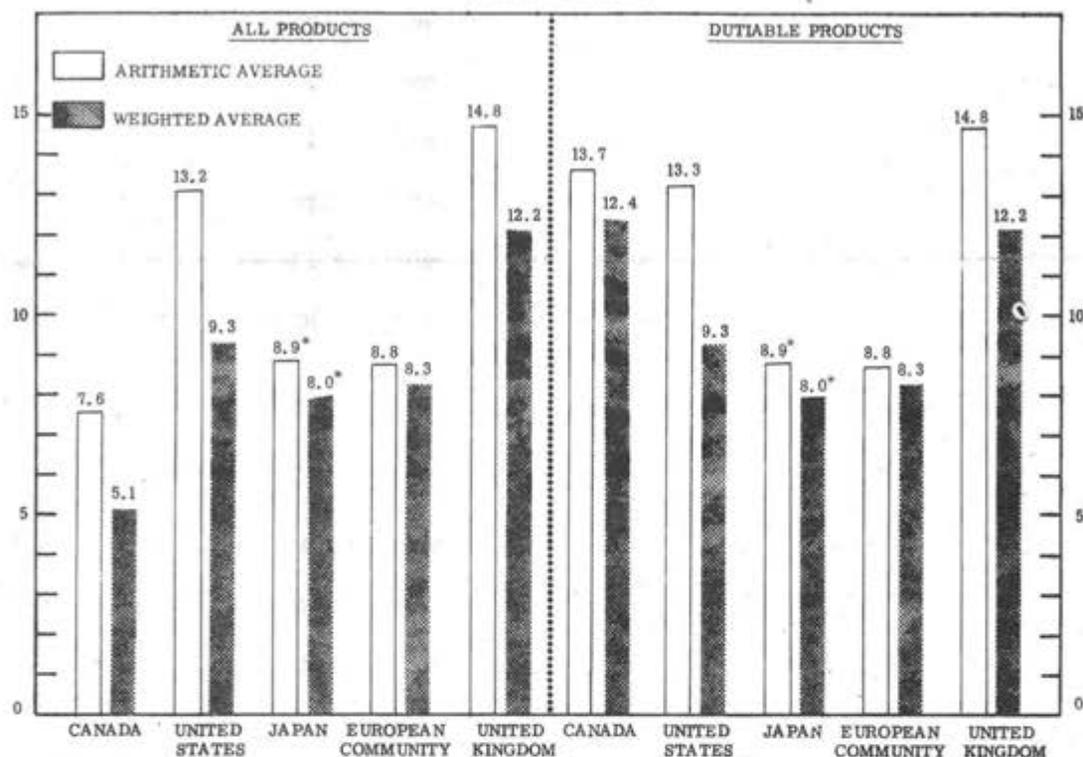
MFN tariffs

Among the five major countries, Canada has the lowest arithmetic and weighted averages (7.6 and 5.1 percent ad valorem, respectively) for total MFN imports of professional, scientific and controlling instruments. The United Kingdom has the highest total trade averages (14.8 percent ad valorem for the arithmetic and 12.2 percent for the weighted). Except for Canada, with its substantial MFN duty-free entries, the tariff averages for dutiable imports alone usually remained the same as those averages calculated for total MFN imports for any of the major countries (see chart I-10-E).

Almost one-fourth of the United Kingdom's imports receive preferential treatment under the Commonwealth and EFTA agreements. Preferential imports were not significant for any of the other five major countries.

^{1/} For specific coverage of this subsector, see BTN headings 90.14-.18; 90.20-.29.

Chart I-10-E. -- Average MFN tariff rates on professional, scientific and controlling instruments
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions in 1972 on almost 70 percent of the Japanese rates in this sector; the remaining rates were reduced by 40 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Only in the tariff schedules of Canada and the United States are there duty-free provisions for professional, scientific and controlling instruments (table I-10-E). Forty-four percent of Canadian MFN tariff

Table I-10-E. --Distribution, by duty level, of MFN tariff provisions for professional, scientific and controlling instruments

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	44.4	1.0	-	-	-
0.1-5.0 percent----	5.2	12.5	-	3.7	-
5.1-10.0 percent---	13.0	35.6	93.2	70.3	33.3
10.1-15.0 percent--	12.4	17.3	6.8	25.9	25.0
15.1-20.0 percent--	24.8	7.7	-	-	25.0
20.1-25.0 percent--	-	22.1	-	-	16.7
25.1-30.0 percent--	-	1.9	-	-	-
30.1-40.0 percent--	-	1.0	-	-	-
40.1-50.0 percent--	-	1.0	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

provisions are duty free; another one-fourth in the 15.1-20 percent ad valorem bracket. Only one percent of the U.S. provisions are duty free; over one-third in the 5.1-10 percent range; 17 percent in the 10.1-15 percent range; and over one-fifth in the 20.1-25 percent range. Over 93 percent of Japan's tariff provisions are in the 5.1-10 percent ad valorem bracket. Of the European Community's tariff provisions, 70 percent are in the 5.1-10 percent bracket and 26 percent in the 10.1-15 percent bracket. One-third of the United Kingdom tariff provisions are in the 5.1-10 percent range, one-fourth in both the 10.1-15 percent and the 15.1-20 percent ranges.

In terms of MFN imports of professional, scientific and controlling instruments, three-fifths of Canadian entries are duty free, 18 percent in the 5.1-10 percent rate range and 16 percent in the 15.1-20 percent bracket (table I-10-F). Over one-fifth of U.S. imports are in the 0.1-5 percent

Table I-10-F.--Distribution, by duty level, of MFN imports of professional, scientific and controlling instruments

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	59.2	0.1	-	-	-
0.1-5.0 percent----	2.0	22.2	-	1.0	-
5.1-10.0 percent---	18.3	55.5	98.5	82.4	24.0
10.1-15.0 percent--	4.7	13.4	1.5	16.6	66.0
15.1-20.0 percent--	15.8	4.4	-	-	9.3
20.1-25.0 percent--	-	3.9	-	-	.6
25.1-30.0 percent--	-	.1	-	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

bracket; nearly 56 percent in the 5.1-10 percent bracket. Virtually all entries into Japan are in the 5.1-10 percent range, as are over four-fifths of shipments into the Community from outside sources. Nearly one-fourth of United Kingdom imports are in the 5.1-10 percent rate class and another two-thirds in the 10.1-15 percent class.

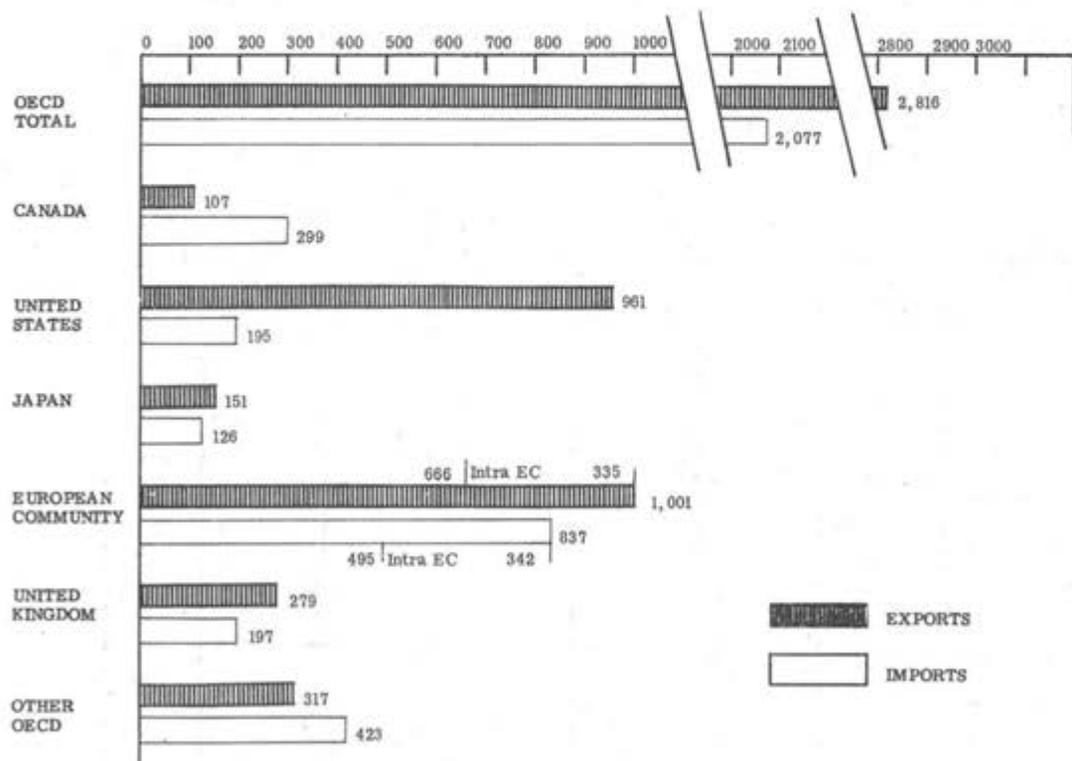
Canada exhibits the most complex tariff schedule for professional, scientific and controlling instruments, with 153 tariff lines; the Community has the simplest, only 27 lines. Schedules for the United States have 104 lines; for Japan, 59 lines; and for the United Kingdom, 36 lines.

Trade importance

Professional, scientific and controlling instruments account for about 56 percent of OECD trade in the professional apparatus sector. OECD exports totaled \$2.8 billion in 1969, imports were \$2.1 billion (chart I-10-F).

Chart I-10-F. -- OECD trade in professional, scientific and controlling instruments, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Among the 119 industrial subsectors, professional, scientific and controlling instruments rank 19th in value of MFN imports of the GATT tariff study countries. U.S. imports amounted to \$195 million in 1969 and increased to \$255 million in 1971.

Trade network

The five major countries account for 89 percent of OECD exports and about 80 percent of imports (tables I-10-G and H). The largest supplier to the world is the United States, accounting for about one-third of OECD exports, followed by the European Community. The principal importing countries are the European Community and Canada. Country of destination data are unavailable for 9 percent of total EC exports. Non-OECD countries receive half of Japanese exports, over one-third of exports by the United Kingdom,

Table I-10-G.-- OECD exports of professional, scientific and controlling instruments and apparatus, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,816	107	961	151	<u>1/</u> 1,001	279	317
OECD total-----	1,925	97	685	69	672	168	234
Canada-----	245	-	212	4	12	11	6
United States---	258	77	-	37	83	31	30
Japan-----	115	1	86	-	12	6	10
European Community-----	<u>1/</u> 757	8	217	16	335	69	112
United Kingdom--	158	8	89	3	38	-	20
Other OECD-----	392	3	81	9	192	51	56
Non-OECD total----	767	9	268	75	241	104	70
LDC's-----	500	6	203	52	154	49	36

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for 9 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-10-H.-- OECD imports of professional, scientific and controlling instruments and apparatus, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,077	299	195	126	1/ 837	197	423
OECD total-----	1,970	296	177	122	800	177	398
Canada-----	42	-	25	X	8	6	3
United States---	743	255	-	87	239	87	75
Japan-----	66	4	32	-	15	4	11
European Community-----	1/ 685	15	72	17	342	49	190
United Kingdom--	181	15	23	7	76	-	60
Other OECD-----	253	7	25	11	120	31	59
Non-OECD total----	38	1	4	2	10	15	6
IDC's-----	18	X	3	X	2	11	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 7 percent of U.S. imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

over one-fourth of EC exports for which destinations are known, and 28 percent of U.S. exports. The remainder of U.S. exports go chiefly to Canada (22 percent) and the Community (23 percent). Canada sends 72 percent of its exports to the United States. The U.S. also receives one-fourth of Japanese exports, 14 percent of known EC outside exports and 11 percent of shipments from the United Kingdom. An additional 7 percent of known EC outside exports go to the United Kingdom, while the Community receives one-fourth of United Kingdom exports.

Eighty-five percent of Canadian imports are products of the United States, as are nearly half of EC imports from outside countries, over two-thirds of Japanese imports and 44 percent of entries into the United Kingdom. For 7 percent of U.S. imports, country of origin data are unavailable. For the

remainder of U.S. imports, about two-fifths arrive from the European Community, while Canada, Japan and the United Kingdom each send the United States between 13 and 18 percent of the entries for which origins are known. Fifteen percent of shipments to the Community from outside sources arrive from the United Kingdom, as one-fourth of United Kingdom entries come from the Community. Intra-EC shipments are over two-thirds the value of EC receipts from outside sources.

Tariff flows among the five countries are generally in the direction of countries having lower tariffs. The principal importers, the European Community and Canada, have low tariff averages compared with the United Kingdom and United States, which have the highest tariff averages and are among the least important importers.

Trade-agreement concessions

As the following tabulation shows, for all of the five major countries average tariff levels for professional, scientific and controlling instruments are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Japan, in November 1972, made unilateral 20 percent reductions in all of its rates on professional, scientific and controlling instruments, thereby reducing the Japanese averages level to about 6.4 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	37.7	9.3
European Community	16.0	8.3
United Kingdom	33.9	12.2
Japan	16.1	8.0
Canada	19.4	7.6

All MFN provisions for professional, scientific and controlling instruments in the tariff schedules of the United States, the European Community, the United Kingdom and Japan have been the subject of GATT concessions. In the Canadian schedule, 66 percent of the tariff provisions, covering 67 percent of MFN imports are fully covered by GATT concessions; for 1 percent of the provisions, covering 1 percent of MFN imports, concessions cover only part of an item. The EC member states had made GATT tariff concessions on professional, scientific and controlling instruments before they changed to the Common External Tariff. One hundred forty-three of the 208 concession rates contained in the member state schedules were higher than rates established in the CXT. Table I-10-I shows concessions which have been made in the major country tariffs on electric measuring, checking, analyzing and automatically controlling instruments and apparatus.

Table I-10-1.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on electrical measuring, checking, analyzing and automatically controlling instruments and apparatus

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%-50% 70.7%; 113.6% AVE	10%-15.5% 15.2%; 59.3% AVE	5%-10% ^{2/} 7.6%; 29.5% AVE ^{2/}	711.98-712.49 ^{3/}
Canada-----	30%	7.5%; 22.5%	7.5%; 17.5%	44532-1; 44524-1
European Community--	16%	13%	13%; 16.5%	90.28 A, B
United Kingdom-----	50% 33.3%	28% 13.5-17.5%	28% 13.5%-17.5%	90.28 (A) 90.28 (B), (C), (D)
Japan-----	15%	15%	7.5%-15%	90.28

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Over 99 percent of imports, based on values in 1971, are dutiable at rates between 5 percent and 10 percent. Ad valorem equivalents based on compound rates of 46 cents each plus 7 percent ad valorem and \$1.12 each plus 17.5 percent ad valorem, respectively.

^{3/} Does not include classes 712.12 and 712.27, which provide for parts of such instruments and apparatus, or classes which provide for duty-free Canadian articles of above description which are original motor vehicle equipment.

Photographic and Optical Apparatus

Photographic and optical apparatus include photographic and cinematographic cameras and apparatus, optical mirrors, lenses, microscopes and telescopes, and eyeglass frames. Cinematographic sound recorders, photographic and cinematographic film and ordinary mirrors are not included. 1/
MFN tariffs

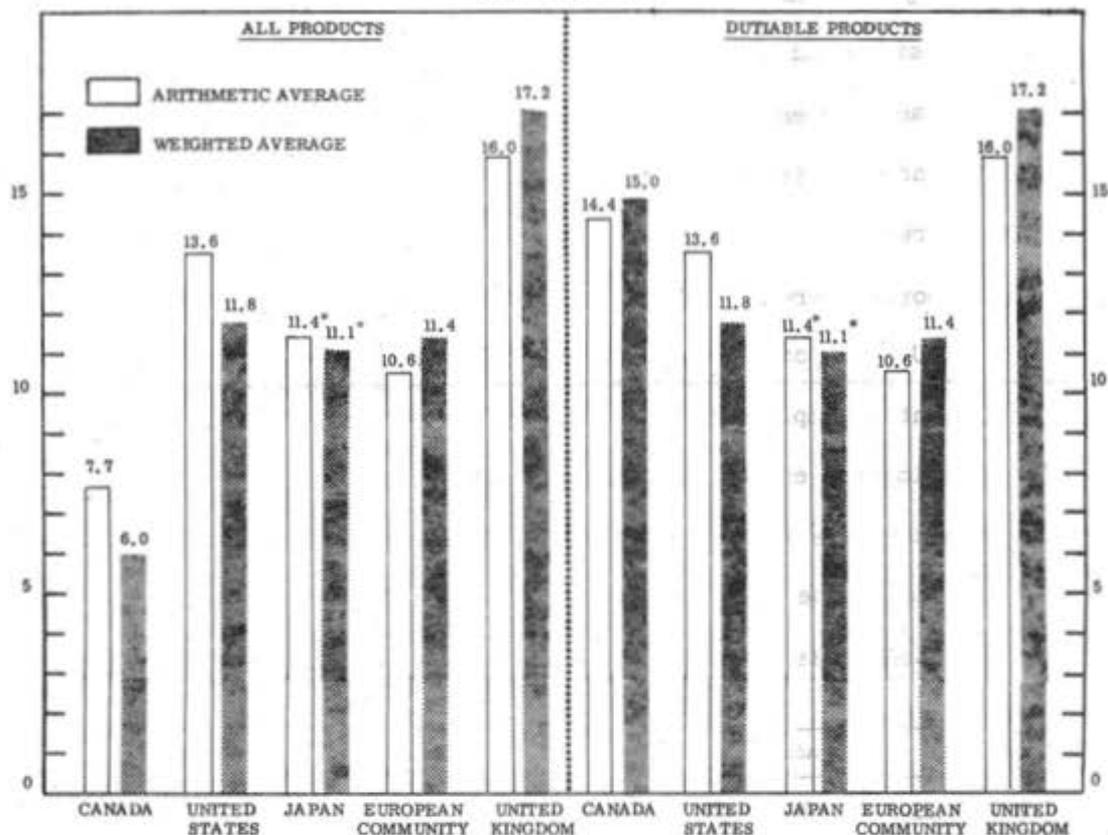
Average MFN tariffs on photographic and optical apparatus imported into the five major countries range from 6 percent ad valorem (the Canadian weighted average on total imports) to 17.2 percent (the United Kingdom weighted average). Averages for the United States, Japan and the European Community on total trade were clustered between 10.6 and 13.6 percent ad valorem. The dutiable product averages, however, were higher for Canada (arithmetic, 14.4 percent; weighted, 15 percent) (see chart I-10-G).

Among the five major countries, only the United Kingdom has a significant part of its imports entering under preferential tariffs. Almost 23 percent of United Kingdom imports receive preferential treatment.

Nearly half of Canada's MFN tariff provisions for photographic and optical apparatus are duty free; the tariffs of the remaining major nations have no duty-free provisions (table I-10-J). Over one-fourth of Canadian provisions are in the 10.1-15 percent ad valorem range. One-third of the U.S. provisions are in the 5.1-10 percent ad valorem bracket, as are two-thirds of the Japanese provisions, 44 percent of the Community's

1/ For specific coverage of this subsector, see BTW headings 90.01-.13.

Chart I-10-G. -- Average MFN tariff rates on photographic and optical apparatus
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions in 1978 on about 60 percent of the Japanese rates in this sector; most of the remaining rates were reduced by 50 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-10-J.--Distribution, by duty level, of MFN tariff provisions for photographic and optical apparatus

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	46.3	-	-	-	-
0.1-5.0 percent----	1.3	6.5	-	-	-
5.1-10.0 percent---	8.8	32.5	66.6	43.8	32.0
10.1-15.0 percent--	27.5	24.7	25.6	56.3	12.0
15.1-20.0 percent--	16.3	20.8	7.7	-	44.0
20.1-25.0 percent--	-	15.6	-	-	12.0
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

provisions and nearly one-third of those of the United Kingdom. One-fourth of U.S. provisions and over 55 percent of EC provisions are in the 10.1-15 percent ad valorem range. Forty-four percent of United Kingdom provisions and one-fifth of those of the United States are in the 15.1-20 percent range.

In terms of imports, three-fifths of Canadian entries are duty free. About 40 percent of U.S. imports enter at rates of 5.1-10 percent ad valorem and 37 percent of imports in the 10.1-15 percent rate range. Three-fourths of Japanese imports enter in the 5.1-10 percent bracket, over 70 percent of EC imports in the 10.1-15 percent bracket and more than half of United Kingdom imports in the 15.1-20 percent class (see table I-10-K).

Table I-10-K ---Distribution, by duty level, of MFN imports of photographic and optical apparatus

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	60.3	-	-	-	-
0.1-5.0 percent----	-	4.6	-	-	-
5.1-10.0 percent---	2.6	39.8	75.1	28.6	26.7
10.1-15.0 percent--	30.3	37.3	19.5	71.3	7.2
15.1-20.0 percent--	6.8	17.3	5.4	-	50.6
20.1-25.0 percent--	-	.9	-	-	15.6
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

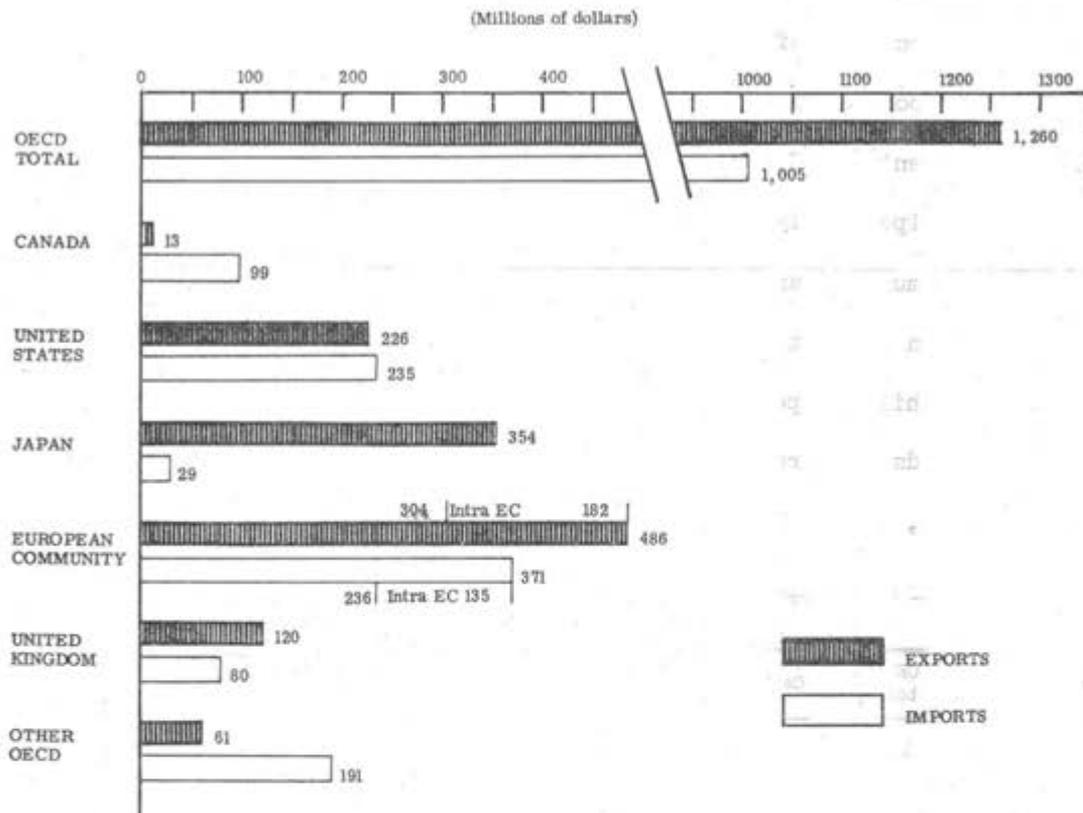
Canada and the United States have the most complex tariff structures for photographic and optical apparatus, with 80 and 77 lines, respectively. Schedules for Japan have 39 lines; the United Kingdom, 25 lines; and the European Community, 16 lines.

Trade importance

OECD exports of photographic and optical apparatus totaled \$1.3 billion in 1969, about one-fourth of OECD export trade in all professional

apparatus. Imports were \$1 billion, or about 28 percent of total import trade in the sector (chart I-10-H). It is the second largest category of

Chart I-10-H. -- OECD trade in photographic and optical apparatus, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

OECD imports of professional apparatus, and ranked 39th in value of imports among the 119 industrial product categories. U.S. exports in 1969 were \$226 million, when imports were valued at \$235 million. U.S. imports in 1971 were valued at \$311 million.

Trade network

The five major countries account for about 95 percent of OECD exports and 81 percent of imports. Japan, the largest exporter (if intra-EC exports are excluded), is the origin of 28 percent of OECD export shipments. The

European Community and the United States are the largest importers, with total EC entries valued at \$371 million and U.S. entries valued at \$235 million. Complete country of destination data are unavailable for 23 percent of Canadian exports, 18 percent of U.S. exports, 14 percent of Japanese exports, and 9 percent of EC exports. Of those exports whose destinations are known, Japan ships nearly two-fifths to the United States, 18 percent to the European Community, and 31 percent to LDC's and other non-OECD countries. Twenty-seven percent of the known U.S. exports also are shipped to non-OECD nations, while 26 percent go to Canada and 21 percent to the Community. Canada sends 50 percent of its exports, for which destination information is available, to the United States and 20 percent to the European

Table I-10-L.-- OECD exports of photographic and optical apparatus, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,260	13	226	354	<u>1/</u> 486	120	61
OECD total-----	859	9	135	209	369	92	45
Canada-----	75	-	48	12	11	2	2
United States---	213	5	-	115	73	5	15
Japan-----	25	X	13	-	8	1	3
European Community-----	<u>1/</u> 346	2	38	56	182	53	15
United Kingdom--	54	1	18	8	22	-	5
Other OECD-----	146	1	18	18	73	31	5
Non-OECD total----	248	1	50	94	72	23	8
LDC's-----	180	1	41	78	49	7	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 23 percent of Canadian exports, 18 percent of U.S. exports, 14 percent of Japanese exports, and 9 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Community. The Community ships 28 percent of its outside exports which have been accounted for to the United States, 28 percent to the non-OECD countries, and 8 percent to the United Kingdom. Of United Kingdom exports, 44 percent are sent to the Community and 19 percent to non-OECD countries (table I-10-L.)

Complete country of origin data for 14 percent of Canadian imports, 31 percent of U.S. imports, 31 percent of Japanese imports, 18 percent of EC imports, and 19 percent of United Kingdom imports are unavailable. Of those imports whose origins are known, about 30 percent of EC outside entries arrive from Japan, as do 63 percent of U.S. imports (table I-10-M). The Community

Table I-10-M.-- OECD imports of photographic and optical apparatus, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,005	99	235	29	<u>1/</u> 371	80	191
OECD total-----	760	84	156	19	299	59	143
Canada-----	3	-	1	X	1	X	1
United States---	149	61	-	14	38	21	15
Japan-----	202	13	102	-	47	10	30
European Community-----	<u>1/</u> 257	7	38	4	135	18	55
United Kingdom--	103	2	5	1	63	-	32
Other OECD-----	46	1	10	X	15	10	10
Non-OECD total----	26	1	6	1	6	6	6
LDC's-----	13	X	5	1	3	3	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 14 percent of Canadian imports, 31 percent of U.S. imports, 31 percent of Japanese imports, 18 percent of EC imports and 19 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

and the United States each supply the other with over one-fifth of their known imports. Another 37 percent of shipments into the European Community,

for which the origin is known, come from the United Kingdom. Over 70 percent of known Canadian imports are from the United States, as are 70 percent of known Japanese entries. The remaining Japanese imports, which are accounted for, come principally from the Community. Over 30 percent of United Kingdom imports with known origins arrive from the United States, 28 percent from the Community, and 15 percent from Japan.

Trade-agreement concessions

Reductions in average duty levels on photographic and optical apparatus made by the five major countries since their pre-trade-agreement base dates are shown in the following tabulation. The reductions principally reflect trade-agreement concessions.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	34.7	11.8
European Community	17.4	11.4
United Kingdom	50.0	17.2
Japan	24.6	11.1
Canada	19.7	7.7

Of the five major countries, only Canada has not made GATT concessions on all MFN tariff provisions for photographic and optical apparatus. GATT concessions cover 76 percent of the Canadian provisions and 95 percent of Canadian imports. Prior to adoption of the Community's CXT, four GATT concessions had been made in member state national tariffs; two of the concessions were at rates higher than the new CXT rate. Specific tariff concessions which have been made on rates for photographic cameras, flash apparatus, etc., are shown in table I-10-N.

Table I-10-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on photographic cameras, flash apparatus and certain other equipment

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	20%-45%	11.5%-25%	5.5%-17% ^{2/}	722.10-.16 722.30, .34, .60, .72
Canada-----	30%	20%	15% ^{3/}	46205-1
	30%	15%	15% ^{3/}	46210-1
	10%	Free	Free	46235-1
European Community--	18%; 16%	18%; 16%	13%; 8%	90.07A, B
United Kingdom-----	50%	32%; 40%	20%	90.07 (A)
	20%	16%	10%	90.07 (B)
Japan-----	15%	15%	7.5%	90.07-1 (1)
	40%	30%	15%	90.07-1 (2)
	20%; 30%	30%	15%	90.07-2, .07-3

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Certain cameras valued under \$10 each not reduced in the Kennedy Round.

^{3/} Rates shown are the official MFN rates, presently superseded by temporary rates of 10 percent. The temporary rates are subject to possible renewal in February, 1974.

Watches and Clocks

Watches and clocks include all watches and clocks, watch and clock movements and cases, instrument panel clocks for vehicles and aircraft, and time of day recording apparatus. Not covered are accessories such as watch glasses, watch chains and straps. 1/

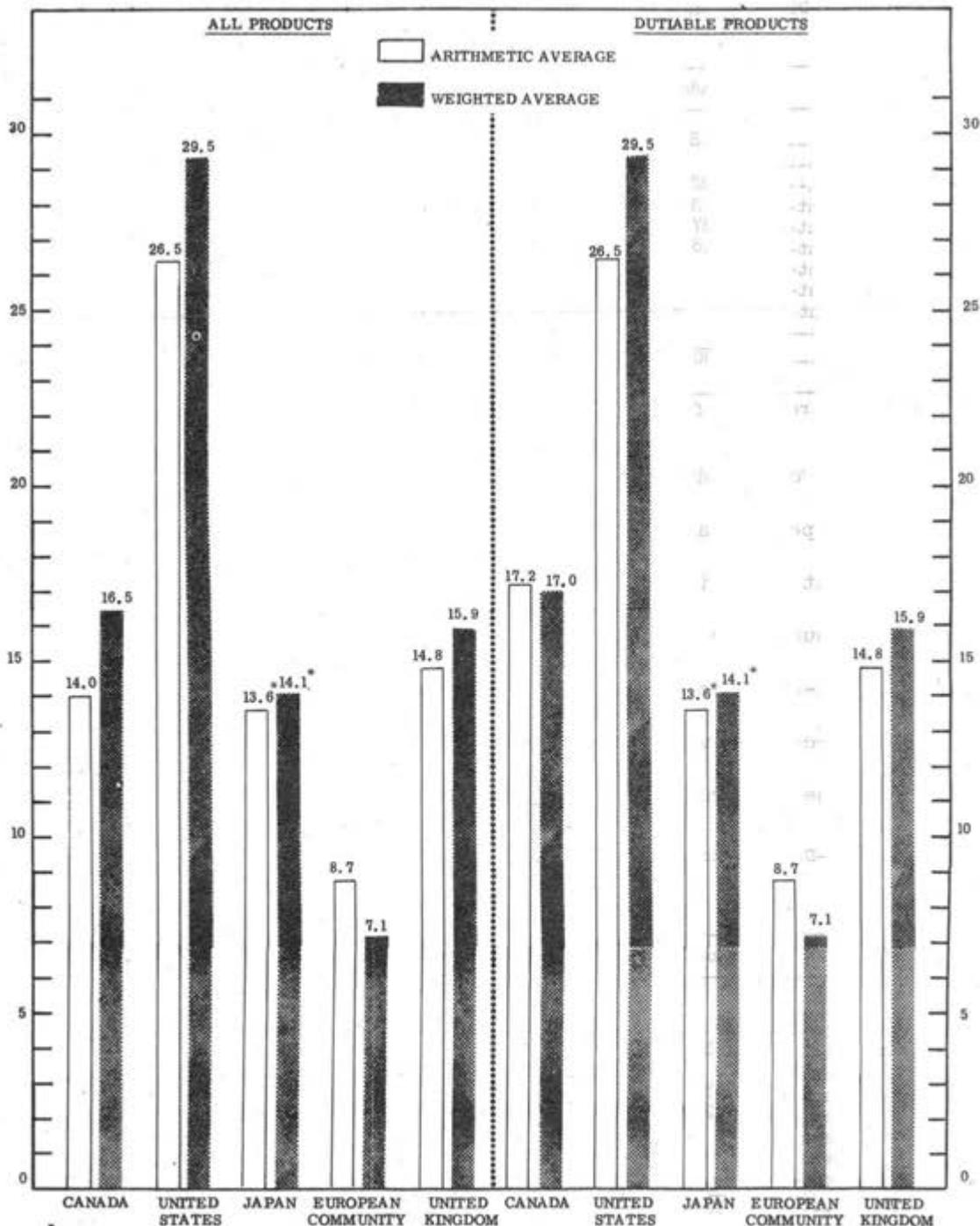
MFN tariffs

The tariff averages for watches and clocks range widely. For total imports, the range is from 8.7 percent to 26.5 percent ad valorem for the arithmetic averages and from 7.1 percent to 29.5 percent ad valorem for the weighted averages (chart I-10-I). The European Community has the lowest averages; the United States the highest. For the dutiable products, only the Canadian averages change, rising slightly.

Of the five major countries, only Canada has MFN duty-free provisions for watches and clocks (table I-10-0). Over 18 percent of Canadian MFN tariff provisions are duty free, over one-fifth in the 5.1-10 percent ad valorem bracket, and 37 percent in the 15.1-20 percent bracket. Nearly 15 percent of U.S. provisions are in both the 15.1-20 percent and 25.1-30 percent ad valorem brackets, one-fifth in the 20.1-25 percent range and over one-fourth in the 30.1-40 percent range. U.S. tariff provisions on watches and clocks rise beyond 50 percent ad valorem. In the Japanese tariff schedule, 44 percent of the provisions are in the 10.1-15 percent range, while 24 percent of the provisions are found in both the 5.1-10 percent and 15.1-20 percent rate classes. Almost 90 percent of EC tariff provisions are in the 5.1-10 percent bracket. The vast majority (nearly 71 percent) of United Kingdom tariff provisions are in the 15.1-20 percent range.

1/ For specific coverage of this subsector, see BTN headings 91.01-.11.

Chart I-10-1. -- Average MFN tariff rates on watches and clocks
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions in 1972 on most Japanese rates in this sector; several rates were reduced by amounts ranging from 32 percent to 66 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-10-O.--Distribution, by duty level, of MFN tariff provisions for watches and clocks

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	18.5	-	-	-	-
0.1-5.0 percent----	-	0.7	8.0	-	-
5.1-10.0 percent---	22.2	5.3	24.0	88.9	29.4
10.1-15.0 percent--	3.7	10.0	44.0	11.1	-
15.1-20.0 percent--	37.0	14.7	24.0	-	70.6
20.1-25.0 percent--	18.5	19.3	-	-	-
25.1-30.0 percent--	-	14.7	-	-	-
30.1-40.0 percent--	-	26.0	-	-	-
40.1-50.0 percent--	-	6.7	-	-	-
Over 50 percent----	-	2.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Over 70 percent of Canadian imports are divided between the 5.1-10 percent and 15.1-20 percent ad valorem brackets. Nearly two-thirds of U.S. imports enter at rates in the 30.1-40 percent range. Of shipments into Japan, almost one-fourth are in the 10.1-15 percent rate class and nearly one-half in the 15.1-20 percent class. Almost 98 percent of EC entries paid duties of 5.1-10 percent ad valorem; 87 percent of United Kingdom imports enter at rates in the 15.1-20 percent range (see table I-10-P).

Table I-10-P.--Distribution, by duty level, of MFN imports of watches and clocks

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	3.5	-	-	-	-
0.1-5.0 percent----	-	1.0	21.2	-	-
5.1-10.0 percent---	34.0	1.0	6.5	97.7	12.7
10.1-15.0 percent--	2.9	0.7	24.1	2.3	-
15.1-20.0 percent--	38.7	3.2	48.1	-	87.3
20.1-25.0 percent--	20.9	18.2	-	-	-
25.1-30.0 percent--	-	10.0	-	-	-
30.1-40.0 percent--	-	64.2	-	-	-
40.1-50.0 percent--	-	1.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

World production

Output of watches in the principal watch-producing countries of the world increased from 121 million units in 1965 to 163 million units in 1969. Switzerland supplies nearly 45 percent of world output; nearly 40 percent of the output in 1969 came from the five major countries whose tariffs are being compared. Among the five countries, Japan and the European Community are the largest producers, each accounting for 13 percent of world output. The United States ranks next in importance in the world output of watches, accounting for 11 percent of the total, followed by the United Kingdom, which accounts for 2 percent of the total. Canada is not a significant producer of watches.

Trade importance

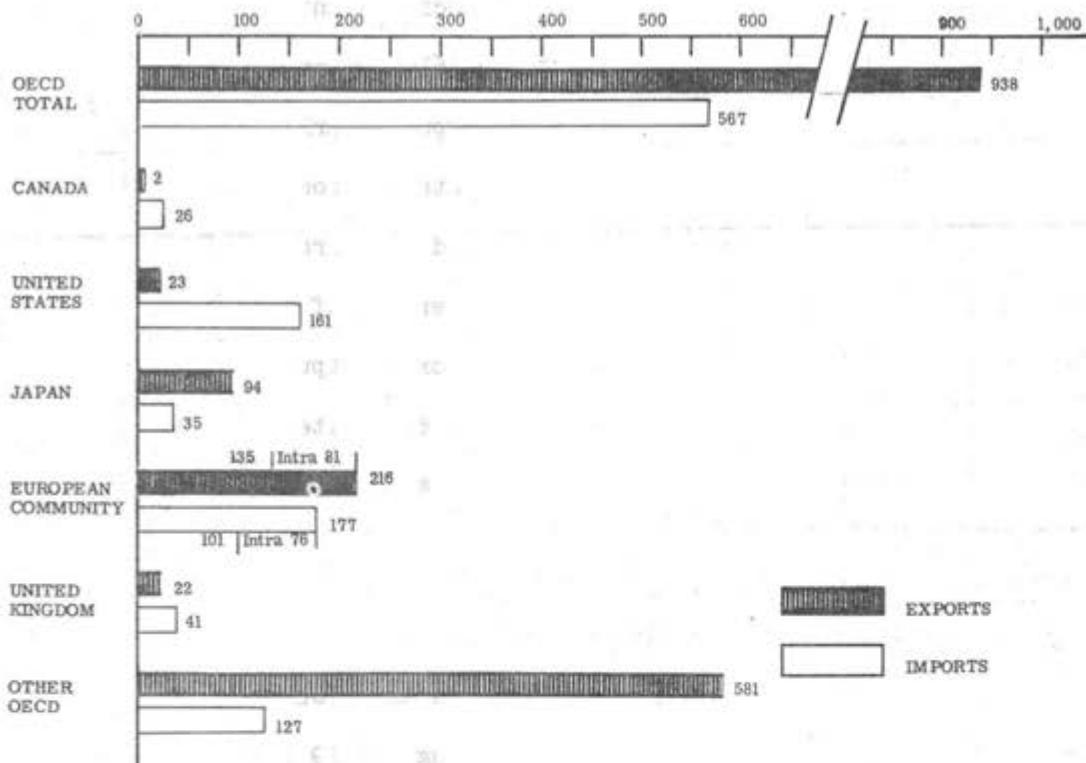
OECD countries exported \$938 million of watches and clocks in 1969, and imported \$567 million (chart I-10-J), accounting for 19 percent of OECD exports in the professional apparatus sector and 16 percent of imports. It is the smallest category within this sector in OECD trade. It is also the smallest category of professional apparatus in U.S. imports, which have increased from \$139 million in 1967 to \$190 million in 1971.

Trade network

The five major countries account for only 38 percent of OECD exports and about 78 percent of imports (tables I-10-Q and R). Of the five major countries, the European Community is the principal exporter, shipping \$135 million to outside countries. Canada is the least important exporter. Nearly three-fourths of Japanese exports, over one-third of U.S. exports and one-fourth

Chart I-10-J. -- OECD trade in watches and clocks, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of EC and United Kingdom exports go to non-OECD countries. Sixty-one to 86 percent of the imports of the United States, United Kingdom, European Community and Japan come from "other" OECD countries; Canada's imports enter mainly from the United States and the United Kingdom. Of the five major countries, the United States is the most important importer although it has the highest tariff averages. Intra-EC imports equal about three-fourths the value of EC shipments to outside nations.

Trade-agreement concessions

Average tariff levels of all the major countries have been significantly reduced through trade-agreement concessions, as shown in the

Table I-10-Q.-- OECD exports of watches and clocks, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	938	2	23	94	1/ 216	22	581
OECD total-----	595	1	16	24	183	17	354
Canada-----	23	-	5	1	4	4	9
United States---	180	X	-	12	38	5	125
Japan-----	31	-	4	-	4	X	23
European Community-----	1/ 201	X	3	3	81	4	110
United Kingdom--	37	X	1	3	8	-	25
Other OECD-----	123	X	3	5	48	4	63
Non-OECD total----	345	1	8	70	34	5	227
LDC's-----	306	1	7	66	26	2	204

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-10-R.-- OECD imports of watches and clocks, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	567	26	161	35	1/ 177	41	127
OECD total-----	551	24	158	34	174	39	122
Canada-----	2	-	X	X	X	2	X
United States---	21	6	-	7	4	1	3
Japan-----	28	1	15	-	2	3	7
European Community-----	1/ 177	4	30	4	76	8	55
United Kingdom--	22	6	6	X	5	-	5
Other OECD-----	301	7	107	23	87	25	52
Non-OECD total----	16	1	3	2	4	1	5
LDC's-----	9	1	3	1	1	X	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

following tabulation. The largest reduction was a total of 51 percentage points in the United States tariff average. Specific duties are significant for the United States (89.3 percent of tariff lines, 94.3 percent of MFN imports), the European Community (16.7 percent of tariff lines, 60 percent of imports) and the United Kingdom (11.8 percent of tariff lines, 15 percent of imports).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	80.7	29.5
European Community	12.6	7.1
United Kingdom	33.3	15.9
Japan	24.4	14.1
Canada	26.9	14.0

Concessions under the GATT cover all MFN tariff provisions on watches and clocks in the schedules of the United States, Japan, the United Kingdom, and the European Community. In Canada's schedule, 74 percent of the provisions and 96 percent of the trade are covered. EC member state national tariffs prior to adoption of the CXT contained 81 GATT concessions on watches and clocks, 26 of which were at rates higher than the CXT rate.

Trade-agreement concessions in major country tariffs dealing with watches are shown in table I-10-S. The U.S. rates of duty on watches were reduced by 75 percent from the pre-trade-agreement rate; the Japanese by 75 percent; and the United Kingdom by 50 percent. The reductions in the rates of duty on watches granted by Canada and the Community were somewhat less. The Community, however, had lower pre-trade-agreement rates than the other nations.

Table I-10-S.--Pre-trade-agreement tariff rates compared with
January 1, 1972, MFN tariff rates on watches

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States <u>2/</u> ----	120.5% AVE <u>2/</u>	35.6% AVE	31% AVE	715.0503
Canada-----	35% <u>3/</u>	30% <u>4/</u>	20%	36600-1
European Community--	13% <u>5/</u>	11% <u>6/</u>	8.6% <u>7/</u>	91.01
United Kingdom-----	33.3%	33.3-20%	10%-17%	91.01
Japan-----	30%-40% <u>8/</u>	30%; 30% plus 300 yen per piece; 40%	7.5%-10%	91.01

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ The ad valorem equivalent of the duty shown has been computed based on the imports of the individual components of the watches; i.e., the movements and the cases.

3/ Not less than 40¢ each.

4/ Not less than 40¢ each when imported under MFN or general tariff.

5/ Not less than 0.50 CMU each.

6/ Not less than 1.20 CMU nor more than 1.50 CMU each.

7/ Not less than 0.40 CMU nor more than 1.05 CMU each.

8/ Fifty percent with gold or platinum case.

Note.--The duties shown for the United States are not for total imports of watches, but rather are representative of imports in a wide range of articles.

120
 110
 100
 90
 80
 70
 60
 50
 40
 30
 20
 10
 0

100
 200
 300
 400
 500
 600
 700
 800
 900
 1000



part 4

**minor industrial and
agricultural product
sectors: tariffs and
other trade barriers**

Report to the
Committee On Finance
of the United States Senate
and its
Subcommittee On
International Trade

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 10 OF 11

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TRADE BARRIERS

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- I-12. Precious stones, precious metals and manufactures
- I-13. Rubber and rubber manufactures
- I-14. Raw hides and skins, leather and furskins
and manufactures
- I-15. Footwear and travel goods
- I-16. Musical instruments, sound recording or reproduction
apparatus
- I-17. Firearms, ammunition, tanks and other armored
fighting vehicles
- I-18. Furniture
- I-19. Toys and sporting goods
- I-20. Photographic and cinematographic supplies
- I-21. Works of art and collectors' pieces
- I-22. Office and stationery supplies
- I-23. Manufactured articles not elsewhere specified



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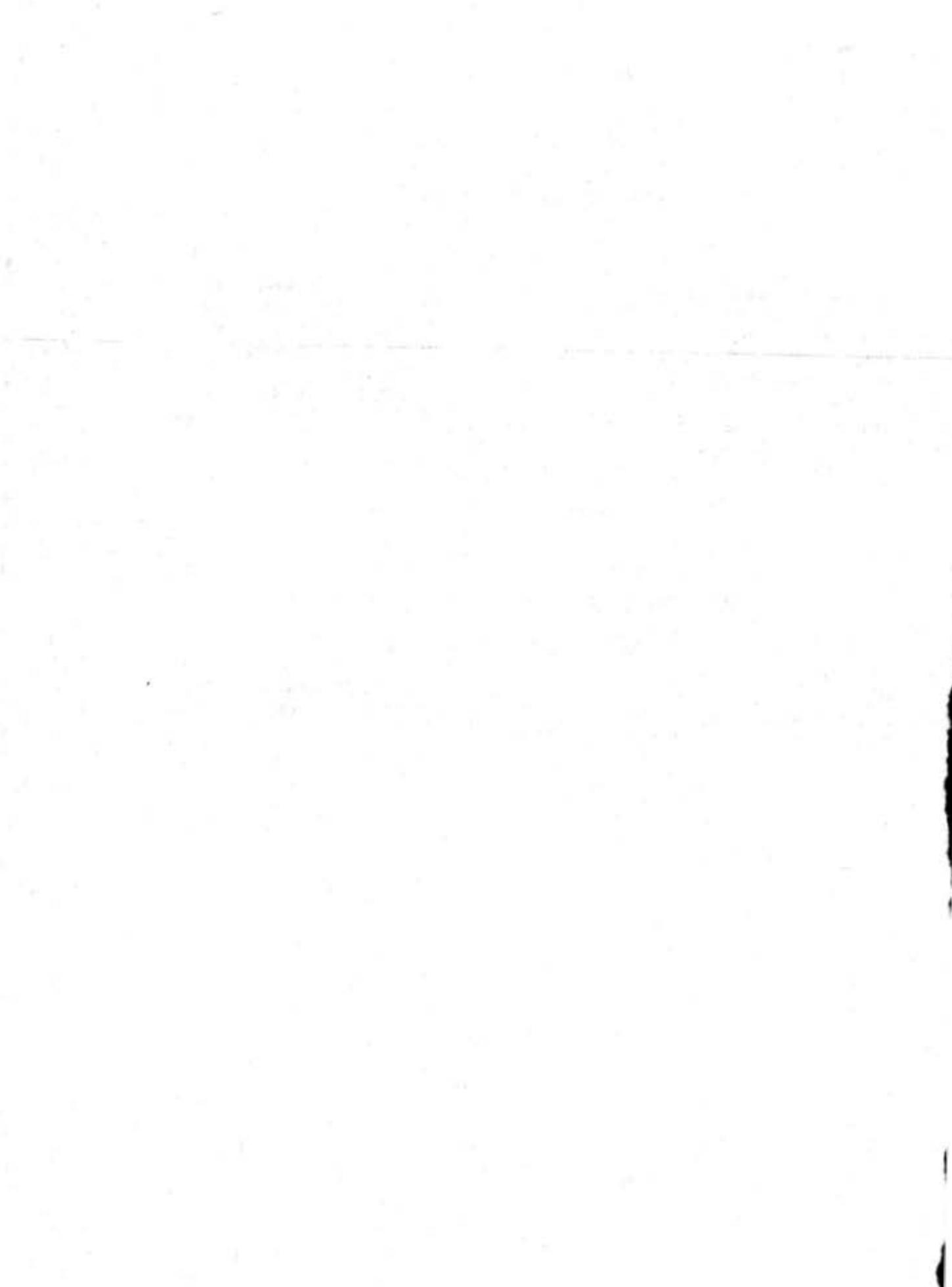
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INDUSTRIAL PRODUCT SECTORS

Introduction

Industrial products are defined in this report as all products provided for in chapters 25 through 99 of the Brussels Tariff Nomenclature. ^{1/} The industrial products have been grouped into 23 sectors for the purpose of discussing in detail the applicable tariffs, nontariff trade barriers, and the direction of major trade flows.

The format followed for the presentation for each sector includes an examination of MFN tariffs of the United States, Canada, Japan, the European Community (of six), and the United Kingdom; the sector's trade importance and trade network; the trade composition; trade-agreement concessions which have taken place; and an account of the complaints submitted to the Commission concerning trade barriers affecting products in the sector. Tariff and trade data for the most significant subsectors in each sector are discussed in the same way.

The industrial sectors are numbered according to the order of their importance in total OECD export trade in industrial products in 1969, as follows:

- I-1. Nonelectrical machinery
- I-2. Transport equipment
- I-3. Ores, metals and metal manufactures
- I-4. Chemicals
- I-5. Textiles

^{1/} See the appendix to chapter XIII.

- I-6. Electrical machinery
- I-7. Pulp, paper and paperboard, and manufactures
- I-8. Coal, petroleum, natural gas, and certain derived products
- I-9. Mineral products and fertilizers
- I-10. Professional, scientific and controlling instruments, clocks, and watches
- I-11. Wood and cork and manufactures
- I-12. Precious stones, precious metals and manufactures
- I-13. Rubber and rubber manufactures
- I-14. Raw hides and skins, leather and furskins, and manufactures
- I-15. Footwear and travel goods
- I-16. Musical instruments, sound recording or reproduction apparatus
- I-17. Firearms, ammunition, tanks and other armored fighting vehicles
- I-18. Furniture
- I-19. Toys and sporting goods
- I-20. Photographic and cinematographic supplies
- I-21. Works of art and collectors' pieces
- I-22. Office and stationery supplies
- I-23. Manufactured articles not elsewhere specified

Sectors I-1 through I-4 are found in volume 8, sectors I-5 through I-10 in volume 9, and sectors I-11 through I-23 in volume 10. A comparison of tariffs among sectors is found in chapter IV.

Some general observations on the interpretation of the data presented in the sectors is found in chapter XIII.

WOOD AND CORK AND MANUFACTURES

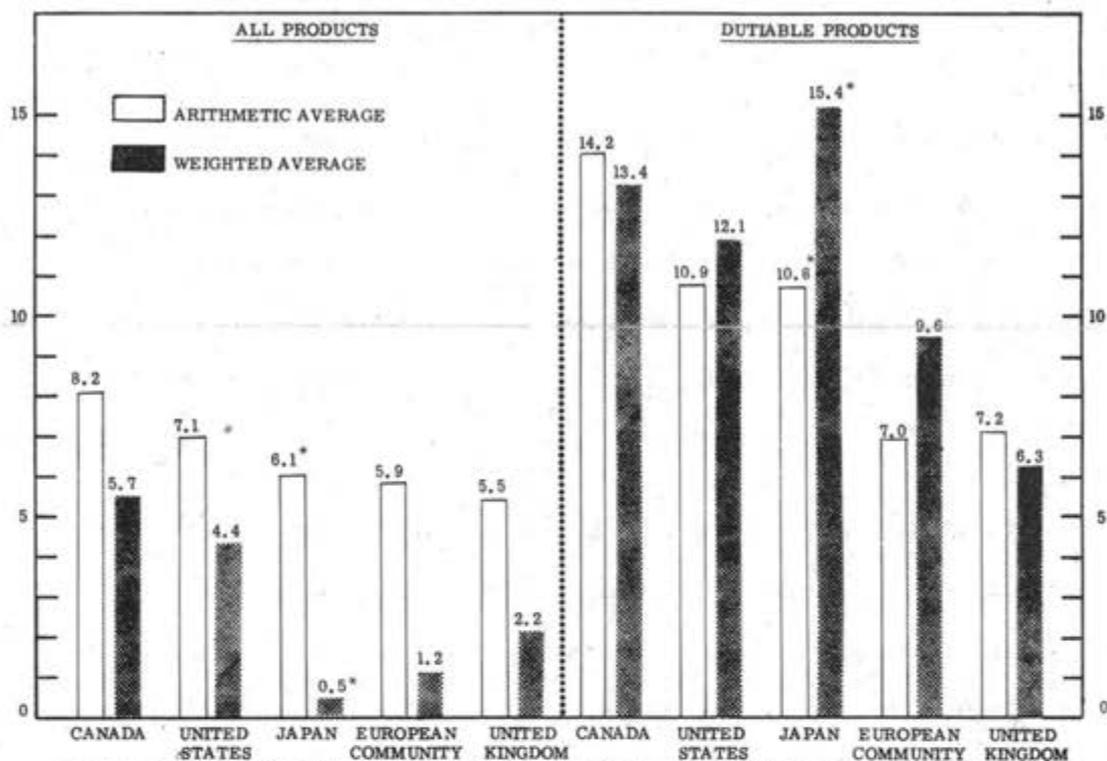
The wood and cork and manufactures sector includes unmanufactured and semifinished wood or cork, pulpwood, and manufactured articles essentially of wood and cork. The sector excludes: Pulp, paper, and paperboard (and related products); furniture; toys and musical instruments; parts of firearms; smoking pipes; buttons; and pencils. ^{1/}

MFN tariffs

MFN imports of wood and cork and manufactures into the five major countries usually face somewhat lower average tariffs than those for industrial products taken as a whole. The arithmetic averages for all products in the wood and cork sector range from 5.5 to 8.2 percent ad valorem; the weighted averages from 0.5 to 5.7 percent (chart I-11-A). The United Kingdom has the lowest arithmetic average tariff (5.5 percent) and Canada the highest (8.2 percent). The lowest weighted average is held by Japan (0.5 percent) and the highest by Canada (5.7 percent). For dutiable products only, the averages range from 6.3 percent to 15.4 percent ad valorem. Japan has the highest weighted average (15.4 percent). Canada has both the highest arithmetic average and second highest weighted average (14.2 percent and 13.4 percent, respectively). The substantial importation of MFN duty-free goods into all the major countries (particularly Japan) causes averages on all products to be significantly below those for dutiable imports alone.

^{1/} For the specific coverage of this sector, see BTN chapters 44 and 45. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-11-A.--Average MFN tariff rates on wood, cork, and manufactures
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by 20 percent on about one-fourth of the Japanese rates in this sector; in addition one class was reduced by 40 percent and one other by 100 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of tariff provisions by duty level is shown in table I-11-A. Tariff schedules for the five major countries all contain MFN duty-free provisions for wood and cork. Between 35 and 43 percent of the provisions of Canada, the United States, and Japan in this sector are duty free, as are 15 percent of European Community provisions and nearly one-fourth of those of the United Kingdom. All five major countries, except Canada, have one-fourth to over one-third of their provisions in the 5.1-10 percent ad valorem bracket. Over one-fourth of the Canadian provisions are in the 10.1-15 percent range, and a small portion of Canadian rates range into the 40.1-50 percent ad valorem bracket. The

Table I-11-A.--Distribution, by duty level, of MFN tariff provisions for wood and cork and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	42.5	34.8	43.2	14.9	24.3
0.1-5.0 percent----	3.4	10.5	12.2	31.9	40.5
5.1-10.0 percent---	14.9	32.0	25.7	38.3	27.0
10.1-15.0 percent--	26.4	3.9	12.2	10.6	6.8
15.1-20.0 percent--	11.5	11.0	5.4	4.3	1.4
20.1-25.0 percent--	-	7.2	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	.6	1.4	-	-
40.1-50.0 percent--	1.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

highest rates of the United States and Japan are in the 30.1-40 percent bracket; the European Community and the United Kingdom have no rates above the 20 percent ad valorem level. The majority of MFN imports by the five major countries enter free (table I-11-B).

Table I-11-B.--Distribution, by duty level, of MFN imports of wood and cork and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	57.5	64.0	96.6	87.0	65.7
0.1-5.0 percent----	1.0	5.6	.1	1.4	25.6
5.1-10.0 percent---	8.8	15.3	1.2	6.0	6.4
10.1-15.0 percent--	32.1	.4	.3	4.0	1.3
15.1-20.0 percent--	.5	14.5	1.8	1.5	.9
20.1-25.0 percent--	-	.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Imports of wood and cork and manufactures receiving preferential treatment are significant only for the United Kingdom, where one-fourth of total imports come from sources which receive preferences in dutiable products. Intra-EC shipments are equal to almost one-fourth of Community imports from outside sources.

The United States has the most detailed tariff schedule for wood and cork and manufactures with 130 tariff lines, while the European Community has the least detail with 47 tariff lines; Canada has 60 tariff lines and Japan and the United Kingdom each 74.

Trade importance

The wood and cork manufactures sector ranks 11th in OECD industrial exports and 9th in imports among the 23 industrial sectors. The sector accounts for 2 percent of OECD industrial exports and 3.6 percent of imports. For the United States, the sector is the 12th most important in industrial exports. It ranked 9th in 1969 and 1970 U.S. imports.

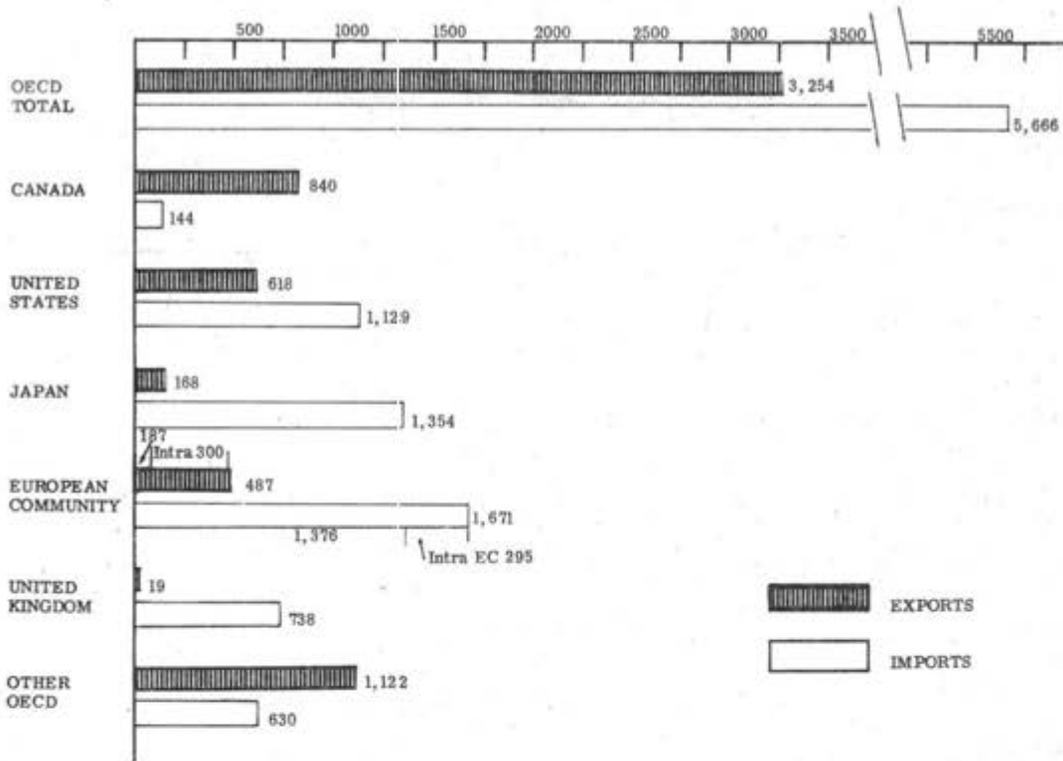
Imports by the GATT tariff study countries were valued at \$4 billion in 1967 and \$5.7 billion in 1970. Intra-EC shipments were an additional \$225 million in 1967 and \$332 million in 1970. OECD 1969 imports were \$5.7 billion (including \$295 million of intra-EC shipments) and exports were \$3.3 billion (see chart I-11-B). In 1970 OECD imports increased to \$6.1 billion and exports to \$3.6 billion.

Trade network

The five major countries account for 65 percent of OECD exports and nearly 90 percent of OECD imports. Most OECD exports of wood and cork go to developed countries, and three-fifths of OECD imports are supplied by developed countries. Canada is the principal exporter of wood and cork, followed by the United States. Japan draws half of U.S. exports; Canada and the European Community take most of the remainder

Chart I-11-B.--OECD trade in wood and cork and manufactures, 1969

(Millions of dollars)

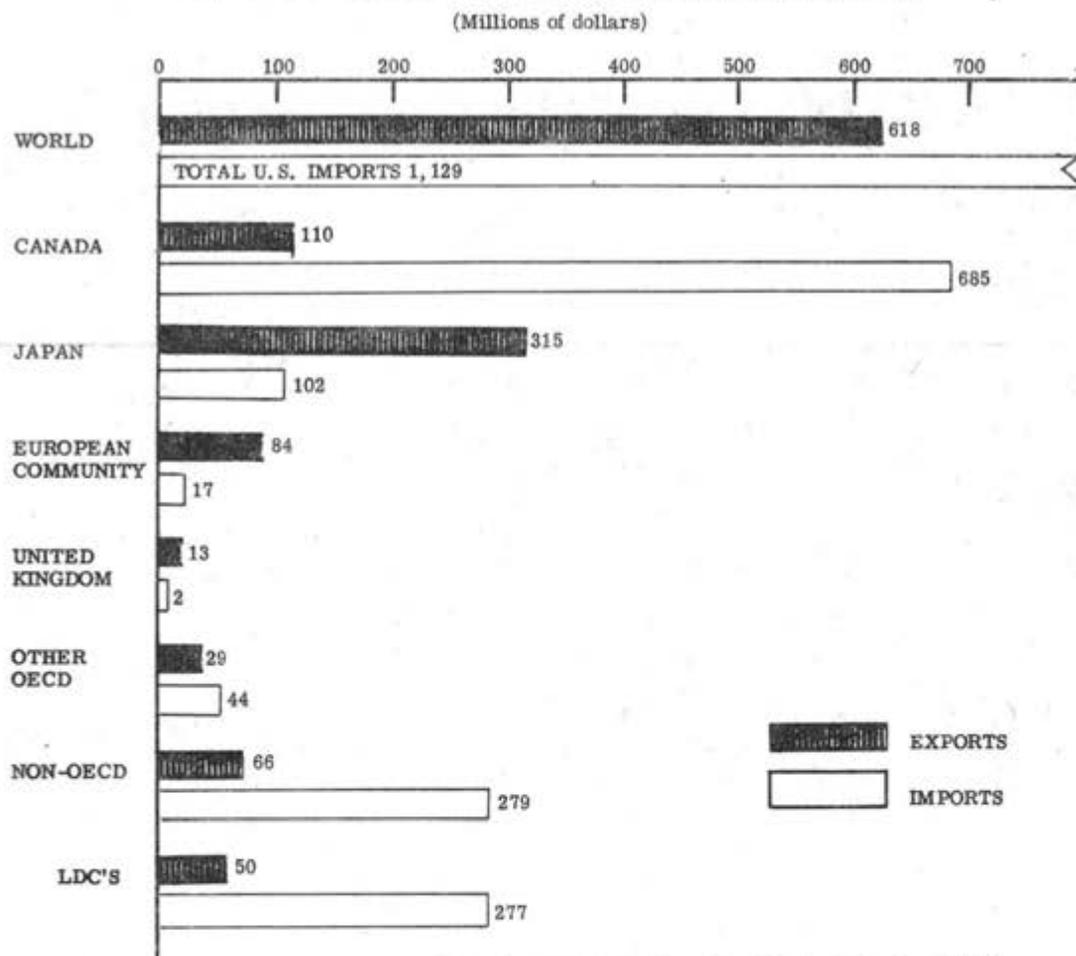


Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

(chart I-11-C). The United States takes over three-fifths of Japanese exports and three-fourths of Canadian exports. EC exports to outside markets equal over three-fifths of intra-EC shipments. The United Kingdom is an insignificant supplier of wood, cork and manufactures (table I-11-C).

Wood and cork and manufactures rank 3rd in industrial imports for Japan, 8th for the United Kingdom, 9th for the United States and the European Community, and 12th for Canada. U.S. imports of wood and cork, and manufactures were valued at \$730 million in 1967, \$1.1 billion in 1969 and \$1.3 billion in 1971. The United States, Japan, and the

Chart I-11-C.-- United States trade in wood and cork and manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

European Community are substantial importers of wood and cork and manufactures. Over half of U.S. imports are supplied by Canada; one-fourth by less developed countries. The United States is the source of over one-third of Japanese imports; LDC's, of over two-fifths. The imports of the European Community and the United Kingdom principally come from "other" OECD countries and non-OECD nations. Canada is not a very significant purchaser of wood, cork and manufactures (table I-11-D).

Table I-11-C.--OECD exports of wood and cork and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,254	840	618	168	<u>1/</u> 487	19	1,122
OECD total-----	2,983	812	551	147	430	13	1,030
Canada-----	129	-	110	13	2	1	3
United States---	822	650	-	107	19	2	44
Japan-----	364	43	315	-	1	X	5
European Community-----	<u>1/</u> 881	43	84	10	300	5	439
United Kingdom--	385	69	13	8	25	-	270
Other OECD-----	402	7	29	9	83	5	269
Non-OECD total----	270	29	66	21	55	7	92
IDC's-----	186	7	50	16	45	3	65

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-11-D.--OECD imports of wood and cork and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,666	144	1,129	1,354	<u>1/</u> 1,671	738	630
OECD total-----	3,353	122	850	555	931	458	437
Canada-----	905	-	685	64	54	91	11
United States---	737	107	-	485	96	16	33
Japan-----	145	11	102	-	11	10	11
European Community-----	<u>1/</u> 420	2	17	2	295	26	78
United Kingdom--	16	1	2	X	6	-	7
Other OECD-----	1,130	1	44	4	469	315	297
Non-OECD total----	2,314	21	279	799	739	280	196
IDC's-----	1,612	20	277	578	502	109	126

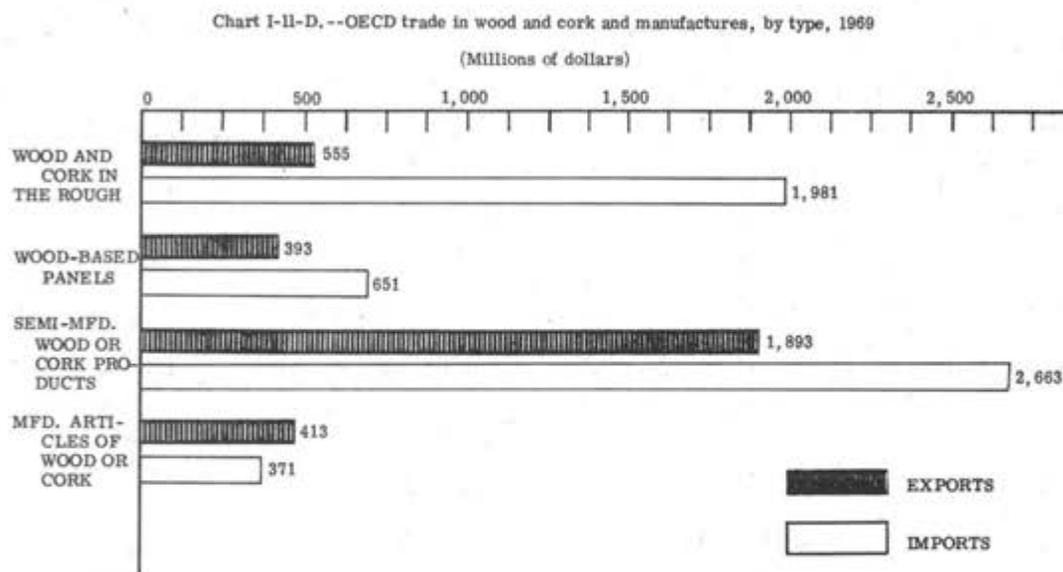
1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Wood and cork and manufactures are divided into four subsectors: Wood and cork in the rough, wood-based panels, semimanufactured wood or cork products, and manufactured articles. The subsector covering semifinished products of wood and cork is the largest in both OECD exports and imports (58 percent of imports and 47 percent of exports), followed by wood and cork in the rough. The relative importance of the four subsectors is shown in chart I-11-D.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For the United States, the United Kingdom, the European Community, and Canada, average tariff levels on January 1, 1972, for wood and cork and manufactures were below levels existing on pre-trade-agreement base

dates; for Japan, average tariff levels remained constant. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	14.4	4.4
European Community	1.6	1.2
United Kingdom	11.7	2.2
Japan	0.5	0.5
Canada	17.5	8.2

Concessions under the GATT have been made on all MFN provisions for wood and cork and manufactures in the tariff schedules of the European Community and on virtually all U.S. provisions. In the Canadian schedule, 89 percent of the tariff provisions, covering 99 percent of MFN imports are fully covered by GATT concessions; for the United Kingdom, 92 percent of provisions, covering 98 percent of imports. For Japan, 65 percent of tariff provisions covering 6 percent of MFN imports are fully covered by GATT concessions; for 7 percent of the provisions covering 1 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the Common External Tariff (CET) contained tariff concessions on wood and cork and manufactures negotiated under the GATT.

The number of such concessions totaled 197, of which 116 reflected rates higher than the autonomous rate established in the CXT, 28 were at the CXT rate, and 53 were below the CXT rate.

Trade complaints

The Tariff Commission received 59 complaints from manufacturers and traders of wood and cork and manufactures; about 40 percent of the complaints dealt with standards, about 25 percent with quantitative restrictions and licensing practices. Two-thirds of the complaints were against developed countries, principally the United States.

Standards.--Respondents complained that the lack of international standards among countries for calculating strength values of plywood and other lumber products and the inequality in standards among nations in land utilization hindered or distorted international marketing of forestry products. It was stated that since West German building codes vary from district to district, a wide range of materials are restricted. Complainants mentioned that in West Germany only five veneer plys in 3/8 inch softwood plywood may be used. In the United States, imported lumber products must be tested to meet specifications and standards set by U.S. industrial and professional associations designed for U.S. products. Foreign suppliers feel these standards are discriminatory because they are tailored to the U.S. product. Australia, New Zealand, Italy, and South Africa require certificates stating that imported lumber is disease free. U.S. producers of marine safety equipment complained that U.S. equipment must be approved during the manufacturing stage; this approval,

however, is not applicable to foreign equipment. The fact that the United States does not use the metric system of measure was felt to cause discrimination against U.S. products in the world market.

Quantitative restrictions and licensing.--U.S. importers claimed that the United States forced voluntary quotas upon foreign suppliers of plywood and lumber. Egypt was alleged to have embargoes in effect on wood manufactures unless the imports are specifically approved by a government ministry; Senegal embargoes certain construction materials. Iceland was reported to have global quotas on building board and reconstituted wood. Irish quotas on cork and cubes were a source of complaint. In addition, complaints were received concerning the requirement of import licenses for wood and related products by Malta, Italy, Cyprus, Barbados, Japan, Canada, and Latin America.

Miscellaneous practices.--Tunisian state trading practices regarding hardwood and hardwood products were felt to hamper trade. Brazilian government franchises on timber and alleged government control of imports by Canada, Japan, and Latin America were also considered to hinder international trade of wood products. U.S. importers of wood complained that the U.S. procedure of assessing duties on bases other than the actual purchase price discouraged trade. It was alleged that U.S. valuation based on the market price at the date of exportation, which may differ from the price at the time of the order, causes uncertainty as to the amount of the duty to be eventually paid.

U.S. producers felt that because of high shipping rates outbound from the United States they were unable to ship or produce lumber in

quantities large enough to compete with wood shipped under the shipping conference rate out of Canada. U.S. producers also complained of inadequate shipping facilities to Caribbean nations. A U.S. importer of Philippine lauan veneer objected to paying a higher U.S. duty on lauan veneer than on other veneers. Canada, Japan, and Latin America were reported to have special taxes on imports of wood and related products.

In the Commission's survey, respondents were requested to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected product would show a "small," "moderate," or "significant" increase if the barrier were removed and, if possible, to estimate a dollar value for the increase. Only 10 respondents gave such assessments. Six estimated a "significant" trade increase and four a "moderate" increase. The number of dollar value estimates received in the wood and cork and manufactures area totaled about \$2 million.

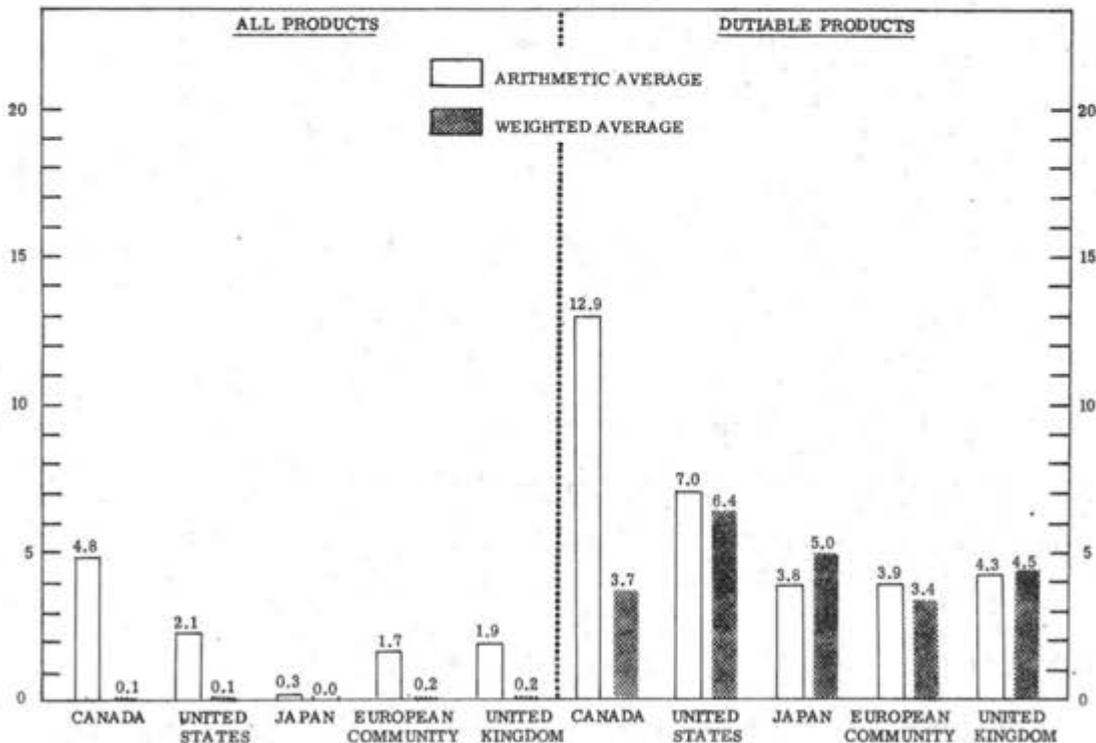
Wood and Cork in the Rough

Wood and cork in the rough include fuel wood; wood waste; wood charcoal; wood roughly squared or half-squared; natural cork, unworked, crushed, granulated and ground; and waste cork. ^{1/}

MFN tariffs

Arithmetic average MFN tariffs of the five major countries for all products in this subsector range from 0.3 to 4.8 percent ad valorem (chart I-11-E). Japan has the lowest arithmetic average tariff (0.3 percent ad valorem) and Canada the highest (4.8 percent). All the weighted

Chart I-11-E.--Average MFN tariff rates on wood and cork in the rough
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GAIT.

^{1/} For the specific coverage of this subsector, see BTN headings 44.01-04 and 45.01.

averages are extremely low, the highest being only 0.2 percent ad valorem. The substantial importation of MFN duty-free goods into the five major countries causes averages on all products to be significantly below averages for dutiable imports alone. For dutiable products only, Canada has the highest arithmetic average (12.9 percent); the United States the highest weighted average (6.4 percent). The lowest arithmetic average is that of Japan at 3.8 percent ad valorem; the lowest weighted average belongs to the Community (3.4 percent).

The distribution of MFN tariff provisions by duty level is shown in table I-11-E. At least 55 percent of the provisions of each of the

Table I-11-E.--Distribution, by duty level, of MFN tariff provisions for wood and cork in the rough

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	62.5	70.0	91.3	55.6	55.6
0.1-5.0 percent----	12.5	20.0	8.6	33.3	44.4
5.1-10.0 percent---	-	-	-	11.1	-
10.1-15.0 percent--	-	10.0	-	-	-
15.1-20.0 percent--	25.0	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

five major countries are duty free. Only the United States and Canada have rates over 10 percent for wood and cork in the rough. Virtually all MFN imports in this subsector enter the five major countries duty free (table I-11-F). With such large proportions of MFN imports duty free, imports of wood and cork in the rough receiving preferential tariff treatment are insignificant.

Table I-11-F.--Distribution, by duty level, of MFN imports of wood and cork in the rough

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	96.1	99.1	100.0	94.0	95.5
0.1-5.0 percent----	3.9	.7	-	5.4	4.6
5.1-10.0 percent---	-	-	-	.6	-
10.1-15.0 percent--	-	.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Japan has the most detailed tariff schedule for wood and cork in the rough with 23 tariff lines, while Canada has the least detailed with 8 tariff lines. Schedules for the United States have 10 tariff lines; the United Kingdom and the European Community, each 9 lines.

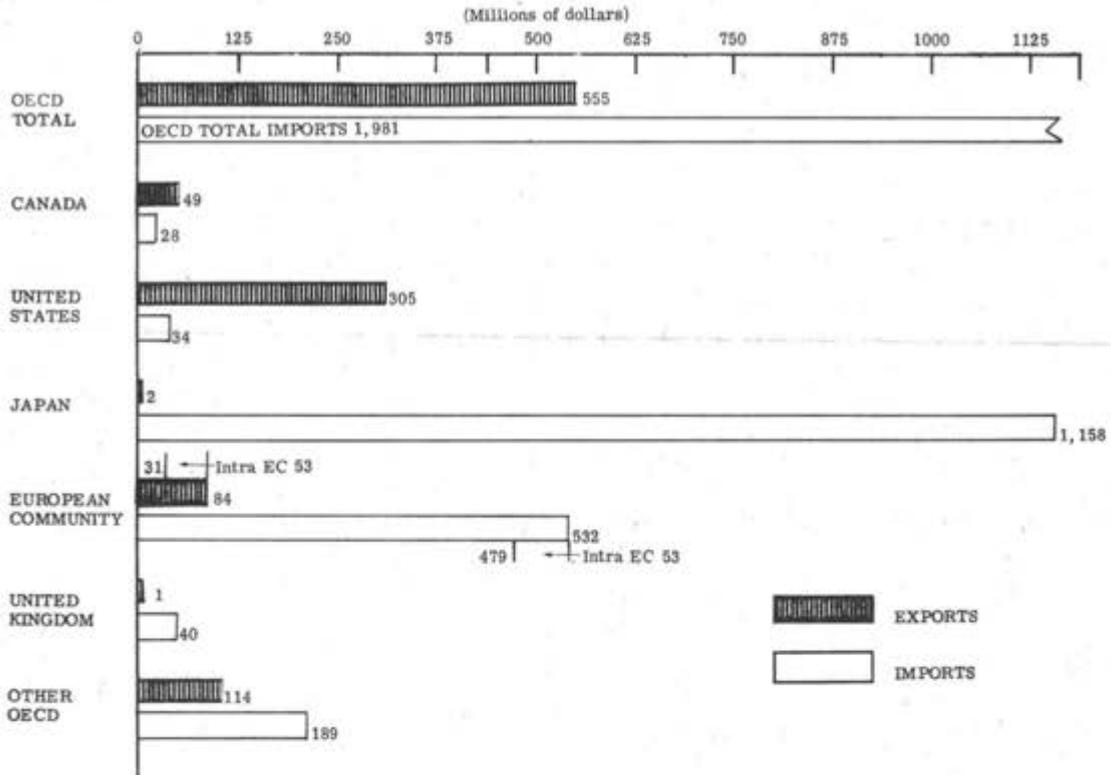
Trade importance

Wood and cork in the rough comprise the second largest category of both OECD exports and imports in the wood and cork and manufactures sector (accounting for 17 percent of exports and 35 percent of imports). In 1969, OECD exports totaled \$555 million; imports, \$2 billion (chart I-11-F). In 1969, U.S. exports of wood and cork in the rough were \$305 million; imports were only \$34 million. U.S. 1971 imports were \$31 million. Among the 119 industrial subsectors, wood and cork in the rough ranks 20th in value of total imports by the GATT tariff study countries. Wood and cork in the rough rank third in value of MFN imports for Japan.

Trade network

The five major countries account for almost 80 percent of OECD exports and 90 percent of OECD imports. Japan takes nearly half of the

Chart I-11-F.--OECD trade in wood and cork in the rough, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

OECD exports of wood and cork in the rough. The United States is the principal exporter, accounting for roughly one-half of total OECD exports (table I-11-G). If intra-EC exports are excluded, the four remaining major countries each account for less than one-tenth of OECD exports. Japan is, by far, the principal importer of wood and cork in the rough, followed distantly by the Community. Non-OECD nations supply two-thirds of OECD imports, including 65 percent of Japanese imports. Canada, the United States, and the United Kingdom are insignificant importers in this subsector (table I-11-H).

Table I-11-G.-- OECD exports of wood and cork in the rough, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	555	49	305	2	<u>1/</u> 84	1	114
OECD total-----	488	48	296	X	69	1	74
Canada-----	25	-	25	-	-	X	-
United States---	33	33	-	-	X	X	X
Japan-----	252	7	246	-	X	X	-
European Community-----	<u>1/</u> 105	6	19	X	53	1	26
United Kingdom--	8	2	X	-	1	-	5
Other OECD-----	65	X	6	-	15	X	44
Non-OECD total----	21	X	7	2	6	X	6
LDC's-----	18	X	7	2	5	X	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 11 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-11-H.--OECD imports of wood and cork in the rough, 1969.

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,981	28	34	1,158	<u>1/</u> 532	40	189
OECD total-----	649	27	20	402	118	12	70
Canada-----	46	-	20	11	9	3	3
United States---	450	27	-	392	24	X	7
Japan-----	-	-	X	-	X	X	-
European Community-----	<u>1/</u> 64	X	X	X	53	1	10
United Kingdom--	1	X	X	-	1	-	-
Other OECD-----	88	X	-	-	32	8	48
Non-OECD total----	1,265	-	9	751	378	26	101
LDC's-----	965	-	9	539	322	20	75

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Reductions in the already low average duty levels on wood and cork in the rough made by the five major countries since their pre-trade-agreement base dates are shown in the following tabulation. The lower levels principally reflect concessions granted in reciprocal negotiations. For all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Though specific rates are significant in the tariffs of the United States and Canada, only a small proportion of imports are assessed at specific rates.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	0.2	0.1
European Community	0.5	0.2
United Kingdom	0.5	0.2
Japan	0.0	0.0
Canada	10.3	4.8

Concessions under the GATT have been made on all MFN provisions for wood and cork in the rough in the tariff schedules of the United States and the European Community. GATT concessions cover 75 percent of Canada's tariff provisions and all Canadian MFN imports; 78 percent of United Kingdom provisions (87 percent of imports); and about two-thirds of Japanese provisions, covering 6 percent of imports.

The national tariffs of all member states of the European Community prior to adoption of the Common External Tariff (CXT) contained tariff concessions on wood and cork in the rough under the GATT. The number of such concessions totaled 41, of which 22 were at rates above the CXT autonomous rate, 13 were at the CXT rate, and 6 were below the CXT rate.

Specific tariff concessions made by the five major countries on wood in the rough, the largest category of trade in this subsector, are shown in table I-11-I, which illustrates the primarily duty-free status of products in this subsector.

Table I-11-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on wood in the rough

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	200.35, .60
Canada-----	Free	Free	Free	50000-1; 50010-1; 50040-1
European Community--	5% 8%; Free	5% 6%	Free 3%; Free	44.03 A 44.03 B
United Kingdom-----	Free 10%	Free 8%	Free 4%	44.03 (A)(B) 44.03 (C)(1)
Japan-----	20% 5% Free	20% 5% Free	Free 5% Free	44.03-1 44.03-2 44.03-3

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

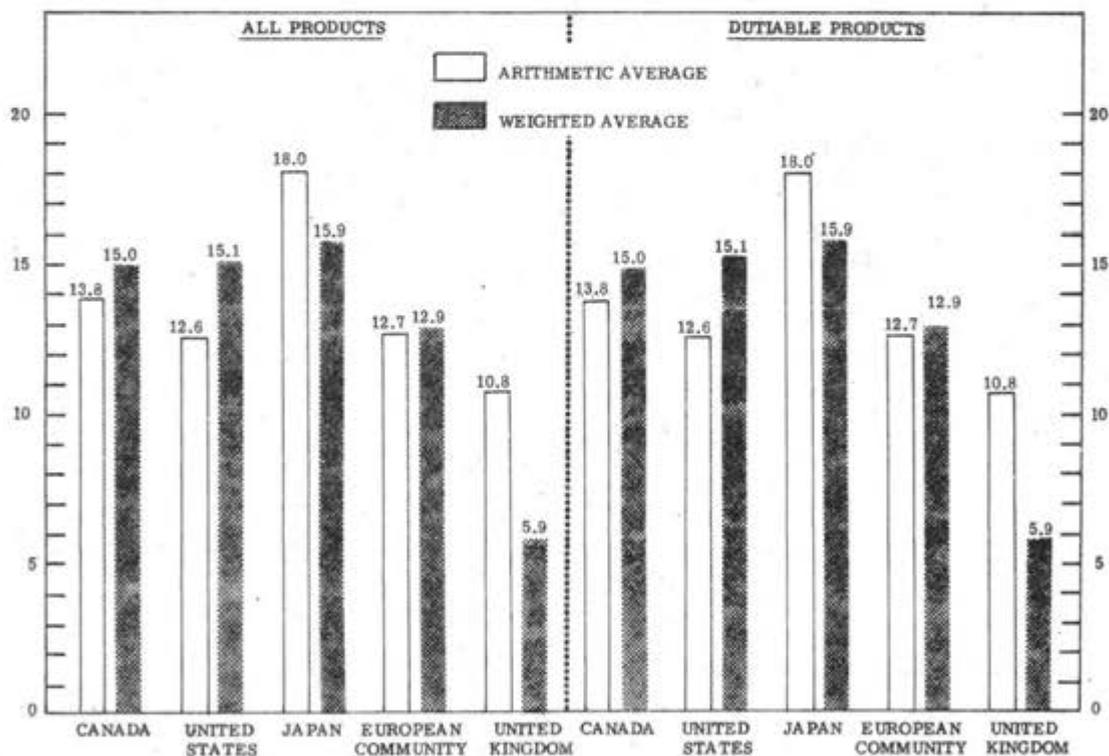
Wood-Based Panels

Wood-based panels include plywood, reconstituted wood, blockboard, inlaid wood, wood marquetry, and laminated wood products such as veneered panels and sheets. ^{1/}

MFN tariffs

Arithmetic average MFN tariffs of the five major countries for wood-based panels range from 10.8 to 18 percent ad valorem; the weighted averages from 5.9 to 15.9 percent. For all products, the United Kingdom

Chart I-11-G.--Average MFN tariff rates on wood-based panels
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For the specific coverage of this subsector, see BTN headings 44.15 and 44.18.

has both the lowest arithmetic and weighted tariff averages and Japan holds the highest averages. The averages for dutiable products are identical to those for all products since there are no duty-free provisions in this subsector (chart I-11-G).

The distribution of MFN tariff provisions by duty level, is shown in table I-11-J. The tariff schedules of the five major countries contain

Table I-11-J.--Distribution, by duty level, of MFN tariff provisions for wood-based panels

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	-	-	-	25.0
5.1-10.0 percent---	25.0	54.2	-	-	50.0
10.1-15.0 percent--	75.0	16.7	40.0	100.0	-
15.1-20.0 percent--	-	29.2	60.0	-	25.0
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

no MFN duty-free provisions for wood-based panels. Half of the provisions of both the United States and the United Kingdom are in the 5.1-10 percent ad valorem bracket, as are one-fourth of the Canadian provisions. Three-fourths of the provisions of Canada and all EC provisions are in the 10.1-15 percent bracket. Three-fifths of the Japanese provisions are in the 15.1-20 percent bracket, as are 30 percent of those of the United States and one-fourth of United Kingdom provisions.

All Canadian, European Community and over four-fifths of Japanese imports enter at rates between 10.1 and 15 percent ad valorem. Nearly 60 percent of U.S. imports enter at rates between 15.1 and 20 percent ad valorem; the remaining U.S. imports enter in the 5.1-10 percent range. About 90 percent of United Kingdom imports enter at rates in the 0.1-5 percent range (table I-11-K).

Table I-11-K.--Distribution, by duty level, of MFN imports of wood-based panels

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	-	-	-	88.4
5.1-10.0 percent----	-	42.1	-	-	8.1
10.1-15.0 percent--	100.0	-	82.0	100.0	-
15.1-20.0 percent--	-	57.9	18.0	-	3.4
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

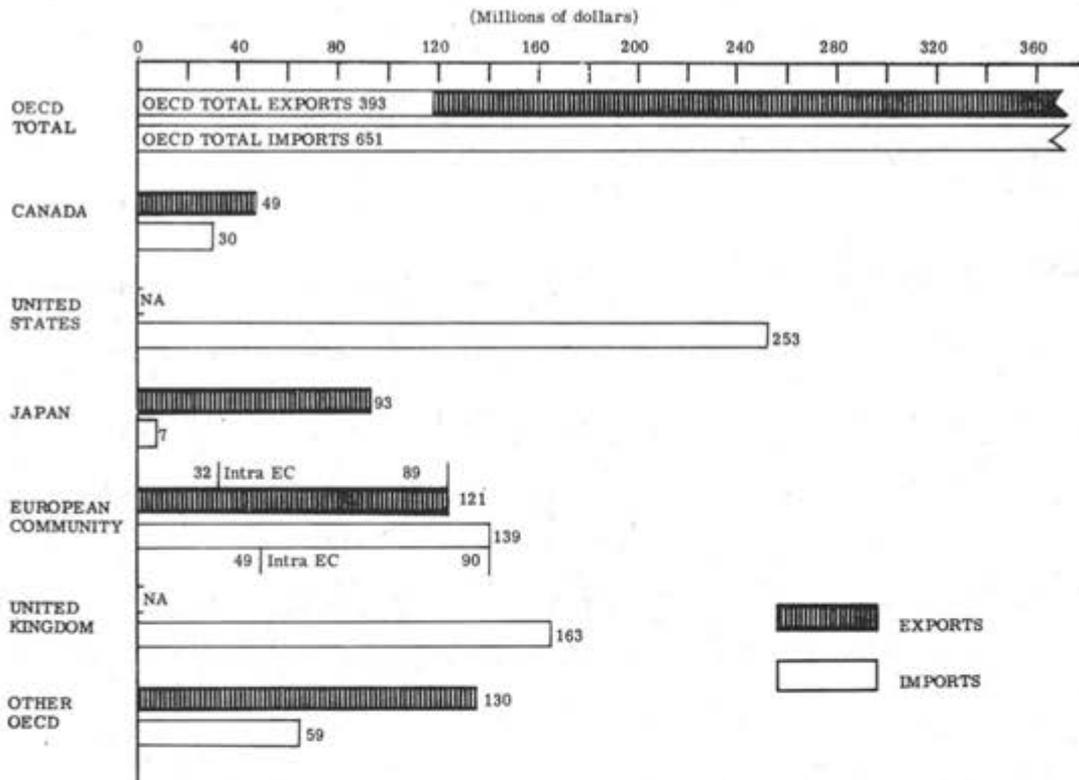
Imports of wood-based panels receiving preferential tariff treatment are significant for the United Kingdom, the United States, and the European Community. Such treatment is accorded two-thirds of total United Kingdom imports and about 16 percent of total U.S. and EC imports.

The United States has the most detailed MFN tariff schedule for wood-based panels with 24 tariff lines, while the Community has the least detailed with 3 tariff lines; Canada has 8 tariff lines; Japan has 5 and the United Kingdom, 4.

Trade importance

Wood-based panels account for about 12 percent of OECD exports of wood and cork and manufactures and 11 percent of OECD imports. In 1969, OECD exports of wood-based panels totaled \$393 million; imports, \$651 million (chart I-11-H). In 1969, U.S. imports of wood-based panels were \$253 million. U.S. 1971 imports were \$263 million. This subsector is the third most important category of wood and cork and manufactures in terms of imports.

Chart I-11-H. -- OECD trade in wood-based panels, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

Country of destination data are not available in OECD statistics for the United States and the United Kingdom. The European Community, Japan and Canada collectively account for two-thirds of known OECD exports of wood-based panels. The five major countries account for more than 90 percent of OECD imports. Over four-fifths of OECD exports of wood-based panels, for which destinations are known, go to the five major countries; about two-fifths of OECD imports are supplied by the five major countries. If intra-EC exports are excluded, Japan is the primary known exporter (table I-11-L). Over 70 percent of Japanese exports go to the United States. Though OECD country of

Table I-11-L.--OECD exports of wood-based panels, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	393	49	NA	93	<u>1/</u> 121	NA	130
OECD total-----	367	48	-	87	110	-	122
Canada-----	12	2	-	9	X	-	1
United States---	96	6	-	67	1	-	22
Japan-----	X	X	-	-	X	-	X
European Community-----	<u>1/</u> 115	7	-	3	89	-	16
United Kingdom--	101	29	-	6	11	-	55
Other OECD-----	43	4	-	2	9	-	28
Non-OECD total----	26	1	-	6	11	-	8
LDC's-----	21	1	-	4	10	-	6

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

destination data are unavailable, it is possible to state that Canada receives about one-fourth of U.S. exports, while Denmark receives roughly one-fifth and the United Kingdom, about 12 percent. Nearly three-fifths of Canada's exports are sent to the United Kingdom.

Intra-EC exports exceed EC outside shipments by about three to one. The United States is the most significant importer, followed by the United Kingdom. Three-fifths of U.S. imports have their source in non-OECD nations; another fourth comes from Japan. About 40 percent of United Kingdom imports come from "other" OECD countries, 30 percent from non-OECD nations. EC imports from outside countries are equal to about half of intra-EC imports. Canadian and Japanese imports are insignificant (table I-11-M).

Table I-11-M-- OECD imports of wood-based panels, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	651	30	253	7	<u>1/</u> 139	163	59
OECD total-----	406	17	99	X	123	113	54
Canada-----	48	-	6	X	8	30	4
United States---	24	9	-	X	5	2	8
Japan-----	89	7	69	-	3	6	4
European Community-----	<u>1/</u> 112	X	1	X	90	11	10
United Kingdom--	1	X	X	-	X	-	1
Other OECD-----	132	1	23	X	17	64	27
Non-OECD total----	244	13	153	7	15	49	7
LDC's-----	210	13	153	6	10	25	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries average tariff levels for wood-based panels on January 1, 1972, were below levels existing on pre-trade-agreement base dates. The largest reduction was in the U.S. tariff average which fell 19 percentage points. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. For all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates in this subsector were not unilaterally reduced in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	34.1	15.1
European Community	14.7	12.9
United Kingdom	15.5	5.9
Japan	20.0	15.9
Canada	31.7	13.8

Concessions under the GATT have been made on all MFN provisions for wood-based panels in the tariff schedules of the United States and the European Community. In the Canadian schedule, 88 percent of tariff provisions, covering 100 percent of imports, are fully covered by GATT concessions; in the United Kingdom schedule, 75 percent of the provisions, covering 93 percent of imports; and in the schedule of Japan, 40 percent of the provisions, covering 82 percent of imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on wood-based panels negotiated under the GATT. The number of such concessions totaled 17, of which 12 reflected rates higher than the autonomous rate established in the CXT, 1 was at the CXT rate, and 4 were below the CXT rate.

Specific tariff concessions made by the five major countries on plywood, the largest category of trade in this subsector, can be seen in table I-11-N, where substantial reductions for the United States, the United Kingdom and Canada and moderate reductions for the European Community and Japan are shown.

Table I-11-N.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on plywood

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%; 50%	17%-40%	7.5%-20% ^{2/}	240.10-.25
Canada-----	35%	20%	15% ^{3/}	50715-1
European Community---	15%	14%; 15%	13%	44.15
United Kingdom-----	10%	10%	5%	44.15 (A)
Japan-----	20%	20%	15%; 20%	44.15

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About three-fourths of U.S. imports in 1972 were dutiable at 20 percent ad valorem and most of the remainder at 7.5 percent or 10 percent ad valorem.

^{3/} Rate shown is the official MFN rate, presently superseded by a temporary rate of 10 percent. The temporary rate is subject to possible renewal in February, 1974.

Semimanufactured Products
of Wood and Cork

Semimanufactured products of wood and cork include all lumber, paving blocks, railway or tramway sleepers, staves, hoopwood, split poles, piles, pickets, stakes, wooden sticks, wood wool, and wood flour. Also covered in this subsector are planed, tongued, grooved, U-jointed, and beaded wood; cellular wood panels; wooden beadings; and natural cork in blocks, plates, sheets or strips. ^{1/}

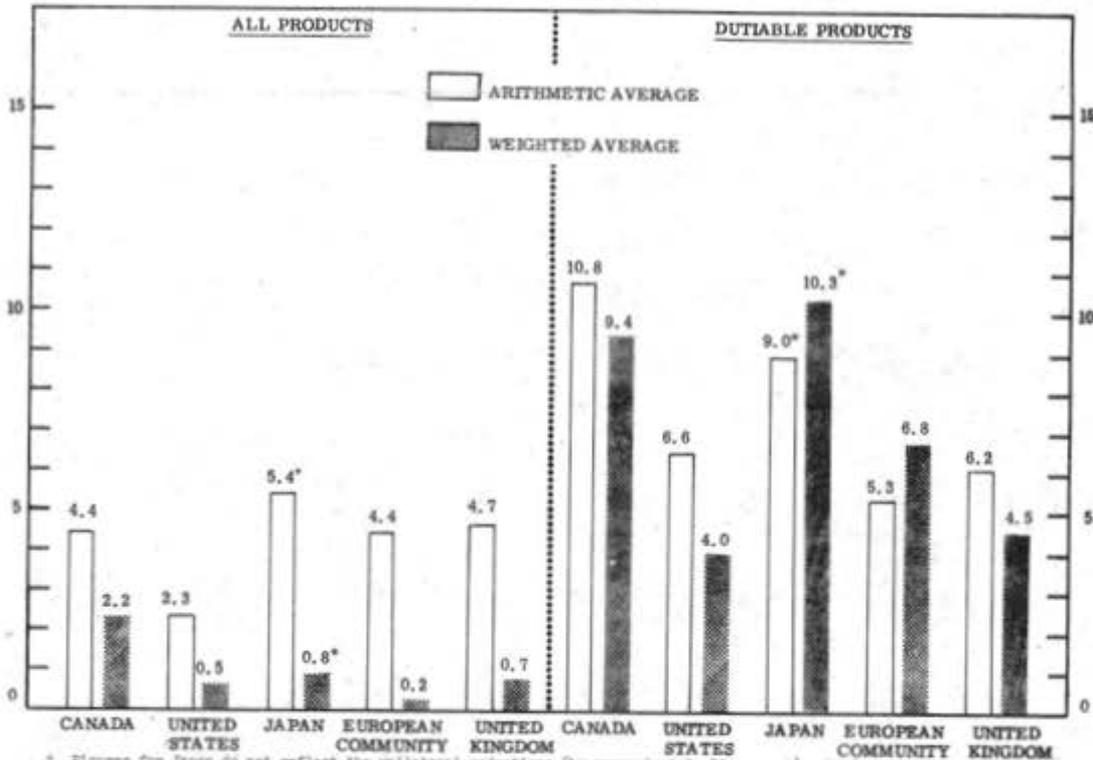
MFN tariffs

Arithmetic average MFN tariffs for all semimanufactured wood or cork products range from 2.3 to 5.4 percent ad valorem; the weighted averages from 0.2 to 2.2 percent. For all products (combined free and dutiable), the United States has the lowest arithmetic average tariff and Japan, the highest. The lowest weighted average is held by the European Community (0.2 percent) and the highest by Canada (2.2 percent). The substantial importation of MFN duty-free semimanufactured products of wood and cork into the five major countries, causes the averages for dutiable products only to be significantly greater than those for all products. For dutiable products, Canada has the highest arithmetic average (10.8 percent ad valorem) and the second highest weighted average (9.4 percent). Japan holds the highest weighted average at 10.3 percent.

^{1/} For the specific coverage of this subsector, see BTN headings 44.05-.14; 44.16-.17; 44.19 and 45.02.

The Community has the lowest arithmetic average (5.3 percent) and the United States, the lowest weighted average (4 percent) (chart I-11-I).

Chart I-11-I.--Average MFN tariff rates on semi-manufactured wood or cork products
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on an insignificant part of Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of MFN tariff provisions by duty level is shown in table I-11-0. All of the five major countries have a significant proportion of duty-free tariff provisions. Over 65 percent of U.S. provisions are duty free, as are three-fifths of Canada's provisions, two-fifths of Japan's provisions, one-fourth of United Kingdom provisions and 17 percent of those of the United Kingdom. About half of the EC and United Kingdom provisions are in the 0.1-5 percent ad valorem bracket,

Table I-11-0.--Distribution, by duty level, of MFN tariff provisions for semi-manufactured wood or cork products

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	59.4	65.7	39.3	16.7	24.1
0.1-5.0 percent----	6.3	14.3	17.9	55.6	48.2
5.1-10.0 percent---	18.8	15.7	28.6	27.9	24.1
10.1-15.0 percent--	12.5	4.3	10.7	-	3.4
15.1-20.0 percent--	3.1	-	3.6	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

as are 18 percent of Japan's provisions. Canada, the United States and Japan have between 16 and 29 percent of their provisions in the 5.1-10 percent range. At least three-fourths of the imports of all five major countries enter duty free (table I-11-P). Only Canada has a

Table I-11-P.--Distribution, by duty level, of MFN imports of semi-manufactured wood or cork products

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	76.3	88.3	92.7	96.5	84.2
0.1-5.0 percent----	.2	10.7	.5	.5	15.0
5.1-10.0 percent---	18.0	1.0	5.7	3.0	.6
10.1-15.0 percent--	5.5	-	1.1	-	.2
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

significant amount of imports entering at rates above 10 percent. With such large proportions of MFN imports entering duty free, imports of semimanufactured wood and cork products receiving preferential treatment are insignificant.

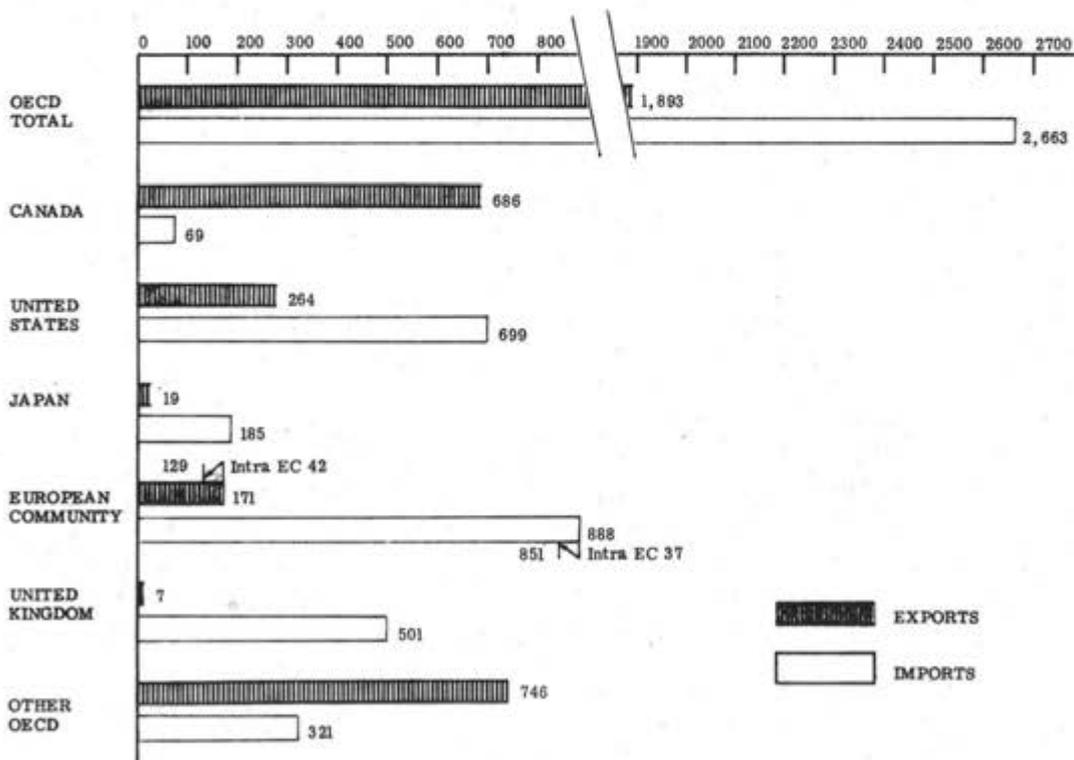
The United States has the most complex MFN tariff schedule for semifinished products of wood and cork with about 70 tariff lines, while

the European Community has the simplest with 18 tariff lines; Canada has 32 tariff lines; the United Kingdom has 29 tariff lines and Japan has 28 tariff lines.

Trade importance

Semimanufactured products of wood and cork account for 58 percent of OECD exports of wood and cork and manufactures and 47 percent of imports. In 1969, OECD exports totaled \$1.9 billion; imports \$2.7 billion (chart I-11-J). In 1969, U.S. exports of semimanufactured products of wood and cork were \$264 million; imports were \$699 million. U.S.

Chart I-11-J.--OECD trade in semi-manufactured wood or cork products, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

1971 imports were \$831 million. Among the 119 industrial subsectors, semimanufactured products of wood and cork rank 10th in value of MFN imports by GATT tariff study countries; 11th in value for total U.S. imports; 13th for Japan; 4th for the Community and 6th for the United Kingdom.

Trade network

The five major countries account for three-fifths of OECD exports of semimanufactured wood and cork products and almost 90 percent of OECD imports. Canada is the principal exporter, followed distantly by the United States and the European Community (table I-11-Q). Japan and the United Kingdom are insignificant exporters. The European Community

Table I-11-Q.--OECD exports of semi-manufactured products of wood or cork, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,893	686	264	19	<u>1/</u> 171	7	746
OECD total-----	1,737	659	220	13	142	4	699
Canada-----	65	-	64	1	1	X	X
United States---	569	556	-	4	4	1	4
Japan-----	106	36	69	-	1	X	X
European Community-----	<u>1/</u> 526	29	60	2	82	1	352
United Kingdom--	248	37	5	2	9	-	195
Other OECD-----	223	1	22	4	45	2	149
Non-OECD total----	144	25	43	6	19	2	46
LDC's-----	92	5	28	5	14	1	39

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

is the primary importer of semimanufactured products of wood and cork, followed by the United States and the United Kingdom. Most U.S. imports are supplied by Canada; most of the European Community's and the United Kingdom's by "other" OECD countries and non-OECD countries (table I-11-R).

Table I-11-R.-- OECD imports of semi-manufactured products of wood or cork, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,663	69	699	185	<u>1/</u> 888	501	321
OECD total-----	1,688	44	576	88	506	283	191
Canada-----	717	-	573	53	35	53	3
United States---	160	42	-	34	60	7	17
Japan-----	14	1	2	-	3	3	5
European Community-----	<u>1/</u> 58	X	X	-	37	3	17
United Kingdom--	1	X	X	-	X	-	1
Other OECD-----	738	1	1	X	371	217	148
Non-OECD total----	641	5	48	33	293	197	65
IEC's-----	302	5	47	23	127	60	40

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 29 percent of Canadian imports, 11 percent of U.S. imports, 35 percent of Japanese imports, and 10 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Reductions in average duty levels on semimanufactured products of wood and cork which have taken place in tariffs of the five major countries since pre-trade-agreement base dates are shown in the following tabulation. The largest reduction, nearly 10 percentage points, was made in the tariff of the United Kingdom. The lower levels,

for the most part, reflect concessions granted in reciprocal negotiations. For all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. The United States and the United Kingdom have specific rates in this subsector (7.1 and 3.4 percent of tariff lines, respectively) which cover less than 2 percent of imports in both cases.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	5.5	0.5
European Community	0.4	0.2
United Kingdom	10.6	0.7
Japan	1.1	0.8
Canada	13.9	4.4

Concessions under the GATT have been made on all MFN provisions for semimanufactured products of wood and cork in the tariff schedules of the United States and the European Community. In the United Kingdom's schedule, 93 percent of tariff provisions covering 100 percent of MFN imports are fully covered by GATT concessions; in the Canadian schedule, 94 percent of the provisions covering 99 percent of MFN imports. For Japan, 57 percent of tariff concessions covering 1 percent of MFN imports are fully covered by GATT concessions; for 7 percent of the provisions covering 1 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the Common External Tariff (CET) contained tariff concessions on semimanufactured products of wood and cork negotiated

under the GATT. The number of such concessions totaled 75, of which 44 reflected rates higher than the autonomous rate established in the CXT; 10 were at the CXT rate; and 21 were below the CXT rate.

Specific tariff concessions made by the five major countries on softwood lumber appear in table I-11-S.

Table I-11-S.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on softwood lumber

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	0.74%-4.68% AVE ^{2/} 1.40%-3.75% AVE ^{2/}	0.19%-1.58% AVE	Free	202.03-.30
		0.35%-0.94% AVE	Free	202.47-.50
Canada-----	Free	Free	Free	50050-1
European Community--	10%	10%	5%	44.13
United Kingdom-----	10%	7.5%; 10%	5%	44.13 (A), (C)
Japan-----	Free; 5%	Free; 10%	Free; 10%	44.13

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Range of ad valorem equivalents of specific rates of duty of \$4, \$3, or \$1 per 1000 feet board measure, calculated on 1971 import values.

Manufactured Articles of Wood and Cork

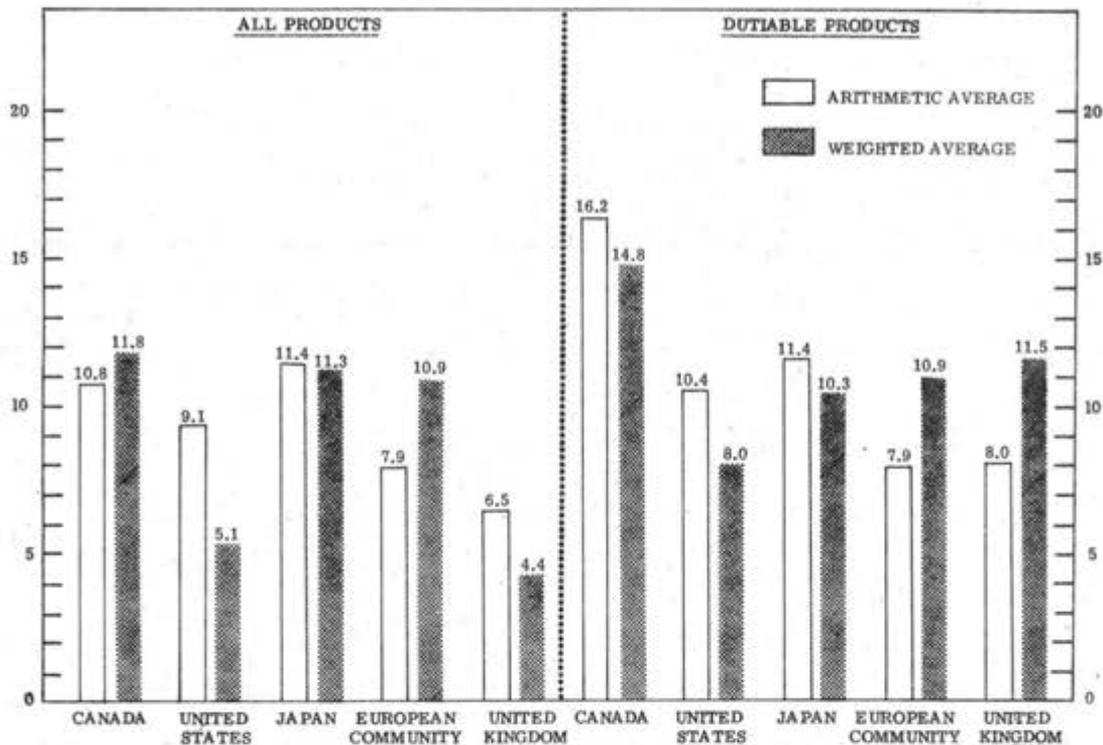
Manufactured articles of wood and cork include items such as picture frames, cases, boxes, crates, coopers' products, carpentry and joinery, household utensils, tools and tool handles, spools, bobbins, lamps, bowls, ornaments, and items of cork and agglomerated cork. Some important manufactures of wood not included are furniture, toys, and musical instruments. 1/

MFN tariffs

Arithmetic average MFN tariffs for all manufactured articles of wood and cork range from 6.5 to 11.4 percent ad valorem; the weighted averages from 4.4 to 11.8 percent. The United Kingdom has the lowest arithmetic average tariff and Japan, the highest. The lowest weighted average is held by the United Kingdom and the highest by Canada. For dutiable products only, the European Community and Japanese averages are identical to those for all products (reflecting their lack of duty-free provisions). The remaining averages are somewhat higher. Canada has the highest averages for dutiable products only (16.2 percent ad valorem for the arithmetic and 14.8 percent for the weighted). The European Community has the lowest arithmetic average (7.9 percent) and the United States has the lowest weighted average (8 percent) (chart I-11-K).

1/ For the specific coverage of this subsector, see BTN headings 44.20-.28, and 45.03-.04.

Chart I-11-K.--Average MFN tariff rates on manufactured articles of wood and cork
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions by 20 percent on most Japanese rates and by 40 percent on one of the rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of tariff provisions by duty level is shown in table I-11-T. The tariff schedules of Canada, the United States, and

Table I-11-T.--Distribution, by duty level, of MFN tariff provisions for manufactured articles of wood or cork

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	33.3	13.0	-	-	18.8
0.1-5.0 percent----	-	10.4	11.1	11.8	34.4
5.1-10.0 percent---	12.9	42.9	61.1	70.5	34.4
10.1-15.0 percent--	33.3	15.6	22.3	5.9	12.5
15.1-20.0 percent--	17.9	15.6	-	11.8	-
20.1-25.0 percent--	-	1.3	-	-	-
25.1-30.0 percent--	-	1.3	-	-	-
30.1-40.0 percent--	-	-	5.6	-	-
40.1-50.0 percent--	2.6	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

the United Kingdom have duty-free provisions; those of Japan and the European Community do not. Over two-fifths of the United States provisions are in the 5.1-10 percent range, as are over 60 percent of the Japanese provisions and 70 percent of EC provisions. The United Kingdom has over one-third of its provisions in the 0.1-5 percent bracket, as well as the 5.1-10 percent bracket. One-third of Canadian provisions are in the 10.1-15 percent bracket.

One-fifth of Canadian imports, over one-third of U.S. imports and over 60 percent of United Kingdom imports are duty free (table I-11-U).

Table I-11-U.--Distribution, by duty level, of MFN imports of manufactured articles of wood or cork

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	20.2	35.8	-	-	61.3
0.1-5.0 percent----	-	6.3	2.9	0.9	5.3
5.1-10.0 percent---	6.7	50.7	69.6	55.7	14.5
10.1-15.0 percent--	70.2	3.2	27.4	.3	19.0
15.1-20.0 percent--	2.6	2.9	-	43.3	-
20.1-25.0 percent--	-	.1	-	-	-
25.1-30.0 percent--	-	.8	-	-	-
30.1-40.0 percent--	-	-	.1	-	-
40.1-50.0 percent--	.2	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Canada has an additional 70 percent of its imports in the 10.1-15 percent ad valorem range. Half of U.S. imports enter at rates between 5.1-10 percent ad valorem. While 70 percent of Japan's imports are in the 5.1-10 percent range, about 30 percent are in the 10.1-15 percent bracket. European Community imports are split between the 5.1-10 percent rate range and the 15.1-20 percent range.

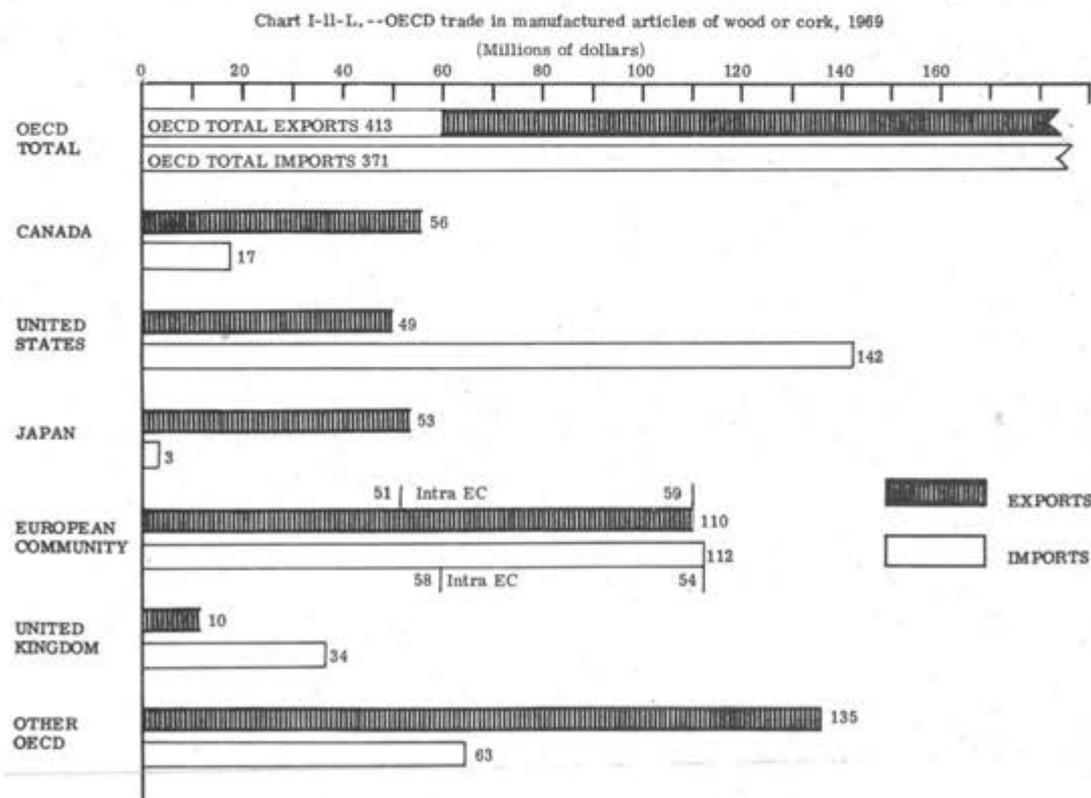
Imports of manufactured articles of wood and cork receiving preferential treatment are significant only for the United Kingdom, where half

of total imports come from sources accorded preferential treatment on dutiable products.

The United States has the most detailed MFN tariff schedule for manufactured articles of wood and cork with 77 tariff lines, while Japan and the European Community have the least with 18 and 17 tariff lines, respectively; Canada has 39 tariff lines and the United Kingdom has 32.

Trade importance

Manufactured articles of wood and cork account for 13 percent of OECD exports of wood and cork and manufactures and 7 percent of imports. In 1969, OECD exports totaled \$413 million; imports \$371 million (chart I-11-L). In 1969, U.S. exports of manufactured articles of wood and



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

cork were \$49 million; imports were \$142 million. U.S. 1971 imports were \$151 million.

Trade network

The five major countries account for two-thirds of OECD exports and nearly 85 percent of OECD imports. If intra-EC exports are excluded, the principal exporter is Canada. About 96 percent of Canadian exports go to the United States. Most U.S. exports are shipped to Canada and non-OECD nations. Most Japanese exports are destined for the United States. Complete country of destination data are unavailable for 6 percent of EC exports and 10 percent of United Kingdom exports. Of known EC outside exports, the United States, "other" OECD countries, and non-OECD nations each receive about 30 percent. The United Kingdom is not a significant supplier (table I-11-V). The United States is the

Table I-11-V.-- OECD exports of manufactured articles of wood or cork, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	413	56	49	53	<u>1/</u> 110	10	135
OECD total-----	303	55	31	47	89	6	75
Canada-----	22	-	17	3	1	X	1
United States---	114	54	-	36	13	1	10
Japan-----	1	X	1	-	X	X	X
European Community-----	<u>1/</u> 89	X	5	5	59	2	18
United Kingdom--	22	1	6	1	3	-	11
Other OECD-----	55	X	2	2	13	3	35
Non-OECD total----	49	1	16	7	14	3	8
INC's-----	38	1	14	5	12	2	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 6 percent of EC exports and 10 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

most significant importer of manufactured articles of wood and cork. Over one-third of U.S. imports have their source in Canada and one-fifth each in Japan and the non-OECD nations. Complete country of origin data are unavailable for 12 percent of Canadian imports, 23 percent of EC imports, and 15 percent of United Kingdom imports. Intra-European Community shipments are about 1.5 times larger than outside shipments for which destinations are known (table I-11-W).

Table I-11-W.-- OECD imports of manufactured articles of wood or cork, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	371	17	142	3	<u>1/</u> 112	34	63
OECD total-----	273	14	105	1	78	25	50
Canada-----	56	-	54	X	X	2	X
United States---	20	12	-	X	1	6	1
Japan-----	38	2	29	-	4	1	2
European Community-----	<u>1/</u> 80	X	11	X	54	3	12
United Kingdom--	7	X	1	X	3	-	3
Other OECD-----	72	X	10	1	16	13	32
Non-OECD total----	50	1	32	2	8	4	3
IDC's-----	43	1	31	1	6	2	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 12 percent of Canadian imports, 23 percent of EC imports and 15 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For the five major countries, average tariff levels on January 1, 1972, for manufactured articles of wood and cork were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal

negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most Japanese tariff rates in this subsector were unilaterally reduced in 1972; calculations based on Japan's new reduced rates would show an average level of about 9.0 percent. The United States and Canada have specific rates in this subsector (30 percent and 3 percent of tariff lines, respectively) which cover 10 percent of U.S. imports and less than 1 percent of Canadian imports.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	21.2	5.1
European Community	16.5	10.9
United Kingdom	19.3	4.4
Japan	18.4	11.3
Canada	19.7	10.8

Concessions under the GATT have been made on all MFN provisions for manufactured articles of wood and cork in the tariff schedules of the European Community and on nearly all MFN provisions for the United Kingdom. In the Canadian schedule, 87 percent of the tariff provisions, covering 99 percent of MFN imports are fully covered by GATT concessions; in the Japanese schedule, 83 percent of provisions covering 67 percent of MFN imports. For the United States, 99 percent of tariff concessions covering 72 percent of MFN imports are fully covered by GATT concessions. For 1 percent of the U.S. provisions, covering 28 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on manufactured articles of wood and cork negotiated under the GATT. The number of such concessions totaled 64, of which 38 reflected rates higher than the autonomous rate established in the CXT; 4 were at the CXT rate; and 22 were below the CXT rate.

Specific tariff concessions made by the five major countries on wood shingles and shakes appear in table I-11-X. The United States and Canada maintained duty-free status; however, reductions for the European Community, the United Kingdom, and Japan were significant.

Table I-11-X.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on wood shingles and shakes

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free <u>2/</u>	Free <u>2/</u>	200.85
Canada-----	Free	Free	Free	50015-1
European Community--	14%	14%	7%	44.28 C
United Kingdom-----	20%	20%	15%	44.28 (G)
Japan-----	20%	20%	10%	44.28-2

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ There is no trade agreement commitment with respect to the duty-free status of red cedar shingles and shakes. All other wood shingles and shakes are bound free in the GATT.

PRECIOUS STONES, PRECIOUS METALS AND MANUFACTURES

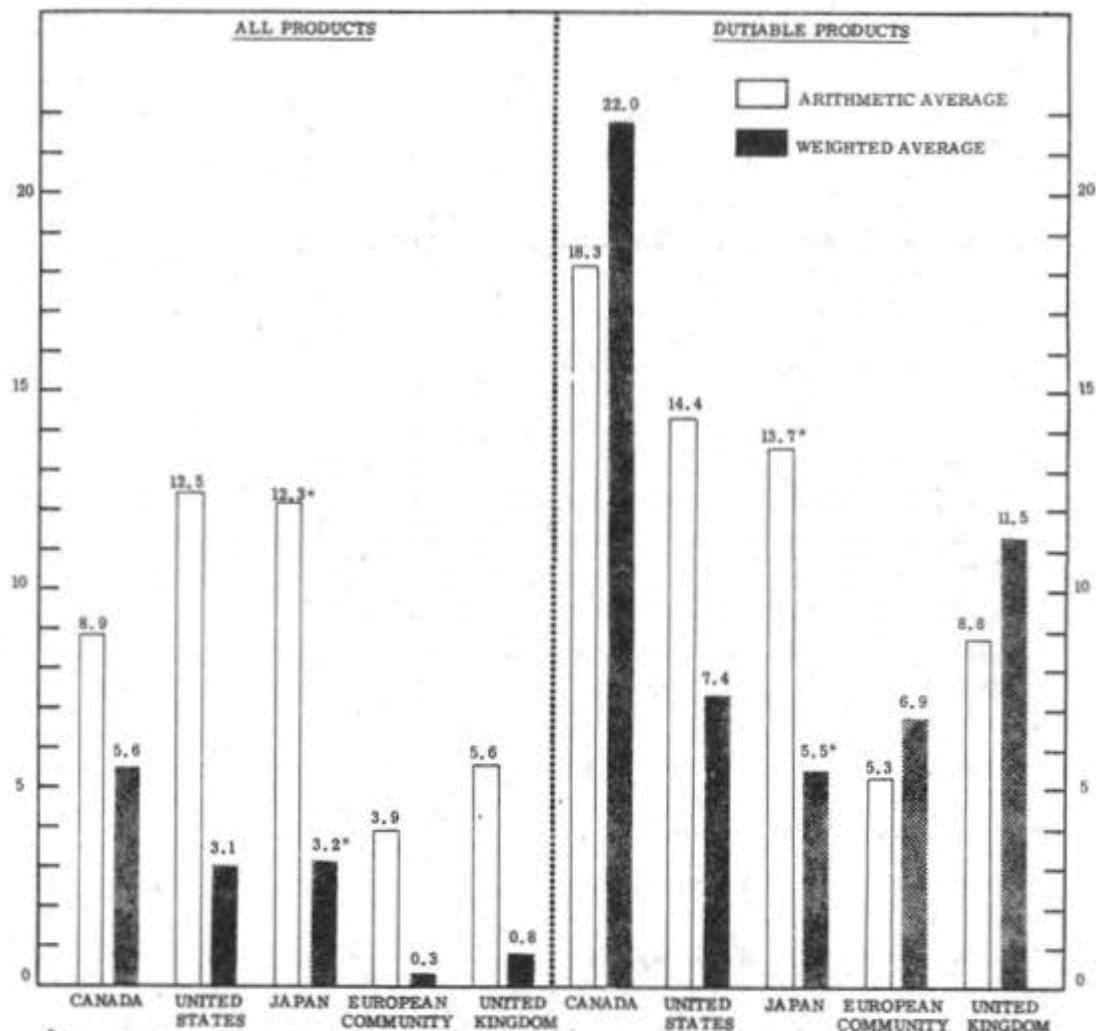
Precious stones, precious metals and manufactures include pearls, natural and synthetic precious and semiprecious stones, all forms of silver, gold, and platinum (except gold bullion), noncirculating coins, and jewelry (including imitation jewelry). ^{1/}

MFN tariffs

Average tariff levels for the precious stones and precious metals sector are moderately lower than those for industrial products taken as a whole. For all products (dutiabale and free), the arithmetic averages range from 3.9 to 12.5 percent ad valorem; the weighted averages from 0.3 to 5.6 percent. The European Community has the lowest arithmetic average tariff (3.9 percent) and the United States and Japan the highest (12.5 and 12.3 percent, respectively). The lowest weighted average is held by the European Community (0.3 percent) followed by the United Kingdom (0.8 percent), and the highest by Canada (5.6 percent) (chart I-12-A). Tariff averages on all products are significantly lower than averages on dutiabale imports alone due to the numerous duty-free provisions and the substantial MFN importation of duty-free precious stones and metals. Canada, with the highest arithmetic average (18.3 percent) and the highest weighted average (22 percent) for dutiabale items, varies most significantly in

^{1/} For the specific coverage of this sector, see BTN headings 71.01-.03; 71.05-.16; and 72.01. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart 1-12-A. -- Average MFN tariff rates on precious stones, precious metals, and manufactures
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on about two-thirds of the Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

this regard. Japan has the lowest weighted average for dutiable products at 5.5 percent ad valorem and the Community the lowest arithmetic average (5.3 percent).

There are striking differences in the average duty levels for the three subdivisions of this sector. Precious stones and pearls, the most important in trade, have low rates of duty

usually associated with raw materials. Unworked or semimanufactured precious metals, for most of the five major countries, have duty levels in the range usually associated with intermediate products. The finished articles of precious stones or precious metals have relatively high duties.

For the sector as a whole, the distribution of MFN tariff provisions, by duty level, is shown in table I-12-A. The largest

Table I-12-A.--Distribution, by duty level, of MFN tariff provisions for precious stones, precious metals, and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	51.2	13.3	10.0	25.6	36.0
0.1-5.0 percent----	-	11.1	27.5	46.2	28.0
5.1-10.0 percent---	2.4	16.7	15.0	23.1	16.0
10.1-15.0 percent--	7.3	22.2	2.5	2.6	20.0
15.1-20.0 percent--	26.8	22.2	32.5	2.6	-
20.1-25.0 percent--	12.2	5.6	12.5	-	-
25.1-30.0 percent--	-	6.7	-	-	-
30.1-40.0 percent--	-	2.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

portion of Canadian and United Kingdom rate provisions are free (51.2 and 36 percent, respectively). Tariff schedules of the United States, Japan, and the European Community also contain a significant number of duty-free provisions for precious stones and precious metals. The largest portions of rate provisions for the United States are in the 10.1-15 and 15.1-20 percent ad valorem brackets (22.2 percent in each). For Japan, 32.5 percent of the provisions fall in the 15.1-20 percent ad valorem bracket; and for the European Community, 46.2 percent are in the 0.1-5 percent ad valorem bracket. The rates of Canada and Japan range into the 20.1-25 percent ad valorem bracket. Only the United States has rates over 25 percent.

The largest portion of MFN imports for all countries except Japan enters duty free; for Japan slightly more than 40 percent enter free; most of the remainder enters at low rates between 0.1 and 5 percent ad valorem (table I-12-B).

Table I-12-B.--Distribution, by duty level, of MFN imports of precious stones, precious metals, and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	74.4	58.2	41.7	95.3	93.5
0.1-5.0 percent----	-	32.4	54.0	2.9	1.0
5.1-10.0 percent---	-	.1	1.2	.6	.3
10.1-15.0 percent--	3.2	4.4	1.0	.2	5.2
15.1-20.0 percent--	3.7	1.4	1.6	1.0	-
20.1-25.0 percent--	18.7	.1	.6	-	-
25.1-30.0 percent--	-	2.8	-	-	-
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Imports of precious stones and precious metals receiving preferential tariff treatment are insignificant for the five major countries. Intra-European Community shipments are equal to 36 percent of Community imports from outside sources.

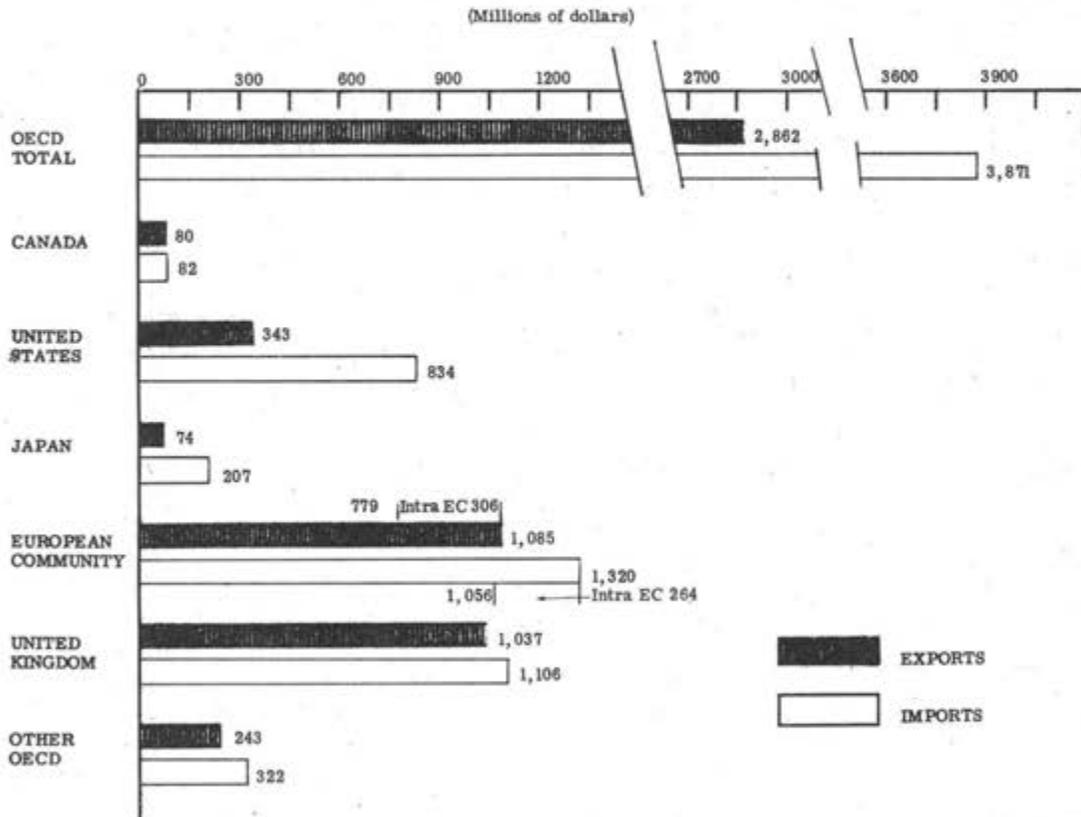
The United States has the most detailed tariff schedule for precious stones and precious metals, with 90 tariff lines, while the United Kingdom has the least, with 25 lines. Canada has 41 lines; Japan, 40 lines; and the European Community, 39 lines.

Trade importance

The precious stones and precious metals sector ranks 12th in OECD exports and 11th in imports. The sector accounts for about 2 percent of OECD industrial exports and imports. For the United States, the sector ranks 14th in industrial exports. It was 11th in 1969 U.S. imports but dropped to 12th in 1970.

Imports by the GATT tariff study countries were valued at \$2.5 billion in 1967, and \$3.1 billion in 1970. Intra-EC shipments were an additional \$173 million in 1967 and \$304 million in 1970. OECD 1969 imports were \$3.9 billion (including \$264 million of intra-European Community shipments) and exports were \$2.9 billion (see chart I-12-B). In 1970, OECD imports were \$3.5 billion; exports \$2.5 billion.

Chart I-12-B. -- OECD trade in precious stones and precious metals, 1969



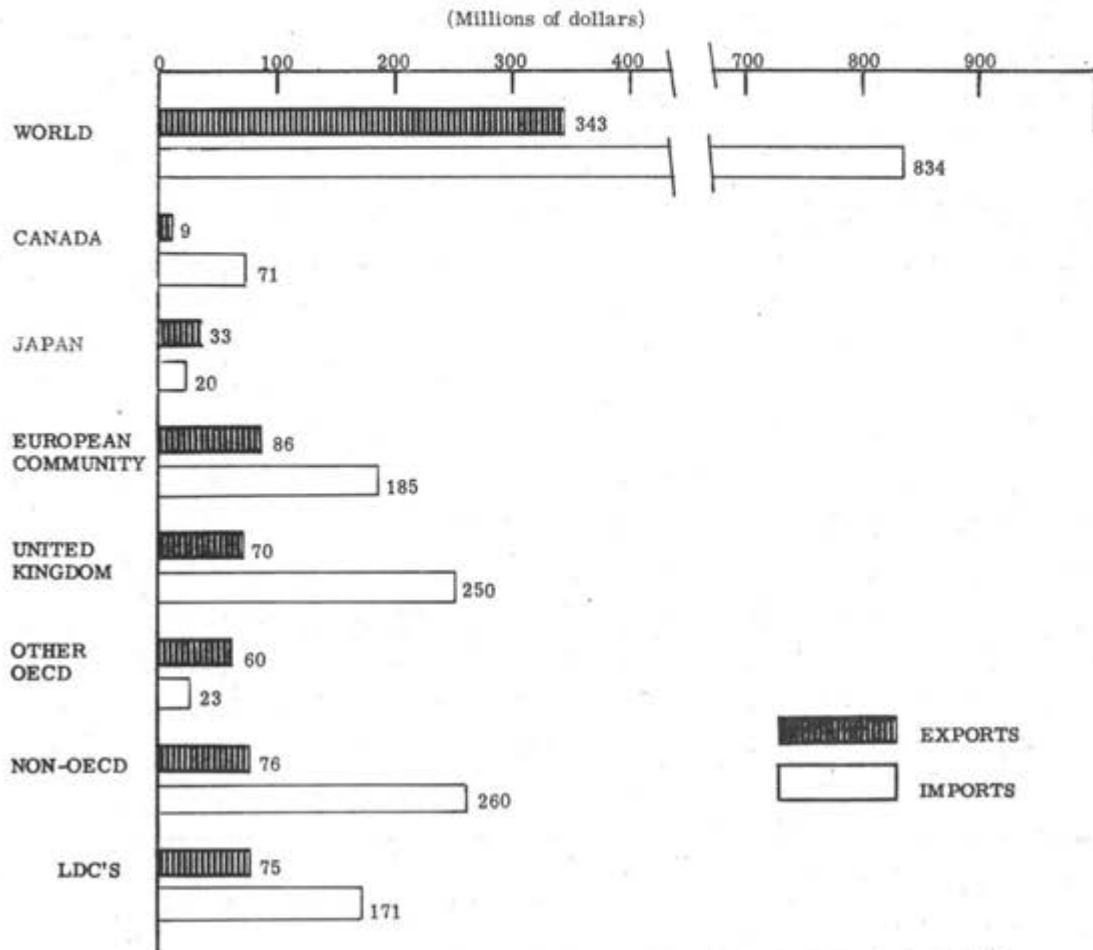
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for over 90 percent of OECD exports and imports. Nearly two-thirds of OECD exports go to the five major countries; one-fifth to non-OECD countries. About half of OECD imports are supplied by the five major countries.

The European Community, the United Kingdom, and less developed countries collectively take almost 70 percent of U.S. exports; separately each draws between 20 and 25 percent (chart I-12-C).

Chart I-12-C. -- United States trade in precious stones and precious metals, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Complete country of destination data are unavailable for 8 percent of Canadian exports, 16 percent of Japanese exports and 7 percent of EC exports. Of the remaining exports, the United States takes 92 percent of Canada's exports. Over one-fourth of the export shipments of the European Community are intra-European Community trade. Non-OECD countries take about 30 percent of the European Community's outside exports, for which destinations are known; LDC's and the United States, one-fourth. The United Kingdom ships one-third of its exports to the European Community and approximately equal amounts (25 percent) to the United States and non-OECD (i.e., chiefly Commonwealth) countries (see table I-12-C). Japan is not a significant exporter.

Table I-12-C.--OECD exports of precious stones, precious metals, and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,862	80	343	74	<u>1/</u> 1,085	1,037	243
OECD total-----	2,161	73	258	45	791	793	201
Canada-----	33	-	9	1	9	13	1
United States---	540	68	-	14	166	275	17
Japan-----	96	X	33	-	33	28	2
European Community----	<u>1/</u> 857	3	86	13	306	362	87
United Kingdom--	269	X	70	2	117	-	80
Other OECD-----	366	2	60	15	160	115	14
Non-OECD total----	581	1	76	17	218	243	26
LDC's-----	453	1	75	11	173	170	23

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 8 percent of Canadian exports, 16 percent of Japanese exports, and 7 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

U.S. imports of precious stones, precious metals and manufactures were valued at \$603 million in 1967, \$834 million in 1969, and \$793 million in 1971. Non-OECD countries and the United Kingdom each supply about 30 percent of U.S. imports; the European Community and LDC's supply approximately 20 percent each (table I-12-D).

Table I-12-D.--OECD imports of precious stones, precious metals, and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,871	82	834	207	<u>1/</u> 1,320	1,106	322
OECD total-----	2,163	69	549	93	883	372	197
Canada-----	75	-	71	X	3	2	X
United States---	295	43	-	32	105	102	13
Japan-----	66	1	20	-	27	8	10
European Community-----	<u>1/</u> 763	10	185	39	264	136	129
United Kingdom--	692	12	250	21	374	-	35
Other OECD-----	272	3	23	1	110	124	11
Non-OECD total----	1,567	6	260	110	348	729	114
LDC's-----	811	5	171	52	234	245	104

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 9 percent of Canadian imports and 7 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

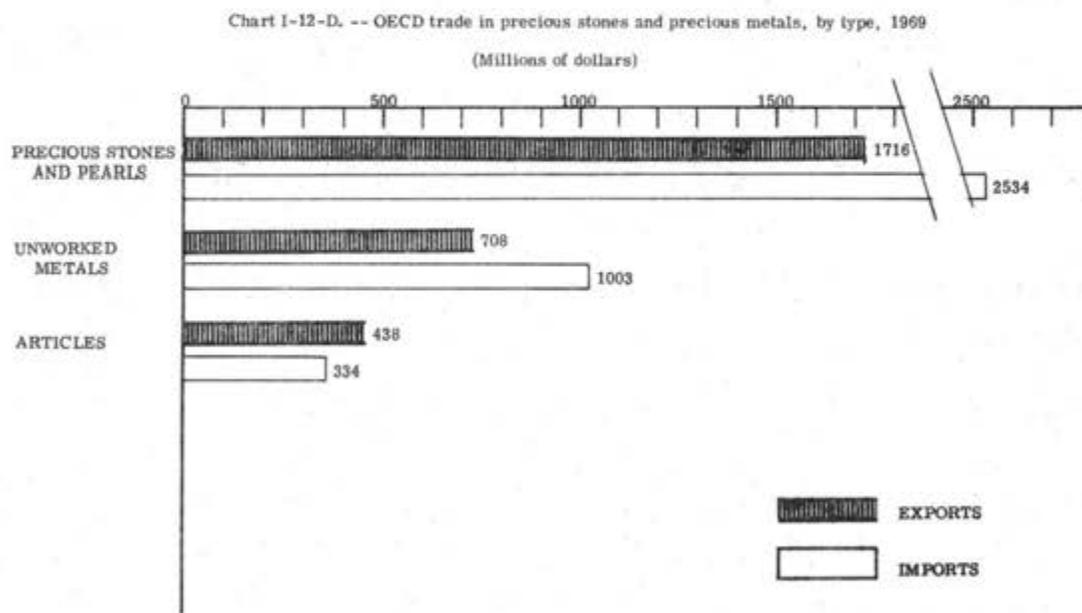
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Complete country of origin data are unavailable for 9 percent of Canadian imports and 7 percent of EC imports. The United States is the source of over half of Canada's imports. Over half of Japanese imports come from non-OECD countries. Among the OECD countries, the European Community and the United States each supply about 15 percent of Japan's entries. Non-OECD countries and the United Kingdom each supply between 36 and 39 percent of EC imports from outside countries, LDC's one-fourth, and the

United States one-tenth. Intra-Community shipments amount to over one-fourth of EC imports from external sources, for which origin data are available. Non-OECD (chiefly Commonwealth) countries are the major source of United Kingdom imports (about two-thirds).

Trade composition

Trade in precious stones, precious metals, and manufactures is divided into three subsectors, of which precious stones and pearls is by far the largest in both exports and imports (approximately 60 percent of each), followed by unworked precious metals (chart I-12-D).



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For the United States, Japan, and Canada, average tariff levels on January 1, 1972, for precious stones, precious metals, and manufactures were substantially below levels existing on

pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. ^{1/} Calculations based on Japan's new reduced rates would show an average level of about 2.6 percent. The EC and United Kingdom tariff levels remained relatively constant at a low level.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	11.3	3.1
European Community	0.3	0.3
United Kingdom	0.7	0.8
Japan	6.2	3.2
Canada	19.3	8.9

Concessions under the GATT have been made on all MFN provisions for precious stones, precious metals and manufactures in the tariff schedules of the United States and the European Community. Seventy-three percent of Canada's provisions, covering 68 percent of Canadian imports, have GATT concessions. Eighty-eight percent of Japanese provisions, covering 90 percent of imports, are bound under the GATT as are 80 percent of United Kingdom provisions, covering 75 percent of imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on precious stones and metals

^{1/} BTN categories 71.12, 71.13, 71.14(2), 71.15(2), and 71.16, applicable to a negligible amount of imports, are not subject to the 20 percent reductions.

negotiated under the GATT. The number of such concessions totaled 48, of which 14 reflected rates higher than the autonomous rate established in the CXT; 15 were at the CXT rate; and 19 were below the CXT rate.

Trade complaints

In its survey of trade barriers, the Tariff Commission received about 35 complaints from manufacturers and traders of precious stones, precious metals, and manufactures. About half of the complaints were against quantitative restraints and licensing, and one-fourth against import duties or taxes. Complaints were equally divided between the developed and the less developed countries. About one-third were directed against nine countries in Western Europe, particularly France.

Quantitative restraints and licensing.--Quotas on jewelry were reported in Finland, New Zealand and France (France allows only 18 karat gold jewelry to enter, banning lesser qualities). Embargoes against gold and silver filigree jewelry were reported in Malta; against diamonds (considered a luxury) in Ceylon, and against precious jewelry in Venezuela, Mexico and Spain. All the foregoing quotas and embargoes were reported to be administered through various licensing systems. It was also reported that licensing practices in all the more important Latin American countries, Middle Eastern and North African countries and the Asian subcontinent virtually ban U.S. jewelry exports. Articles of more than 50 percent gold are reported to be embargoed by Japan, unless such articles are indispensable for industrial or other use. U.S. gold exports to Japan are also impeded because Japanese gold users are required to buy from the Japanese

government. In the United States, citizens are not allowed to hold or trade gold without a license issued by the Treasury Department.

Import duties, taxes and other charges.--The level of import duties on jewelry in several Western European countries, Canada, Japan and the Philippines drew complaints. Additional taxes or charges on jewelry imports in the form of sales taxes, border tax adjustments, luxury taxes, equalization taxes and fees for testing products containing precious metals were the subject of complaints against Sweden, the United Kingdom, Norway, France, Belgium-Luxembourg, Spain, and West Germany. A U.S. exporter objected to Canada assessing duty on the wholesale value of his goods, rather than the actual import price into Canada, thereby increasing the duty collection by one-third. Venezuela, for purposes of duty assessment, values gold-filled jewelry which is more than 5 percent gold as pure gold jewelry.

Miscellaneous practices.--Swiss industrial standards regarding jewelry require that silver plate must be fused to base metal (not electroplated). The complexity of United Kingdom and French hall-marking procedures, verifying metal content, quality and authenticity of imported precious metals, was reported burdensome to trade. Air cargo rates on jewelry were reported higher when shipping from the United States than when shipping to the United States.

None of the respondents to the Commission's survey indicated the amount of increase which would result if the reported trade barrier were removed.

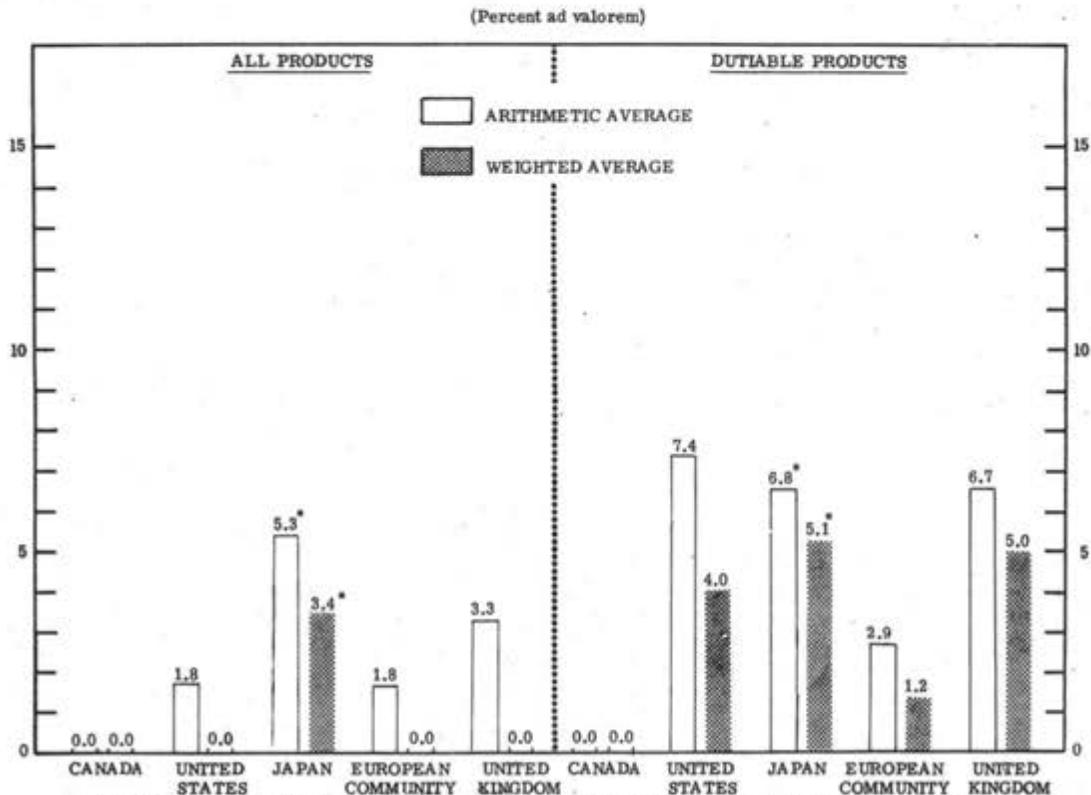
Precious Stones and Pearls

Precious stones and pearls include all unworked pearls, gem and industrial diamonds, and other precious and semiprecious stones (including synthetic). ^{1/}

MFN tariffs

Average MFN tariffs for precious stones and pearls are close to world tariff averages for raw materials (i.e., zero in many cases). Arithmetic averages for all products range from zero to 5.3 percent ad valorem; weighted averages from zero to 3.4 percent (see chart I-12-E). For all products, with the exception of Japan,

Chart I-12-E. -- Average MFN tariff rates on precious stones and pearls



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For the specific coverage of this subsector, see BTN headings 71.01-.03.

all weighted averages are zero; arithmetic averages are low, Japan having the highest (5.3 percent ad valorem). For dutiable products only, Japan again has the highest weighted average (5.1 percent) and the second highest arithmetic average (6.8 percent). The United States holds the highest arithmetic average at 7.4 percent. As all Canadian imports are free, both of its averages are the lowest at zero.

The distribution of MFN tariff provisions for precious stones and pearls, by duty level, is shown in table I-12-E. Most provisions of the five countries for precious stones and

Table I-12-E.--Distribution, by duty level, of MFN tariff provisions for precious stones and pearls

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	100.0	35.0	22.2	37.5	50.0
0.1-5.0 percent----	-	35.0	55.5	62.5	33.3
5.1-10.0 percent---	-	15.0	11.1	-	16.7
10.1-15.0 percent--	-	10.0	-	-	-
15.1-20.0 percent--	-	-	11.1	-	-
20.1-25.0 percent--	-	5.0	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

pearls are below 10 percent ad valorem. However, Japanese rates range into the 15.1-20 percent ad valorem bracket; U.S. rates into the 20.1-25 percent bracket. The largest portion of rate provisions is in the bracket of 0.1-5 percent ad valorem for Japan and the European Community; tariff schedules for these countries also contain substantial duty-free provisions. For the United Kingdom, the largest portion of MFN provisions (50 percent) are duty free and all Canadian MFN provisions are duty free. Thirty-five percent of U.S.

rate provisions are free and another 35 percent are in the 0.1-5 percent range.

For Canada, the European Community and the United Kingdom, virtually all MFN imports are duty free, as are 57 percent of U.S. imports. The largest portion of Japanese imports enters at rates between 0.1-5 percent ad valorem (table I-12-F).

Table I-12-F.--Distribution, by duty level, of MFN imports of precious stones and pearls

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	100.0	57.3	13.7	98.5	100.0
0.1-5.0 percent----	-	42.6	85.6	1.5	-
5.1-10.0 percent---	-	-	-	-	-
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	-	-	.7	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

With the exception of the United Kingdom, imports of precious stones and pearls receiving preferential tariff treatment are insignificant for the five major countries. Such treatment is accorded two-thirds of total United Kingdom imports. Intra-European Community shipments are equal to one-eighth of Community imports from outside sources.

The United States exhibits the most complex tariff schedule for precious stones and pearls with 20 tariff lines; the United Kingdom has the simplest, 6 lines. Schedules for Canada, Japan and the Community have six to eight lines for this subsector.

Trade importance

Precious stones and pearls account for roughly 60 percent of OECD trade in the precious stones and precious metals sector.

In 1969, OECD exports totaled \$1.7 billion; imports \$2.5 billion. In 1970, exports and imports had dropped to \$1.4 and \$2.2 billion respectively. Among the 119 industrial subsectors, precious stones and pearls rank 14th in value of total imports by GATT tariff study countries; 10th in value for total U.S. imports, 4th for the United Kingdom; and 14th for the European Community. Diamonds account for most of the trade (69 percent) in this category. The United States is a relatively substantial importer of diamonds but not a significant exporter. U.S. MFN imports of diamonds are \$449 million; European Community MFN entries amount to \$360 million. United Kingdom imports are \$218 million from MFN sources plus \$379 million in preferential imports from Commonwealth countries. U.S. imports of all precious stones and pearls were \$607 million in 1969 and declined in 1970 to \$526 million.

Trade network

The five major countries account for over 90 percent of OECD exports and imports. The trade pattern reflects chiefly the trade in diamonds, most of which are mined in African countries, shipped to distribution centers in Europe, redistributed for cutting, and finally shipped to the "consuming" country. The United Kingdom accounts for almost half of OECD exports, shipping chiefly to the Community, the United States, and to IDC's (table I-12-G). The Community is the second largest exporter, followed by the United States.

The United Kingdom, the Community (including intra-EC imports), and the United States, in that order, are the principal importers, and together account for almost 90 percent of OECD total imports (table I-12-H). Complete country of origin data are unavailable

Table I-12-G.--OECD exports of precious stones and pearls, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,716	6	132	52	<u>1/</u> 563	812	151
OECD total-----	1,251	4	69	41	381	618	138
Canada-----	13	-	2	1	7	3	X
United States---	379	2	-	13	137	220	8
Japan-----	61	X	19	-	24	16	2
European Community-----	<u>1/</u> 477	1	32	13	92	289	50
United Kingdom--	138	X	2	1	62	-	73
Other OECD-----	183	1	14	13	59	90	6
Non-OECD total----	428	1	62	11	145	194	15
LDC's-----	371	1	62	10	130	155	13

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 7 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics for Foreign Trade, Series C, 1969.

Table I-12-H.--OECD imports of precious stones and pearls, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,534	26	607	112	<u>1/</u> 792	818	179
OECD total-----	1,266	21	379	57	512	212	85
Canada-----	4	-	3	-	1	X	X
United States---	96	7	-	18	47	17	7
Japan-----	52	1	16	-	23	7	5
European Community-----	<u>1/</u> 416	8	156	30	88	75	59
United Kingdom--	500	2	192	7	285	-	14
Other OECD-----	198	3	12	2	68	113	-
Non-OECD total----	1,206	6	226	54	217	606	97
LDC's-----	638	5	152	44	156	186	95

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 8 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

for 8 percent of EC imports. Non-OECD countries supply three-quarters of United Kingdom imports, 37 percent of U.S. entries and 49 percent of EC outside entries.

Trade-agreement concessions

All MFN provisions for precious stones and pearls in the U.S. and EC schedules are covered by GATT concessions, as are 89 percent of Japan's provisions, 83 percent of the United Kingdom's and 71 percent of Canada's. Significant reductions have been made in rates which were not already initially free.

The national tariffs of the EC member states prior to the adoption of the Community's Common External Tariff (CET) contained tariff concessions on precious stones and pearls negotiated under the GATT. The number of such concessions totaled 14, of which 1 reflected a rate higher than the CET rate.

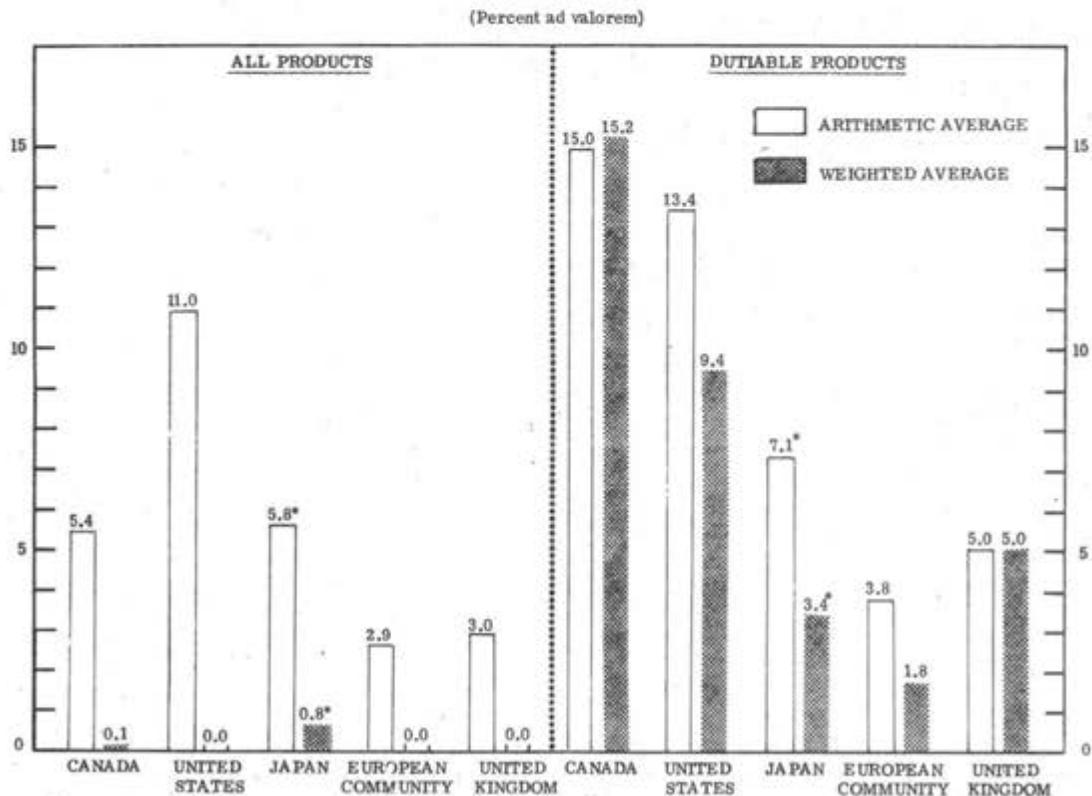
Unworked or Semimanufactured Precious Metals

Unworked or semimanufactured precious metals include all unworked or semimanufactured silver, rolled silver, gold, rolled gold on base metal or silver, platinum and platinum group metals, rolled platinum, and waste and scrap of precious metals. ^{1/}

MFN tariffs

For all products, arithmetic average MFN tariff levels on unworked or semimanufactured precious metals range from 2.9 percent ad valorem to 11 percent; weighted averages from zero to 0.8 percent (chart I-12-F). All the weighted averages are zero or nearly

Chart I-12-F. -- Average MFN tariff rates on unworked or semi-manufactured precious metals



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For the specific coverage of this subsector, see BTN headings 71.05-.11.

zero; the European Community has the lowest arithmetic average (2.9 percent) and the United States the highest (11 percent). For dutiable products, Canada has the highest arithmetic average (15 percent) and the highest weighted average (15.2 percent); the European Community has the lowest averages. Canada's averages on all products are significantly lower than its averages on dutiable imports alone due to the large portion of duty-free tariff provisions in Canada's schedule and the substantial Canadian importation of MFN duty-free unworked metals.

The distribution of MFN tariff provisions for unworked or semimanufactured precious metals, by duty level, is shown in table I-12-I. All five major countries have MFN duty-free provisions; for Canada, 64 percent of MFN rate provisions are free.

Table I-12-I.--Distribution, by duty level, of MFN tariff provisions for unworked or semi-manufactured precious metals

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	64.3	18.2	18.2	23.5	37.5
0.1-5.0 percent----	-	4.5	36.4	64.6	62.5
5.1-10.0 percent---	7.1	13.6	45.5	11.8	-
10.1-15.0 percent--	7.1	27.3	-	-	-
15.1-20.0 percent--	21.4	27.2	-	-	-
20.1-25.0 percent--	-	9.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The largest portion of rate provisions for the European Community and the United Kingdom are in the 0.1-5 percent ad valorem bracket (about 65 percent); for Japan, the 5.1-10 percent bracket (45 percent). Twenty-seven percent of U.S. rate provisions are in the 10.1-15 percent bracket, and 27 percent in the 15.1-20 percent

bracket. Rates for Japan and the European Community are all 10 percent or below; for the United Kingdom, 5 percent or below. Canadian rates range into the 15.1-20 percent bracket; U.S. rates into the 20.1-25 percent bracket.

Virtually all U.S., Canadian, EC, and United Kingdom imports of unworked or semimanufactured precious metals enter duty free; for Japan, 77 percent enter duty free (table I-12-J).

Table I-12-J.--Distribution, by duty level, of MFN imports of unworked or semi-manufactured precious metals

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	99.3	99.8	76.9	97.4	99.6
0.1-5.0 percent----	-	-	22.5	2.6	.4
5.1-10.0 percent---	.1	.1	.6	.1	-
10.1-15.0 percent--	.2	.1	-	-	-
15.1-20.0 percent--	.4	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Except in the United Kingdom, imports of unworked precious metals receiving preferential tariff treatment are insignificant for the major countries. Preferential treatment is accorded one-third of total United Kingdom imports. Intra-EC shipments are equal to roughly a third of Community imports from outside sources.

The United States and the European Community have the most detailed tariff schedules, with 22 and 17 lines, respectively. Canada has 14; Japan, 11; and the United Kingdom, 8.

Trade importance

Unworked or semimanufactured precious metals account for roughly one-fourth of OECD trade in the precious stones and precious metals sector. In 1969, OECD exports totaled \$708 million; imports, \$1 billion. By 1970 exports and imports had dropped to \$530 and \$875 million,

respectively. U.S. imports of unworked precious metals were \$161 million in 1969 and remained relatively constant in 1970 at \$160 million.

Trade network

The European Community, the United Kingdom, and the United States are the most significant traders of unworked precious metals among the five major countries, shipping 85 percent of OECD exports of unworked or semimanufactured precious metals, and receiving over 80 percent of OECD imports. Forty-five percent of U.S. exports go to the United Kingdom, as do 41 percent of EC outside exports. Over one-third of United Kingdom exports are shipped to the Community. At least 80 percent of the exports of each of these three countries go to OECD nations (table I-12-K).

About two-fifths of the imports of the United Kingdom come from non-OECD sources, as do 17 percent of U.S. imports and 38

Table I-12-K.—OECD exports of unworked or semi-manufactured precious metals, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	708	69	149	8	<u>1/</u> 240	207	35
OECD total-----	633	69	147	3	213	169	32
Canada-----	14	-	4	-	X	10	X
United States---	127	66	-	1	4	53	3
Japan-----	33	X	13	-	8	12	X
European Community----	<u>1/</u> 252	2	42	X	112	73	23
United Kingdom--	125	X	67	1	52	-	5
Other OECD-----	82	1	21	1	37	21	1
Non-OECD total----	75	X	3	5	27	38	2
LDC's-----	16	X	2	X	7	5	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

percent of EC outside imports. Forty-two percent of U.S. imports are shipped from Canada, while about 30 percent of EC imports from outside sources arrive from the United Kingdom. Thirty percent of United Kingdom imports have their source in the United States (table I-12-L).

Table I-12-L.--OECD imports of unworked or semi-manufactured precious metals, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,003	42	161	90	<u>1/</u> 400	254	56
OECD total-----	683	42	133	35	284	147	42
Canada-----	69	-	67	-	2	X	X
United States---	183	33	-	13	56	77	4
Japan-----	3	-	1	-	X	1	1
European Community-----	<u>1/</u> 196	X	6	8	103	59	20
United Kingdom--	181	9	54	14	87	-	17
Other OECD-----	51	X	5	X	36	10	X
Non-OECD total----	314	X	28	55	111	107	13
LDC's-----	153	X	14	7	71	54	7

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Concessions under the GATT have been made on all MFN provisions for unworked or semimanufactured metals in the tariff schedules of the European Community and the United States. Forty-three percent of Canada's provisions, covering 1 percent of imports, are under the GATT, as are 64 percent of Japan's, covering 79 percent of imports, and 75 percent of the United Kingdom's, covering 17 percent of imports.

Of a total of 12 concessions contained in the national tariffs of the member states of the European Community prior to the adoption of the Common External Tariff (CET), 3 were above the CET rate.

Articles of Precious Stones and Precious Metals

Articles of precious stones and precious metals include genuine and imitation jewelry, goldsmiths' and silversmiths' wares, articles consisting of or incorporating precious or semiprecious stones, and noncirculating coins. ^{1/}

MFN tariffs

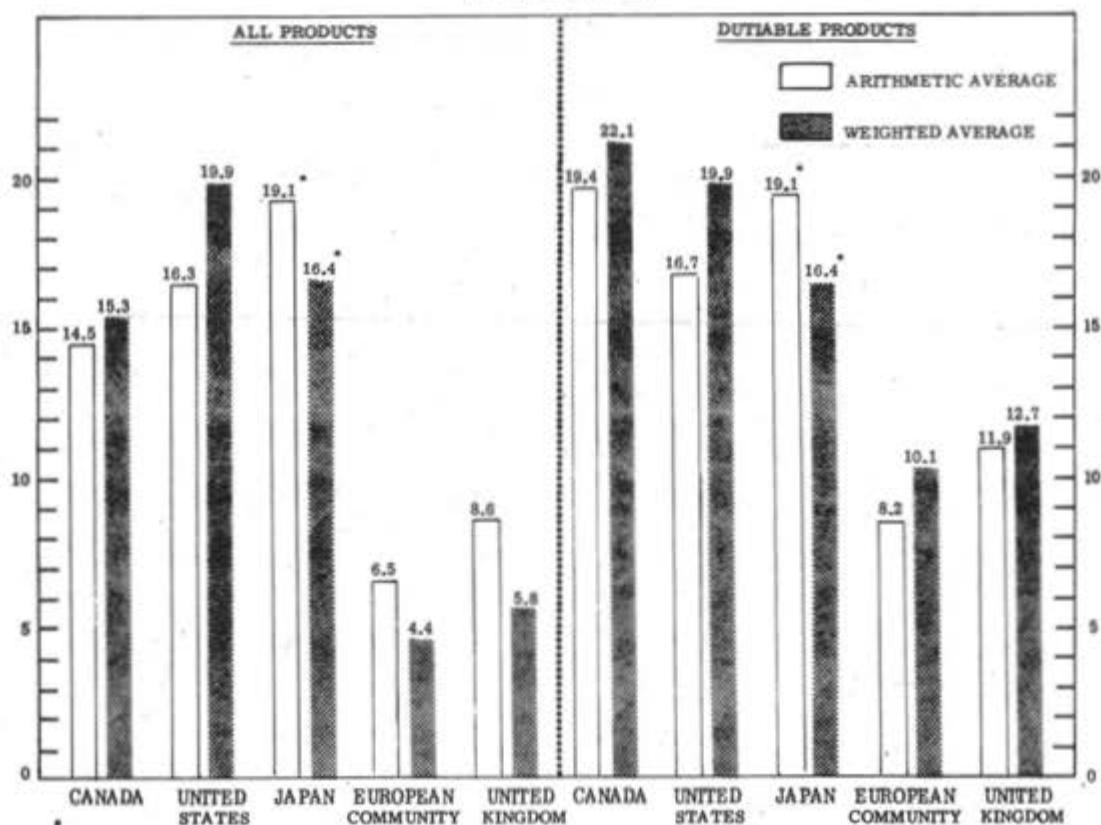
Average MFN tariffs of Canada, the United States, and Japan for articles in this subsector are relatively high. For all products, Japan has the highest arithmetic average (19.1 percent ad valorem) and the United States the highest weighted average (19.9 percent). The European Community has the lowest averages. The dutiable product averages range from 8.2 to 19.4 percent ad valorem for the arithmetic averages and 10.1 to 22.1 for the weighted averages. Canada has the highest averages; the European Community, the lowest (see chart I-12-G).

The distribution of MFN tariff provisions, by duty level, is shown in table I-12-M. The largest portion of MFN tariff provisions is in the 15.1-20 percent ad valorem bracket for Canada, the United States, and Japan; the 10.1-15 percent bracket for the United Kingdom, and the 5.1-10 percent bracket for the European Community. All major countries, except Japan, have duty-free provisions. Canadian and Japanese rates range into the 20.1-25 percent ad valorem bracket; U.S. rates into the 30.1-40 percent bracket.

^{1/} For the specific coverage of this subsector, see BTN headings 71.12-.16 and 72.01.

Chart I-12-G. -- Average MFN tariff rates on articles of precious stones and precious metals

(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on about one-third of the Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Table I-12-M.--Distribution, by duty level, of MFN tariff provisions for articles of precious stones and precious metals

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	25.0	2.1	-	21.4	27.3
0.1-5.0 percent----	-	-	10.0	14.3	-
5.1-10.0 percent---	-	22.9	-	49.9	27.3
10.1-15.0 percent--	10.0	25.1	5.0	7.1	45.5
15.1-20.0 percent--	40.0	29.2	60.0	7.1	-
20.1-25.0 percent--	25.0	4.2	25.0	-	-
25.1-30.0 percent--	-	12.5	-	-	-
30.1-40.0 percent--	-	4.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Over half of MFN imports by the European Community and the United Kingdom and almost one-third of Canada's imports enter duty free. The largest portion of Canada's imports enter in the 20.1-25 percent ad valorem range. The United States and Japan have no duty-free imports; the largest portion of imports enters in the 10.1-15 percent ad valorem level for the United States, and the 15.1-20 percent level for Japan (table I-12-N).

Table I-12-N.--Distribution, by duty level, of MFN imports of articles of precious stones and precious metals

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	30.6	-	-	56.9	54.3
0.1-5.0 percent----	-	-	3.1	13.9	-
5.1-10.0 percent---	-	3.0	-	7.3	.7
10.1-15.0 percent--	8.6	40.9	42.0	11.9	44.9
15.1-20.0 percent--	9.7	15.2	46.0	10.2	-
20.1-25.0 percent--	51.0	-	8.9	-	-
25.1-30.0 percent--	-	31.7	-	-	-
30.1-40.0 percent--	-	9.2	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

With the exception of the United Kingdom, imports of articles of precious stones and precious metals receiving preferential tariff treatment are insignificant. Such treatment is accorded roughly two-thirds of total United Kingdom imports. Intra-European Community shipments are equal to 133 percent of Community imports from outside sources.

The United States has the most detailed tariff schedule for articles of precious stones and precious metals with 48 lines; the United Kingdom has the simplest with 11. Japan and Canada have 20 lines; the Community has 14.

Trade importance

Articles of precious stones and precious metals account for roughly one-tenth of OECD trade in the precious stones, precious metals, and manufactures sector. In 1969, OECD exports totaled \$438 million; imports, \$334 million. U.S. imports of articles of precious stones and metals were \$66 million in 1969 and increased in 1970 to \$78 million.

Trade network

The five major countries account for 87 percent of OECD exports of precious stones and precious metals and almost three-fourths of imports. The European Community (including intra-EC exports) is the source of almost two-thirds of total OECD exports in this subsector; the United States, about 15 percent. Intra-EC exports equal about 72 percent of EC exports to outside nations, for which destinations are known. The Community accounts for 38 percent of OECD imports (over half of the Community's known imports are intra-EC shipments). Twenty percent of OECD imports arrive in the United States. U.S. imports are larger than entries into the Community from outside sources for which origin data are available (see tables I-12-0 and P).

Table I-12-O.--OECD exports of articles of precious stones and precious metals, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	438	5	62	14	<u>1/</u> 282	18	57
OECD total-----	277	NA	42	1	197	6	31
Canada-----	6	-	3	X	2	X	1
United States---	34	-	-	X	25	2	7
Japan-----	2	-	1	-	1	X	X
European Community-----	<u>1/</u> 128	-	12	X	102	X	14
United Kingdom--	6	-	1	X	3	-	2
Other OECD-----	101	-	25	1	64	4	7
Non-OECD total----	78	-	11	1	46	11	9
LDC's-----	66	-	11	1	36	10	8

1/ Includes intra-EC shipments.

X = Less than \$500,000

Note.--Complete country of destination data are not available for 100 percent of Canadian exports, 15 percent of U.S. exports, 86 percent of Japanese exports, and 14 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-12-P.--OECD imports of articles of precious stones and precious metals, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	334	14	66	5	<u>1/</u> 128	34	87
OECD total-----	214	6	37	1	87	13	70
Canada-----	2	-	1	X	X	2	X
United States---	16	3	-	1	2	8	2
Japan-----	11	X	3	-	4	X	4
European Community-----	<u>1/</u> 151	2	23	1	73	2	50
United Kingdom--	11	1	4	X	2	-	4
Other OECD-----	23	X	6	X	6	1	10
Non-OECD total----	47	X	6	1	20	16	4
LDC's-----	20	X	5	1	7	5	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 57 percent of Canadian imports, 35 percent at U.S. imports, 60 percent of Japanese imports, 16 percent of EC imports, and 15 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for articles of precious stones and precious metals were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this subsector were not among the items which Japan unilaterally reduced in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(percent ad valorem)	
United States	86.3	19.9
European Community	6.8	4.4
United Kingdom	13.7	5.8
Japan	39.3	16.4
Canada	29.0	14.5

Concessions under the GATT have been made on all MFN provisions for articles of precious stones and precious metals in the tariff schedules of the United States, the European Community, and Japan; 95 percent of Canadian provisions, covering 82 percent of imports, and 82 percent of United Kingdom provisions, covering 46 percent of imports, are under the GATT. Prior to the adoption of the Community's Common External Tariff, 22 GATT concessions had been made in member state national tariffs; 10 at a rate higher than the new CXT rate; 8 at a lower rate and 4 at the CXT rate.

Table I-12-Q shows specific tariff concessions by the five major countries on jewelry of precious metals, the largest trade category in this subsector.

Table I-12-Q.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on jewelry of precious metal

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	50%-110%	15%-55%	12%-27.5% ^{2/}	740.05, .10, .50, .55, .70; 754.66, .67
Canada-----	45%	30%	25%	64700-1
European Community--	9%; 12%	9%; 12%	4.5%; 9%	71.12 A, B
United Kingdom-----	30%	20%; 25%	12.5%	71.12
Japan-----	50%	35%-50%	17.5%-25%	71.12

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Nearly 96 percent of imports, based on values in 1971, were dutiable at 12 percent ad valorem.

RUBBER AND RUBBER MANUFACTURES

The sector on rubber and rubber manufactures includes raw rubber in the form of natural, synthetic and reclaimed rubber; semimanufactured forms such as plates, sheets and tubing of both unvulcanized and vulcanized rubber; and manufactured articles of rubber. Some important products containing rubber are not included in the sector. Among these are footwear, rubber mechanical or electrical appliances, rubber toys and rubberized or elasticized textile fabrics. ^{1/}

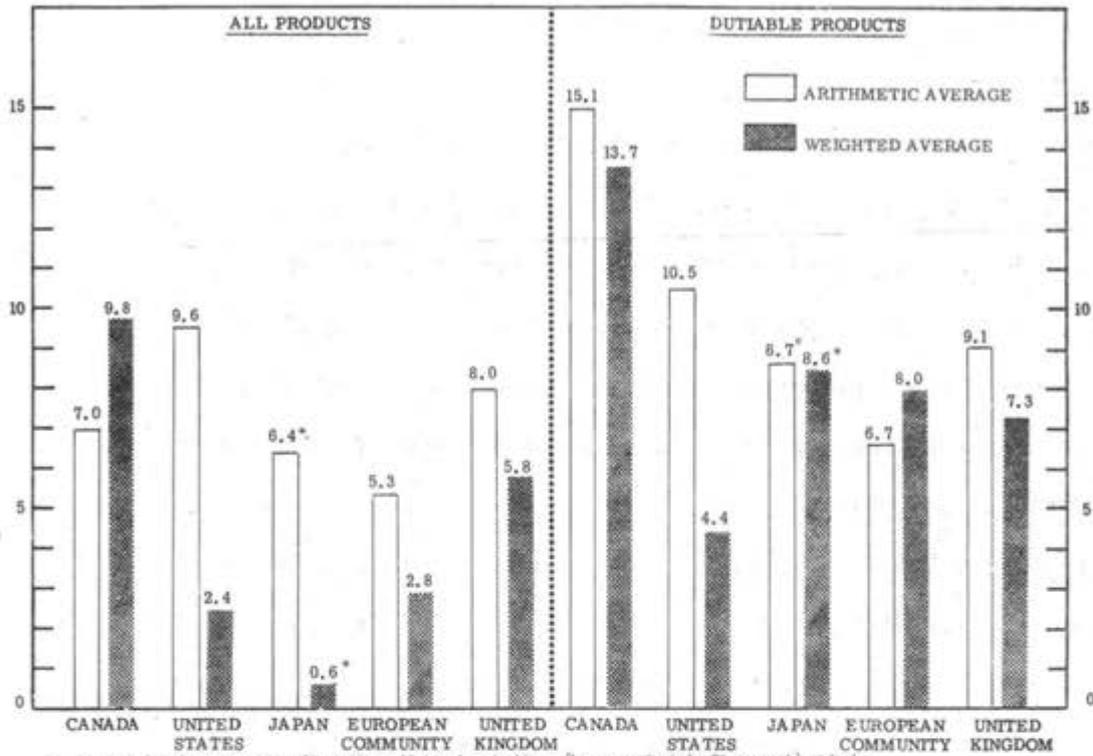
MFN tariffs

Chart I-13-A illustrates the average tariffs for MFN imports of rubber and rubber manufactures. The arithmetic averages for all products (combined free and dutiable) range from 5.3 to 9.6 percent ad valorem, with the European Community having the lowest average and the United States the highest. The lowest weighted average for all products is held by Japan (0.6 percent), followed by the United States and the European Community (2.4 and 2.8 percent, respectively). Canada has the highest weighted average (9.8 percent). For dutiable products only, Canada has the highest arithmetic average (15.1 percent), as well as the highest weighted average (13.7 percent). The lowest weighted average for dutiable products only is held by the United States (4.4 percent), while the European Community has the lowest arithmetic average (6.7 percent).

The distribution of MFN tariff provisions for rubber and rubber manufactures, by duty level, is shown in table I-13-A. The largest

^{1/} For the specific coverage of this sector, see BTN chapter 40. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-13-A. -- Average MFN tariff rates on rubber and rubber manufactures
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 of Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

portion of rate provisions is between 5.1 and 10 percent ad valorem for all countries, except Canada, where over half of the rate provisions are free. The tariffs of each of the five major countries contain MFN duty-free provisions for rubber and rubber manufactures.

Table I-13-A.--Distribution, by duty level, of MFN tariff provisions for rubber and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	53.8	8.6	26.3	21.9	11.5
0.1-5.0 percent----	5.0	20.0	5.3	18.8	26.9
5.1-10.0 percent---	6.3	46.7	55.3	59.4	34.6
10.1-15.0 percent--	8.8	13.3	13.2	-	19.2
15.1-20.0 percent--	22.5	4.8	-	-	7.7
20.1-25.0 percent--	3.8	1.0	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	4.8	-	-	-
40.1-50.0 percent--	-	1.0	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

The rates of the United States range into the 40.1-50 percent ad valorem bracket. The European Community has no rates above 10 percent.

Imports of rubber receiving preferential tariff treatment are significant in only two of the major countries. Twenty-two percent of United Kingdom's total imports of rubber and manufactures and 15 percent of Canada's imports are from sources which received preferential treatment on dutiable products. Intra-EC shipments, all of which move duty free, are approximately equal in value to EC imports from countries outside the customs union.

The bulk of MFN imports by most of the major countries are either duty free or enter at rates of less than 5 percent ad valorem. For Canada, over half of MFN imports enter at rates in the 15.1-20 percent ad valorem bracket. Over one-third of EC imports are in the 5.1-10 percent range and nearly one-third of United Kingdom imports are divided between the 5.1-10 percent and 10.1-15 percent ranges. Duty-free entry is accorded virtually all Japanese imports of rubber, 65 percent of those for the Community, and 46 percent of those for the United States (table I-13-B).

Table I-13-B.--Distribution, by duty level, of MFN imports of rubber and manufactures

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	28.4	46.0	93.1	65.3	19.5
0.1-5.0 percent----	19.1	48.9	.1	1.1	45.8
5.1-10.0 percent---	.7	3.3	5.9	33.6	15.8
10.1-15.0 percent--	.5	1.7	.9	-	16.0
15.1-20.0 percent--	50.2	-	-	-	2.9
20.1-25.0 percent--	1.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

The United States and Canada have the most detailed tariff schedules for rubber and rubber articles with 101 lines and 80 lines, respectively. Japan has 38 lines; the European Community, 32 lines; and the United Kingdom has the least detailed tariff with 26 lines. However, the multiple dispersion of U.S. and Canadian tariff items into the BTN format overstates the detail of the tariff schedules of these two countries. An adjustment for this problem yields a more accurate count of 69 items for the United States and 49 items for Canada.

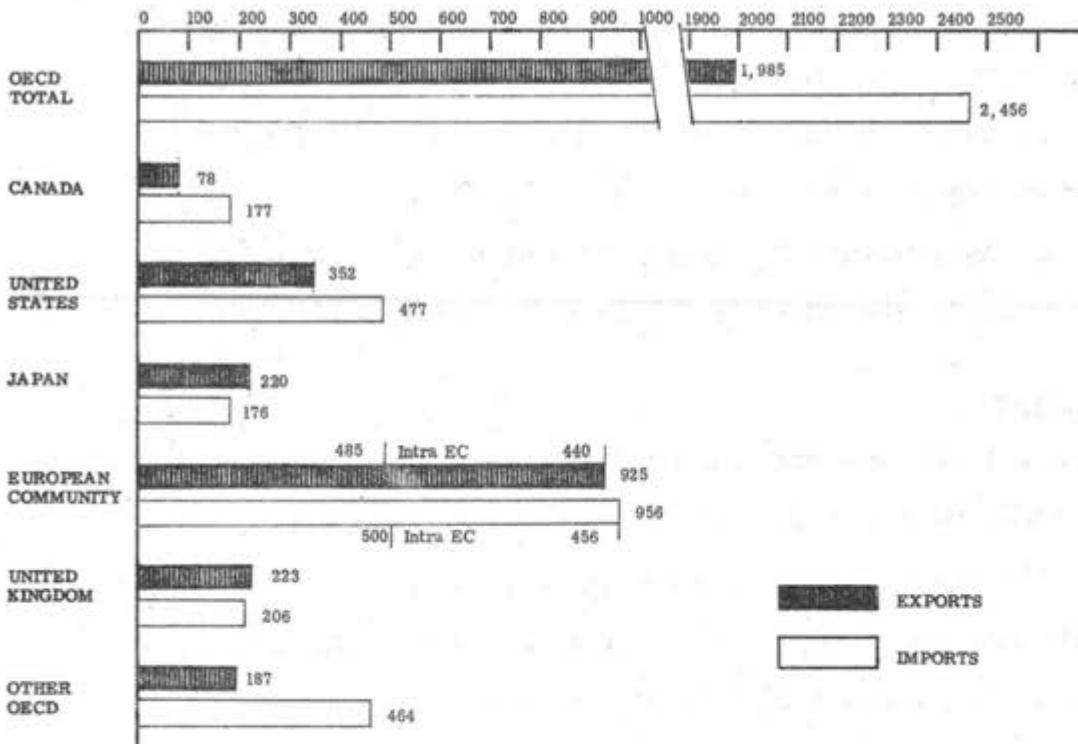
Trade importance

Insofar as trade among the industrial sectors is concerned, rubber and rubber manufactures rank 13th in both OECD imports and exports, accounting for 1.6 percent of OECD industrial imports and 1.2 percent of industrial exports. The position of rubber in United States trade is very similar to its OECD position. The sector ranks 14th in U.S. industrial imports and 13th in U.S. industrial exports.

Imports by the GATT tariff study countries were valued at \$1.4 billion in 1967 and \$2.1 billion in 1970. Intra-EC shipments were an additional \$302 million in 1967 and \$542 million in 1970. OECD 1969 imports were \$2.5 billion (including \$456 million of intra-EC shipments) and exports were about \$2 billion (see chart I-13-B).

Chart I-13-B. -- OECD trade in rubber and manufactures, 1969

(Millions of dollars)



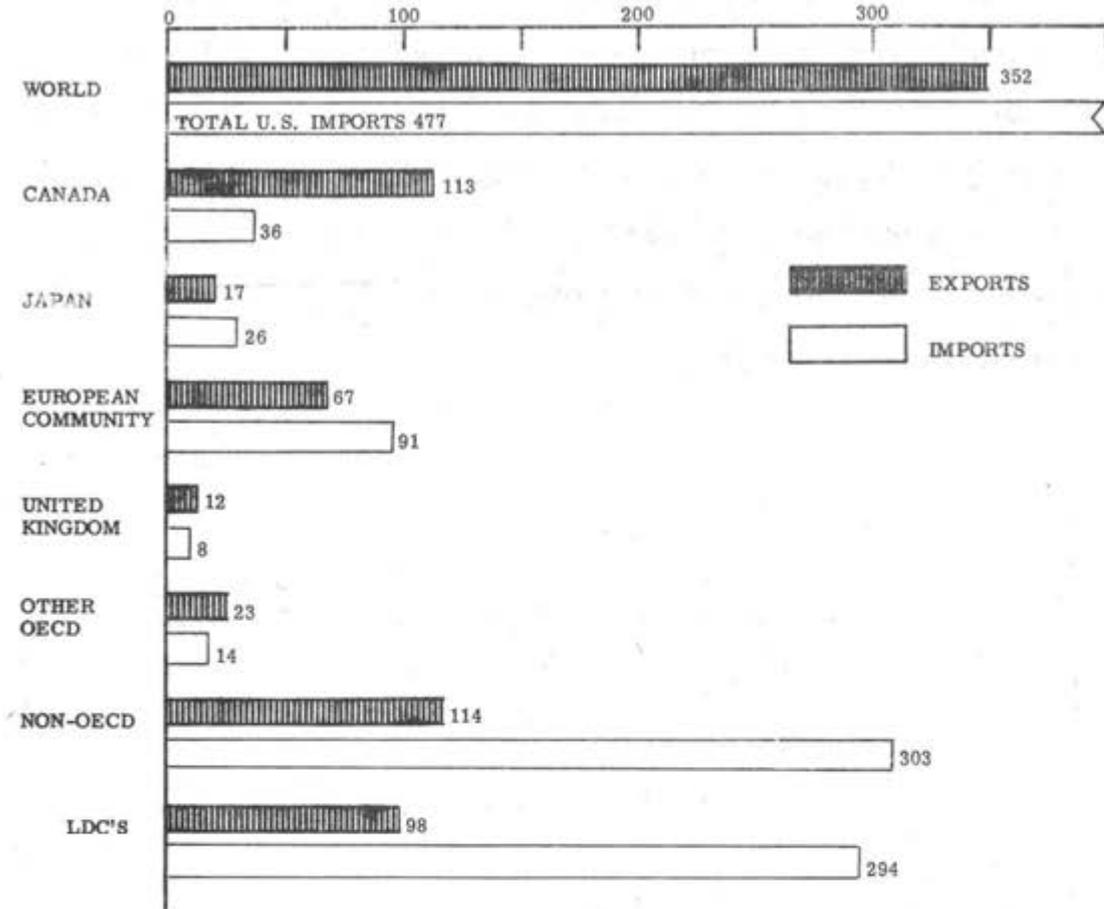
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for 90 percent of OECD exports and 81 percent of imports. Over half of OECD exports go to the five major countries; over one-fifth to LDC's. The five major countries also supply over half of OECD imports.

Of the five major countries, Canada is the chief developed market for U.S. exports; the EC is the chief supplier of U.S. imports among the five. Nearly two-thirds of U.S. imports of rubber and rubber manufactures come from non-OECD countries, primarily from LDC's (chart I-13-C).

Chart I-13-C.-- United States trade in rubber and manufactures, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community's exports to outside destinations exceed exports of any other country, and intra-EC shipments are almost as great as shipments to outside destinations. Most exports of both the United States and the United Kingdom go to non-OECD countries, while 58 percent of Japanese products go to LDC's (see table I-13-C).

Rubber and rubber manufactures rank 11th in industrial imports for Canada, 12th for Japan and 14th for the European Community, the United States, and United Kingdom. U.S. imports of rubber were valued at \$318 million in 1967, \$477 million in 1969, and \$592 million in

1971. About one-third of U.S. imports are supplied by OECD sources, 19 percent from the European Community alone. The United States is the major source of Canadian imports, supplying nearly three-fourths. For all other major countries, the bulk of rubber imports come from LDC's -- 81 percent for Japan, 62 percent for the United States, 54 percent for the United Kingdom, and 53 percent of EC imports from outside sources (see table I-13-D).

Table I-13-C--OECD exports of rubber and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,985	78	352	220	<u>1/</u> 925	223	187
OECD total-----	1,399	63	232	64	745	139	156
Canada-----	141	-	113	6	13	6	3
United States---	186	41	-	34	89	11	11
Japan-----	26	2	17	-	5	1	1
European Community----	<u>1/</u> 632	7	67	14	440	50	54
United Kingdom--	78	10	12	1	35	-	20
Other OECD-----	336	3	23	9	163	71	67
Non-OECD total----	563	15	114	154	175	80	25
IDC's-----	443	10	98	128	136	56	15

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-13-D--OECD imports of rubber and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,456	177	477	176	<u>1/</u> 956	206	464
OECD total-----	1,501	152	175	33	672	92	377
Canada-----	56	-	36	3	5	10	2
United States---	271	129	-	18	77	15	32
Japan-----	56	4	26	-	14	2	10
European Community----	<u>1/</u> 783	12	91	10	456	40	174
United Kingdom--	170	5	8	3	63	-	91
Other OECD-----	165	2	14	-	57	25	67
Non-OECD total----	938	24	303	143	275	113	80
IDC's-----	912	24	294	142	266	111	75

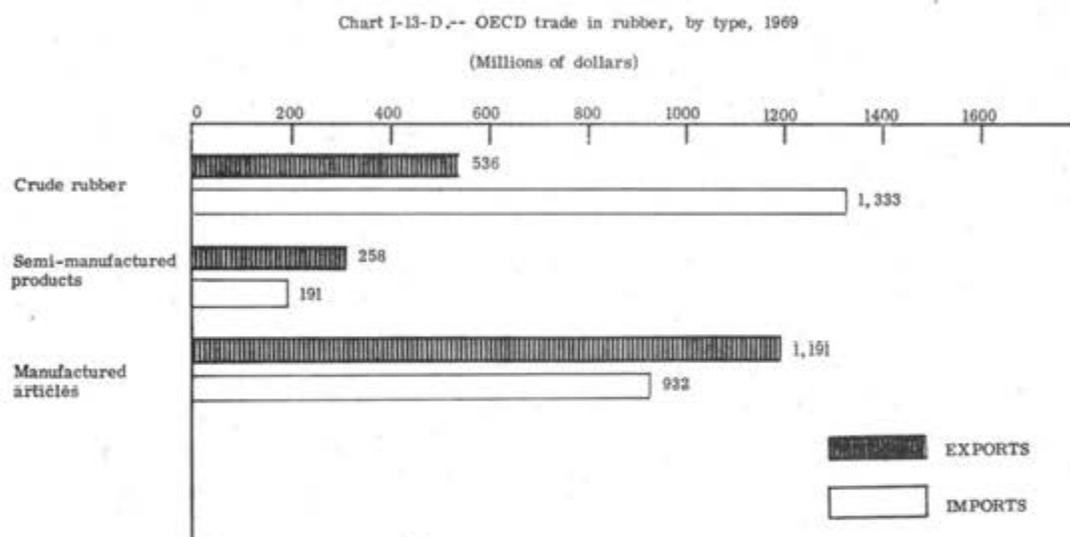
1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

The rubber and rubber manufactures sector is divided into three subsectors according to stage and processing: Crude rubber, semimanufactured products and manufactured articles. Crude rubber constitutes the largest subsector in imports, accounting for 54 percent of total OECD imports in the sector. The largest exports (60 percent of the sector) are found in the manufactured articles of rubber subsector. The relative importance of the subsectors is shown in chart I-13-D.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Average tariff levels for all of the five major countries for the rubber and rubber manufactures sector on January 1, 1972, were significantly below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where for all countries except Canada, the

figures given are weighted average duties; the Canadian figure is an arithmetic average. All of the Japanese tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 0.5 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	9.1	2.4
European Community	5.1	2.8
United Kingdom	12.5	5.8
Japan	5.0	0.6
Canada	19.8	7.0

Concessions under the GATT have been made on all MFN provisions for rubber and rubber manufactures in the tariff schedules of the United States and the European Community. The figures for Japan and the United Kingdom are 97 and 96 percent of provisions, respectively, and cover virtually all of MFN trade in rubber and rubber manufactures for the two countries. Concessions have been granted on 68 percent of Canada's provisions, covering over four-fifths of Canadian imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on rubber and rubber manufactures negotiated under the GATT. The number of such concessions totaled 101, of which 44 reflected rates higher than the autonomous rate established in the CXT, 30 were at the CXT rate, and 27 were below the CXT rate.

Trade complaints

The Tariff Commission received 30 complaints from manufacturers and traders of rubber and rubber manufactures against practices and

policies which they considered to constitute barriers to their trade. The complaints were about evenly divided between developed and developing countries. The United States drew more complaints than any other single country. The areas of major complaint are described below.

Customs valuation and customs administrative procedures.--Most complaints in the category of customs procedures were against the United States. Rubber importers alleged identical rubber products were classified differently depending on the U.S. port of entry. Objections were made to application of "final list" valuation procedures to U.S. imports of certain rubber manufactures. Importers felt the United States uses the threat of antidumping actions to limit imports. Lengthy U.S. customs procedures were also cited as a cause of costly delays to rubber importers.

Another objection in the customs administration area was raised by U.S. producers and exporters and concerned a definitional problem. Some merchandise, which is defined as rubber in the United States, is classified as plastics in the Brussels Tariff Nomenclature, and as such, is usually subject to a higher duty by countries using the BTN.

Quantitative limitations and licensing.--Western European restraints on imports of Japanese rubber manufactures were said to cause Japanese exports to concentrate on U.S. markets. The Jamaican licensing requirements were the subject of complaint, as were the quotas on American synthetic rubber imposed by India.

Import duties.--A U.S. rubber producer cited the duties of three customs unions (the European Community, the European Free Trade Association,

and the Latin American Free Trade Association) as discriminatory and detrimental to trade. The complaining producer characterized as "moderate" the limiting effect which this discrimination has on his trade with these areas. Australia and Iceland were reported to have special additional import taxes on rubber products.

Miscellaneous practices.--United States dock strikes were reported to have seriously impeded imports of natural latex and rubber. It was estimated that \$900 million in sales of latex and \$882 million in sales of rubber were lost as a result of these strikes.

Specific complaints were received citing the trade arrangements of Eastern European countries. U.S. exporters viewed these barter arrangements as being detrimental to their trade. Certain exchange control policies of less developed countries were reported to hamper U.S. rubber trade. Tunisia was cited as having a special consumption tax on imported rubber manufactures. Objections were made against various port, statistical or other taxes encountered in Greece, Turkey, and Colombia.

Only six respondents gave some estimate concerning the dollar value of the increase in sales which would result from the removal of these barriers. Two respondents predicted a "moderate" sales increase and four estimated "significant" increases. The sum of dollar value estimates received in the rubber and rubber manufactures sector totaled \$3.6 million.

Crude Rubber

Crude rubber includes raw rubber in the form of natural or synthetic rubber latex; reclaimed rubber; and waste of unhardened rubber. 1/

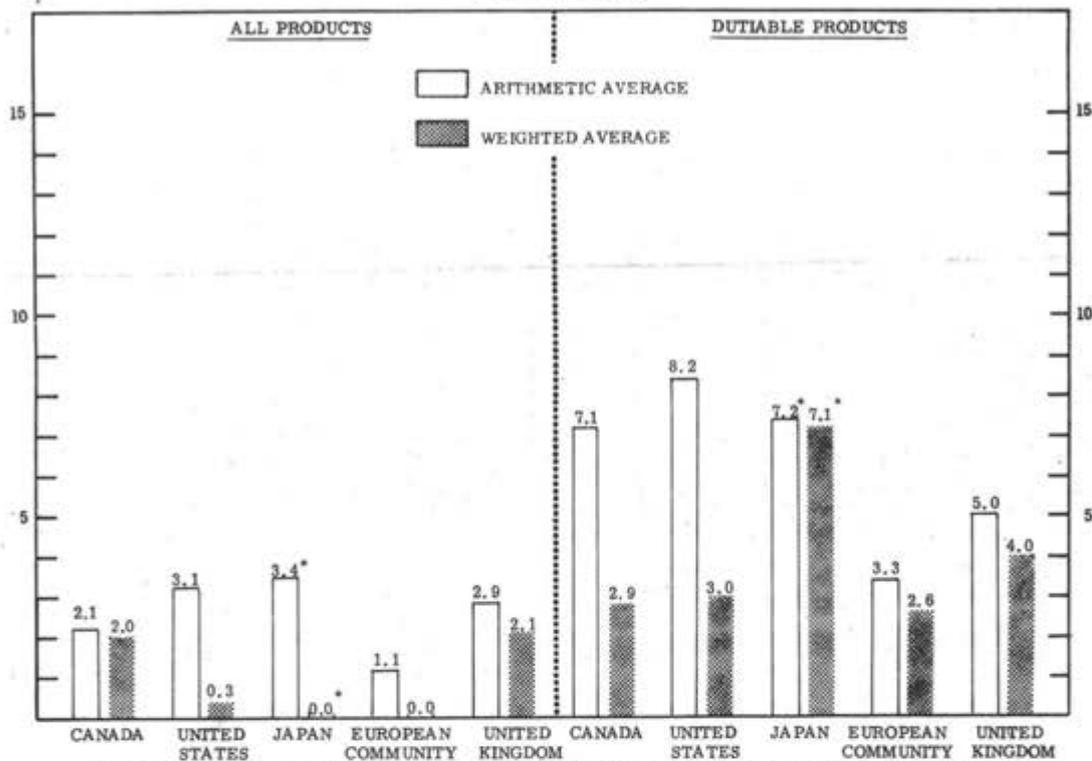
MFN tariffs

For all crude rubber (combined free and dutiable) there are less than 3 percentage points difference among MFN average tariffs of the five major countries. The arithmetic averages range from 1.1 percent ad valorem (European Community) to 3.4 percent (Japan). The weighted average for both the Community and Japan is zero while that of the United States is 0.3, reflecting the preponderance of duty-free imports into these countries. The highest weighted average (2.1 percent) is held by the United Kingdom. For dutiable products, both the lowest arithmetic and weighted averages are held by the European Community (3.3 and 2.6 percent ad valorem, respectively). The highest arithmetic average is held by the United States (8.2 percent) and the highest weighted average by Japan (7.1 percent) (chart I-13-E).

Most MFN provisions in the tariff schedules of the United States, Canada, Japan, and the Community are duty free. About two-fifths of United Kingdom provisions are duty free and an equal proportion have rates of 5 percent or lower. Only the United States and Canada have rate provisions extending into the 15.1-20 percent ad valorem range (table I-13-E).

1/ For specific coverage of this subsector, see BTN headings 40.01-.04.

Chart I-13-E.--Average MFN tariff rates on crude rubber
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on the rates for dutiable Japanese items in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

All Japanese and virtually all Community trade takes place at the duty-free level. Similarly, 90 percent of all U.S. imports of crude rubber

Table I-13-E.--Distribution, by duty level, of MFN tariff provisions for crude rubber

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	70.0	62.5	52.9	66.7	42.9
0.1-5.0 percent----	20.0	12.5	5.9	33.3	42.9
5.1-10.0 percent---	-	12.5	41.2	-	14.3
10.1-15.0 percent--	5.0	-	-	-	-
15.1-20.0 percent--	5.0	12.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

are duty free. For Canada and the United Kingdom, the largest percentage of imports enters in the 0.1-5 percent rate range (table I-13-F).

Table I-13-F.--Distribution, by duty level, of MFN imports of crude rubber

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	29.2	89.7	100.0	99.6	47.3
0.1-5.0 percent----	68.9	10.3	-	.3	52.2
5.1-10.0 percent---	-	-	-	-	.4
10.1-15.0 percent--	.1	-	-	-	-
15.1-20.0 percent--	1.8	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Only Canada and the United Kingdom have a significant proportion of imports entering under preferential tariff treatment. Thirty-six percent of Canada's total imports and 62 percent of United Kingdom entries are from sources which receive preferential treatment on dutiable products. Intra-EC shipments are equal to about one-fourth of Community imports.

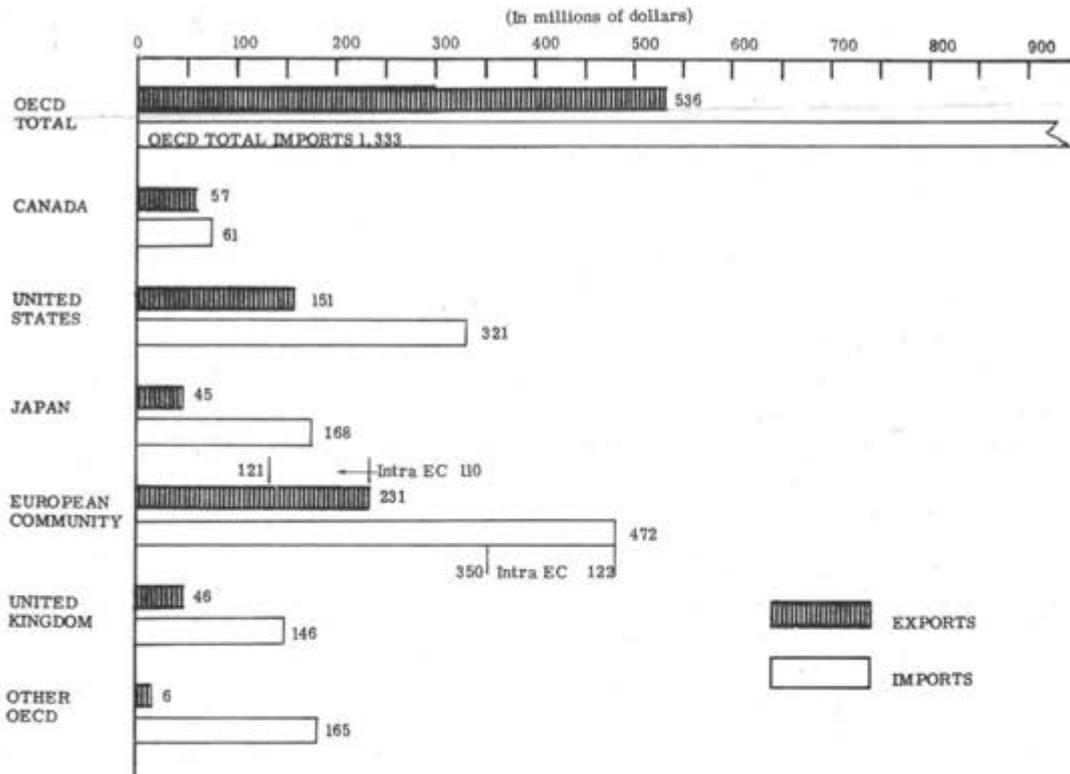
Canada and Japan have a relatively complex tariff schedule for crude rubber with 20 and 17 tariff lines, respectively. The EC schedule has nine lines; for the United States, eight lines; and for the United Kingdom, seven lines.

Trade importance

Crude rubber is the most important category in value of OECD imports in the rubber and rubber manufactures sector, and the second largest in value of OECD exports. Imports were \$1.3 billion in 1969, or about 54 percent of OECD import trade in the sector. Exports were \$536 million, or about 27 percent of total export trade

(chart I-13-F). U.S. exports in 1969 were valued at \$151 million, while imports were \$321 million. By 1971, United States imports had dropped to \$280 million.

Chart I-13-F.--OECD trade in crude rubber, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for over 98 percent of OECD exports and 88 percent of imports of crude rubber. The United States and the European Community together ship about 70 percent of OECD exports. About one-third of U.S. exports go to the Community, and another 27 percent to non-OECD destinations. The United Kingdom and "other" OECD countries are among the Community's largest customers. Intra-EC exports are almost as large as external shipments (table I-13-G). Over two-fifths of Canadian exports go to the United States.

Table I-13-G.--OECD exports of crude rubber, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	536	57	151	45	<u>1/</u> 231	46	6
OECD total-----	406	45	110	20	191	34	6
Canada-----	34	-	29	1	3	1	X
United States---	36	25	-	7	4	1	X
Japan-----	22	2	15	-	4	1	X
European Community-----	<u>1/</u> 198	7	47	10	110	23	1
United Kingdom--	40	10	8	X	21	-	1
Other OECD-----	76	1	11	2	49	8	4
Non-OECD total----	130	12	41	25	40	11	1
LDC's-----	78	7	32	13	19	7	-

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community is the largest importer, closely followed by the United States and more distantly by Japan and the United Kingdom. With the exception of Canada, all five major countries have the bulk of their imports supplied by LDC's (see table I-13-H). Over half of Canadian imports originate in the United States. As would be expected in the case of a raw material such as rubber, all five major countries are net importers.

Table I-13-H.--OECD imports of crude rubber, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,333	61	321	168	<u>1/</u> 472	146	165
OECD total-----	433	38	37	25	205	39	89
Canada-----	43	-	26	3	4	9	1
United States---	110	33	-	13	43	6	15
Japan-----	19	1	6	-	9	X	3
European Community----	<u>1/</u> 211	2	4	8	122	23	52
United Kingdom--	45	1	X	2	25	-	17
Other OECD-----	5	1	1	-	2	1	X
Non-OECD total----	900	23	285	143	267	107	75
IDC's-----	890	23	284	142	261	106	74

1/ Includes intra-EC shipments.

X = Less than \$500,000

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Reductions in average duty levels on crude rubber in tariffs of the five major countries since their pre-trade-agreement base dates are shown below. The reductions principally reflect trade-agreement concessions. Prior to adoption of the European Community's Common External Tariff (CXT), 12 GATT tariff concessions had been made in member state national tariffs; 10 of these were at the CXT rate. The United States is the only country to have any specific rates of duty, but no imports enter under them.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	4.1	0.3
European Community	0.0	0.0
United Kingdom	7.0	2.1
Japan	4.5	0.0
Canada	8.5	2.1

GATT concessions cover all U.S. and EC provisions for crude rubber, 94 percent of Japan's provisions (100 percent of imports), 86 percent of the United Kingdom's provisions (99 percent of imports), and 80 percent of Canada's provisions (95 percent of imports).

Rates on pre-trade-agreement base dates and on January 1, 1972, for natural rubber and similar natural gums, which comprise the major heading of the subsector of crude rubber, are shown in table I-13-I.

Table I-13-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on natural rubber and similar natural gums

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free; 22.7% AVE	Free; 22.7% AVE	Free; 11.3% AVE ^{2/}	188.32, .34, .38 446.05
Canada-----	Free 5% 10%	Free 5% 10%	Free 2.5% 2.5%	61620-1 61605-1 61630-1; 61635-1
European Community--	Free	Free	Free	40.01
United Kingdom-----	10% Free	10% Free	4% Free	40.01 (A)(1), (B) (2) 40.01 (A)(2), (B) (1)
Japan-----	Free; 15%	Free; 15%	Free; 7.5%	40.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Nearly all imports are duty free; ad valorem equivalents for imports in class 188.34 (for specific rate of 2.5 cents per pound) were calculated on 1971 import values.

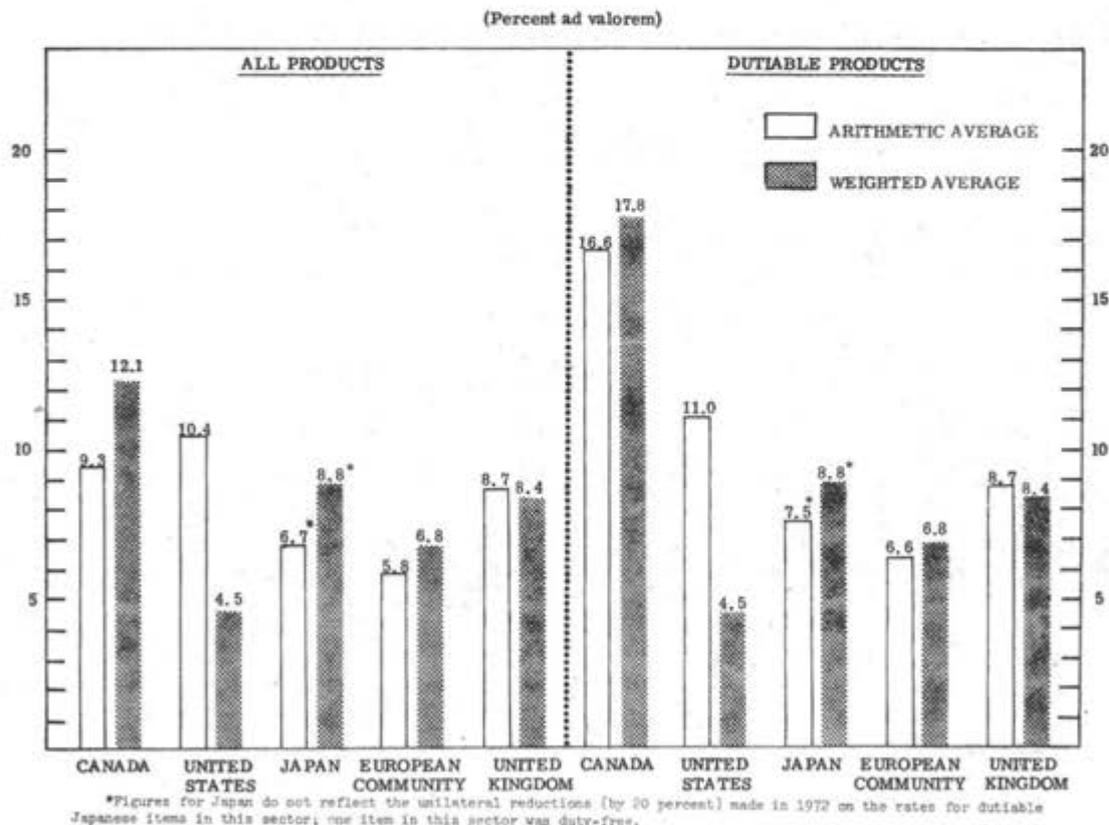
Semimanufactured Rubber Products

Semimanufactured rubber products include rubber in such forms as plates, sheets, strips, and piping and tubing, whether or not vulcanized. ^{1/}

MFN tariffs

In terms of all semimanufactured rubber products, the arithmetic and weighted average tariffs of the five major countries range between 4.5 and 12.1 percent ad valorem (chart I-13-G). The United States has

Chart I-13-G.--Average MFN tariff rates on semi-manufactured rubber products



^{1/} For specific coverage of this subsector, see BTN headings 40.05-.09 and 40.15.

both the highest arithmetic average and the lowest weighted average for all imports. Average tariffs for dutiable products alone do not differ significantly except in the case of Canada, where they increase substantially to 16.6 percent ad valorem for the arithmetic average and 17.8 percent for the weighted average.

Forty percent of total United Kingdom imports of semimanufactured rubber products, 12 percent of U.S. imports, and 7 percent of those of Canada are accorded preferential tariff treatment. Intra-EC shipments which move duty free are greater than entries from third countries.

All of the tariff provisions of both Japan and the European Community are 10 percent or lower, with at least 69 percent of provisions falling in the 5.1-10 percent ad valorem range (table I-13-J). More than two-fifths of the United Kingdom provisions are in the 0.1-5 percent range.

Table I-13-J.--Distribution, by duty level, of tariff provisions for semi-manufactured rubber products

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	44.0	5.6	11.1	7.7	-
0.1-5.0 percent----	-	19.5	11.1	23.1	44.4
5.1-10.0 percent---	8.0	44.5	77.8	69.3	33.3
10.1-15.0 percent--	12.0	19.5	-	-	11.1
15.1-20.0 percent--	32.0	2.8	-	-	11.1
20.1-25.0 percent--	4.0	2.8	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	5.6	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Over two-fifths of U.S. tariff provisions fall within the 5.1-10 percent bracket, but the United States is the only country of those under study with provisions extending into the 30.1-40 percent range. Two-fifths of Canada's rate provisions are duty free; one-third have duties between 15.1 and 20 percent ad valorem.

For Japan, the European Community, and the United Kingdom, the largest percentage of imports enter at rates between 5.1 and 10 percent ad valorem (table I-13-K). Over 10 percent of U.S. imports enter in the 0.1-5 percent rate range; most Canadian imports in the 15.1-20 percent bracket.

Table I-13-K.--Distribution, by duty level, of MFN imports of semi-manufactured rubber products

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	32.3	-	-	0.6	-
0.1-5.0 percent----	-	91.3	0.2	10.3	37.5
5.1-10.0 percent--	4.0	7.5	99.8	89.1	58.2
10.1-15.0 percent--	.9	1.2	-	-	.3
15.1-20.0 percent--	62.4	-	-	-	4.1
20.1-25.0 percent--	.4	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

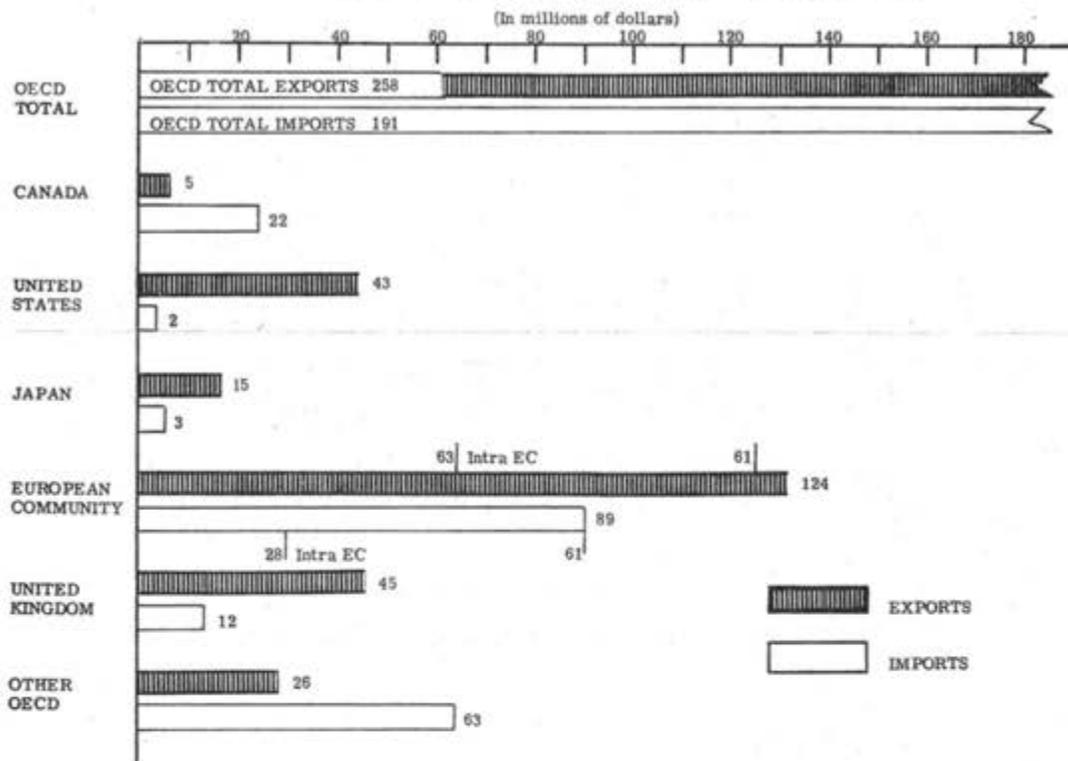
Note.--Due to rounding, figures may not add to 100 percent.

The United States exhibits the most complex tariff schedule for semimanufactured rubber products, with 36 lines; the United Kingdom and Japan have the simplest schedules, each with 9 lines. Schedules for Canada have 25 lines, and for the European Community, 13 lines.

Trade importance

Semimanufactured rubber products make up the smallest of the three subsectors in terms of OECD trade in rubber and rubber manufactures. In 1969, exports were valued at \$258 million, or 14 percent of OECD exports in the sector; imports were \$191 million, nearly 9 percent of total OECD imports (chart I-13-H). U.S. exports in 1969 were \$43 million, while imports were merely \$2 million. By 1971, imports had increased to \$19 million. Over 97 percent of U.S. imports in 1971 were under BTN heading 40.09 - piping and tubing of unhardened vulcanized rubber.

Chart I-13-H.--OECD trade in semi-manufactured rubber products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The European Community is the major exporter of semimanufactured rubber products, shipping \$63 million to outside countries. The United Kingdom's exports are valued at \$45 million and those of the United States, \$43 million (table I-13-L). Only the Community, Canada, and the United Kingdom are significant importers. Most Canadian imports come from the United States. Most EC outside imports come from the United Kingdom and the Community. "Other" OECD nations are the chief source of imports for the United Kingdom (table I-13-M). Of the five countries under consideration, Canada is the only net importer.

Table I-13-L.--OECD exports of semi-manufactured rubber products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	258	5	43	15	<u>1/</u> 124	45	26
OECD total-----	179	4	28	3	95	26	23
Canada-----	22	-	18	1	X	2	1
United States---	15	3	-	2	6	3	1
Japan-----	1	X	1	-	X	X	X
European Community-----	<u>1/</u> 80	X	5	X	61	9	5
United Kingdom--	6	X	1	X	3	-	2
Other OECD-----	55	1	3	X	25	12	14
Non-OECD total----	80	X	16	11	29	18	6
LDC's-----	62	1	15	11	23	11	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-13-M.--OECD imports of semi-manufactured rubber products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	191	22	2	3	<u>1/</u> 89	12	63
OECD total-----	188	21	2	3	88	11	63
Canada-----	2	-	1	-	X	1	X
United States---	36	18	-	2	10	2	4
Japan-----	1	X	X	-	1	X	X
European Community-----	<u>1/</u> 96	1	X	X	61	4	30
United Kingdom--	28	2	X	X	11	-	15
Other OECD-----	25	X	1	1	5	4	14
Non-OECD total----	3	1	X	X	1	1	X
LDC's-----	2	1	X	-	X	1	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

The following tabulation shows that, for all of the five major countries average tariff levels on January 1, 1972, were significantly lower than on pre-trade-agreement base dates.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	25.4	4.5
European Community	16.3	6.8
United Kingdom	12.2	8.4
Japan	15.0	8.8
Canada	23.9	9.3

Concessions under the GATT cover all provisions for semimanufactured rubber products in the schedules of the United States, the European Community, the United Kingdom, and Japan. Fifty-two percent of Canadian provisions (68 percent of imports) are covered by GATT concessions. All EC member states had made tariff concessions on semimanufactured rubber products prior to adoption of the CXT. Seventeen of the 33 concessions made by member states were higher than the CXT, while 12 were lower.

The most important single BTN heading within the subsector of semimanufactured rubber products covers piping and tubing of unhardened vulcanized rubber. Reductions in rates on these items which have occurred in the five major tariffs are shown in table I-13-N. Reductions in duties from statutory levels by the United States ranged from 84 to 71 percent. Canada reduced tariffs by 67 percent, the European Community by 61 percent, the United Kingdom by 50 percent, and Japan by 33 percent.

Table I-13-N.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on piping and tubing of unhardened vulcanized rubber

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%; 35%	8.5%; 20%	4%; 10% ^{2/}	772.65; 771.55
Canada-----	27.5%	20%	17.5%	61800-1
European Community--	18%	14%	7%	40.09
United Kingdom-----	10%	10%	5%	40.09
Japan-----	15%	15%	10%	40.09

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Canadian articles which are original motor vehicle equipment are imported duty-free.

Manufactured Rubber Products

The subsector for manufactured rubber products includes tires, rubber apparel, and miscellaneous articles of hardened or unhardened rubber. Some important articles containing rubber are not covered here, but are found in other sectors. Among the more important are footwear containing rubber, rubber mechanical or electrical appliances, and rubberized and elasticized textile fabrics. ^{1/}

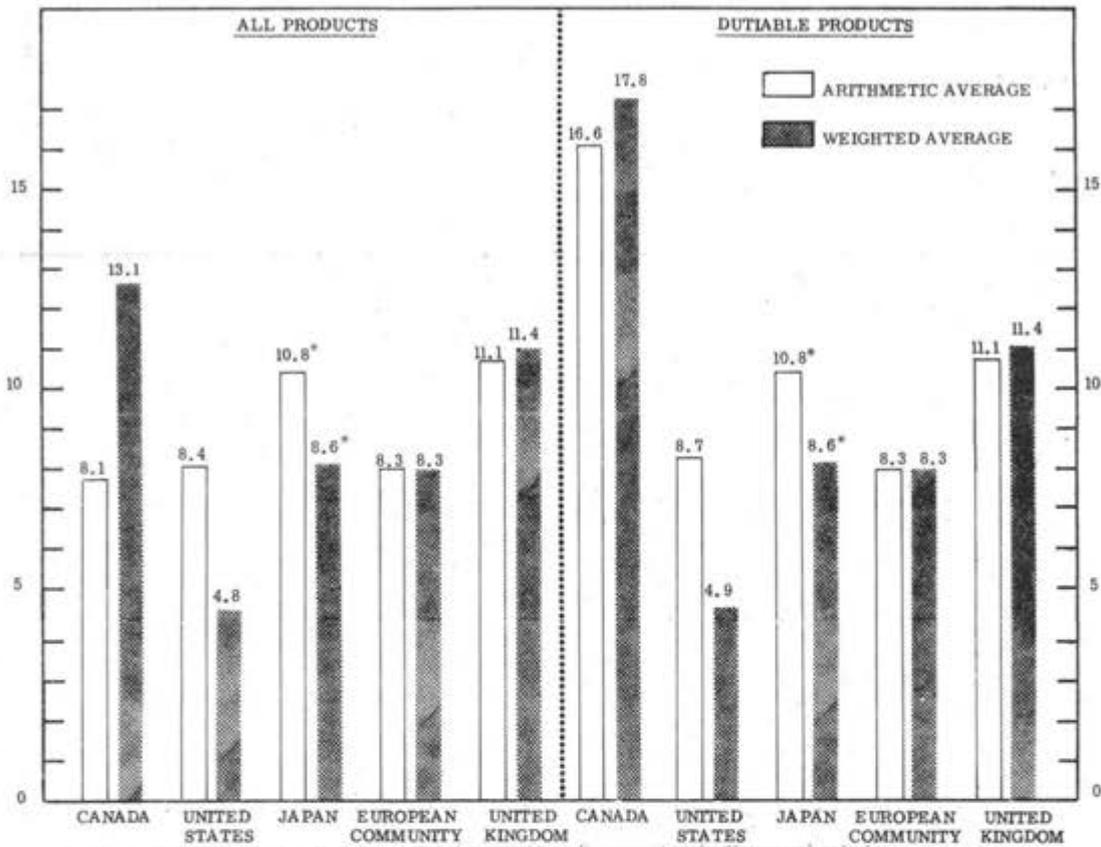
MFN tariffs

The weighted average MFN tariffs of the five major countries for all manufactured rubber articles range from 4.8 percent ad valorem for the United States to 13.1 percent ad valorem for Canada. The range of the arithmetic averages is small, there being a difference of only 3 percentage points among the five countries (chart I-13-1). The averages for dutiable products of Japan, the European Community, and the United Kingdom are identical to those for all products, and the U.S. average does not differ significantly. Canada, however, does exhibit a large difference between the averages for all products and for dutiable products only. The Canadian arithmetic average for dutiable products, 16.6 percent, is more than twice that for all products, reflecting the high proportion of duty-free provisions in the Canadian tariff.

Most provisions for manufactured rubber articles in the tariffs of the United States, Japan, and the United Kingdom, and all provisions in the Community's tariff, are in the range of 5.1-10 percent ad valorem

^{1/} For specific coverage of this subsector, see BTN headings 40.10-.14 and 40.16.

Chart I-13-1.-- Average MFN tariff rates on manufactured rubber articles
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 20 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

(table I-13-0). Slightly more than half of the Canadian provisions are duty free. Japan, the Community, and the United Kingdom have no duty-free provisions and no rates below 5 percent ad valorem. The

Table I-13-0.--Distribution, by duty level, of MFN tariff provisions for manufactured rubber articles

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	51.4	3.5	-	-	-
0.1-5.0 percent----	-	19.3	-	-	-
5.1-10.0 percent---	8.6	56.1	53.9	100.0	50.0
10.1-15.0 percent--	8.6	14.1	46.2	-	40.0
15.1-20.0 percent--	25.7	3.6	-	-	10.0
20.1-25.0 percent--	5.7	1.8	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	1.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

United States is the only country with rates extending into the 30.1-40 percent range.

Canada, the United States and the United Kingdom have notable amounts of imports receiving preferential tariff treatment. Over 43 percent of United Kingdom imports receive preferential treatment, as do 3 percent of both Canadian and U.S. imports.

Over four-fifths of U.S. imports enter in the 0.1-5 percent ad valorem rate range. All EC imports and the bulk of Japanese imports enter in the 5.1-10 percent range along with one-third of United Kingdom imports. Another three-fifths of the imports of the United Kingdom are in the 10.1-15 percent range. Despite the fact that most Canadian tariff provisions are duty free, 71 percent of Canadian imports pay duties between 15.1 and 20 percent ad valorem (table I-13-P).

Table I-13-P.--Distribution, by duty level, of MFN imports of manufactured rubber articles

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	26.2	2.0	-	-	-
0.1-5.0 percent----	-	82.7	-	-	-
5.1-10.0 percent----	.1	10.5	78.3	100.0	35.0
10.1-15.0 percent--	.6	4.6	21.8	-	61.1
15.1-20.0 percent--	71.4	-	-	-	3.9
20.1-25.0 percent--	1.7	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

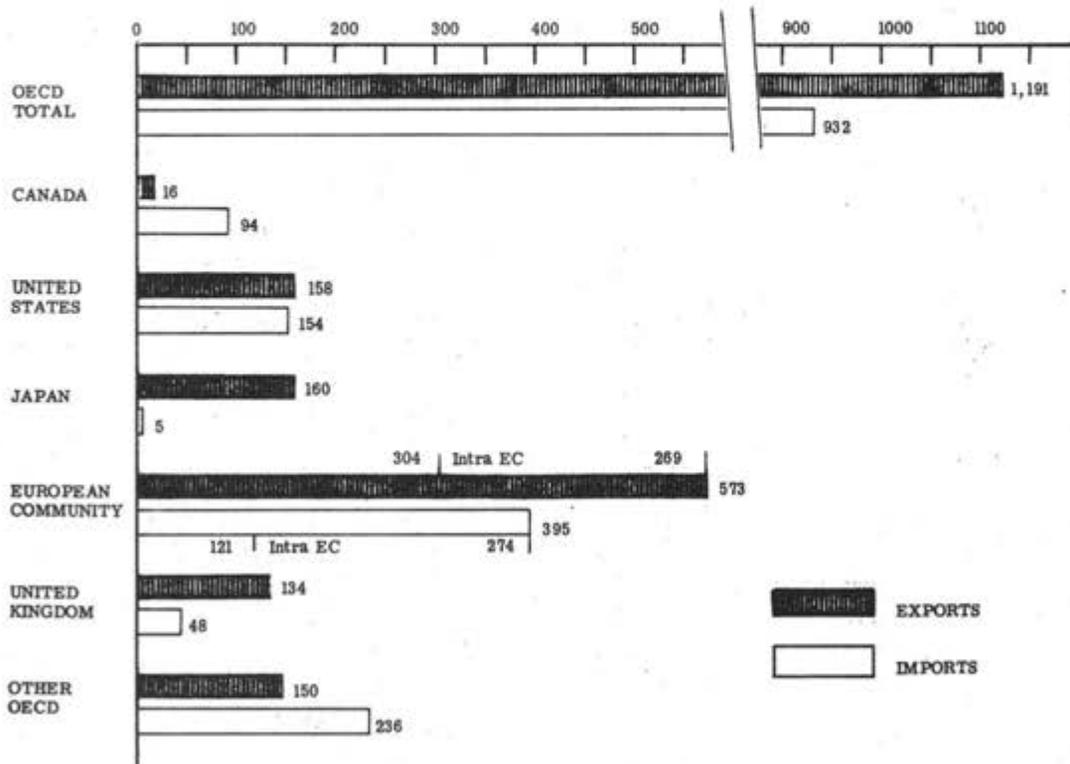
The United States and Canada exhibit the most detailed tariff structures for manufactured rubber articles with 57 and 35 lines, respectively. Schedules for Japan have 13 lines; the European Community 11 lines; and the United Kingdom, 10 lines.

Trade importance

Of the three categories of rubber and rubber manufactures traded by OECD countries, manufactured rubber products is the most important in terms of exports, and ranks second in terms of imports. OECD exports totaled \$1.2 billion in 1969, about 60 percent of total OECD exports in the sector. Exports increased to \$1.4 billion in 1970. In 1969 imports were \$932 million, or about 38 percent of total OECD imports in the sector (chart I-13-J). U.S. exports in 1969 were \$158 million; imports

Chart I-13-J.-- OECD trade in manufactured rubber articles, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

were \$154 million. United States imports in 1971 were valued at \$293 million. BTN heading 40.11 (rubber tires, tire cases, inner tubes, etc.)

accounts for over 86 percent of U.S. imports in the rubber manufactures subsector.

Trade network

The five major countries account for 87 percent of OECD exports and three-quarters of imports (tables I-13-Q and R). The largest supplier to the world is the European Community, followed by Japan, the United States, and the United Kingdom. The European Community's exports to outside sources were valued at \$304 million in 1969 and the Community had an additional \$269 million of intra-EC export shipments. One-third of EC external shipments go to LDC's. The United States ships 40 percent of its exports to Canada, with LDC's accounting for another 32 percent. Sixty-five percent of the Japanese shipments go to LDC's.

Table I-13-Q.--OECD exports of manufactured rubber articles, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,191	16	158	160	<u>1/</u> 573	134	150
OECD total-----	814	14	94	41	459	79	127
Canada-----	85	-	66	4	10	3	2
United States---	135	13	-	25	79	7	11
Japan-----	3	X	1	-	1	X	1
European Community----	<u>1/</u> 354	X	15	4	269	18	48
United Kingdom--	32	X	3	1	11	-	17
Other OECD-----	205	1	9	7	89	51	48
Non-OECD total----	353	3	57	118	106	51	18
LDC's-----	303	2	51	104	94	38	14

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

When intra-EC imports are excluded from the import figures of the Community, the United States is found to be the largest importer of manufactured rubber products. Most of the imports of each of the major countries are supplied by OECD countries. The European Community is the principal supplier of imports to the United States. Four-fifths of Canadian imports of manufactured rubber products are supplied by the United States. All of the five countries, except Canada, are net exporters.

Table I-13-R.--OECD imports of manufactured rubber articles, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	932	94	154	5	<u>1/</u> 395	48	236
OECD total-----	880	93	136	5	379	42	225
Canada-----	11	-	9	X	1	X	1
United States---	125	78	-	3	24	7	13
Japan-----	36	3	20	-	4	2	7
European Community-----	<u>1/</u> 476	9	87	2	274	13	91
United Kingdom--	97	2	8	1	27	-	59
Other OECD-----	135	1	12	X	49	20	54
Non-OECD total----	35	X	18	X	7	6	4
LDC's-----	20	X	10	X	5	4	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries average tariff levels for manufactured rubber products on January 1, 1972, were substantially below levels existing on pre-trade-agreement base dates. The reductions range from 52 to 64 percent below pre-trade-agreement levels.

In 1972, Japan unilaterally reduced its rates on manufactured rubber products by 20 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	12.6	4.8
European Community	19.4	8.3
United Kingdom	27.5	11.4
Japan	18.1	8.6
Canada	22.6	8.1

All tariff provisions of the United States, Japan, the European Community, and the United Kingdom for rubber manufactures have been the subject of GATT concessions, as have 71 percent of the Canadian provisions, covering 80 percent of Canada's MFN imports.

All national tariffs of the EC member states prior to adoption of the CXT contained concessions under the GATT. Of 56 concessions in the national tariffs, 26 were at rates above the CXT autonomous rates, 16 at the CXT rate, and 14 below the CXT rate.

Automobile tires constitute the principal item of international trade among manufactured articles of rubber. Rubber tires and tubes for motor vehicles and bicycles account for a major portion of the imports of manufactured rubber articles for four of the five countries under study; imports of these articles by the fifth country, Japan, are extremely small. Table I-13-S contains specific tariff reductions which have occurred for these articles. The United States and the United Kingdom have reduced their MFN rates on tires and tubes. Since the formation of the European Community's Common External Tariff, the

Table I-13-S.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on rubber tires and tubes for motor vehicles and bicycles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10%-30%	8.5%-30%	4%-15% <u>2/</u>	772.46, .51-.57, .60
Canada-----	35%	22.5%	17.5% <u>3/</u>	61815-1
European Community--	19%-22%	15%-18%	7.5%-9%	40.11
United Kingdom-----	33.3%	20%-25%	12%	40.11
Japan-----	15%-30%	15%-30%	7.5%-15%	40.11

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Over 97 percent of U.S. imports, based on values in 1971, were dutiable at 4 percent or 5 percent ad valorem.

3/ Rate shown is the official MFN rate, presently superseded by a temporary rate of 12.5 percent. The temporary rate is subject to possible renewal in February, 1974.

Community has reduced its rates of duty on tires and tubes. Japan's tariff rates have also been significantly reduced; Canada's fell by 50 percent.

Another important heading of manufactured rubber products is pneumatic mattresses and other inflatable rubber articles. Specific reductions for these products by the countries under study are shown in table I-13-T.

Table I-13-T.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on pneumatic mattresses and other inflatable rubber articles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%	12.5%	6%	790.39
Canada-----	27.5%	20%	17.5%	61800-1
European Community--	18%	14%	6%	40.14 B II
United Kingdom-----	20%	20%	10%	40.14 (B)
Japan-----	15%	15%	7.5%	40.14-2

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

RAW HIDES AND SKINS, LEATHER AND FURSKINS AND MANUFACTURES

This sector covers: The hides and skins of all animals in the raw state or tanned or dressed into leather or furskins; articles made of leather or furskins, such as clothing and saddlery; and items used for industrial purposes. The sector does not include some important products made from leather or furskins, such as travel goods, handbags and leather footwear. ^{1/}

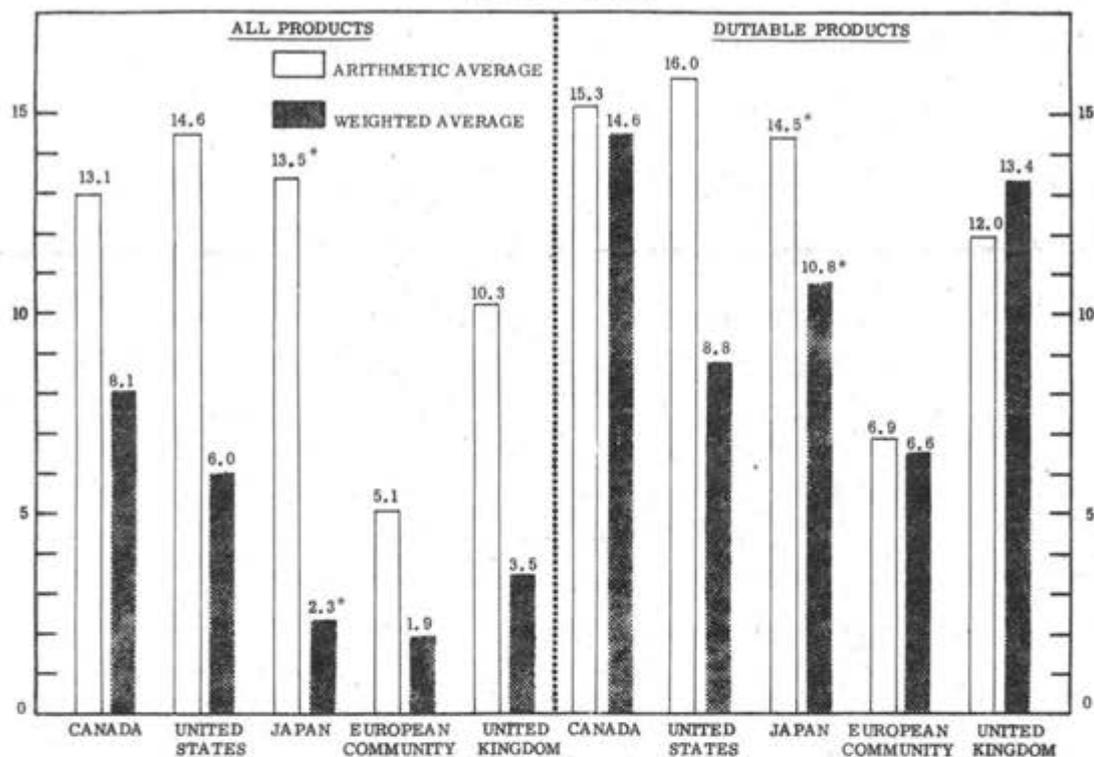
MFN tariffs

Average MFN tariff levels of the five major countries for the raw hides and skins, leather and furskins and manufactures sector have a fairly high correlation with the average tariff levels for industrial products as a whole (see chart I-14-A). The arithmetic averages for all products in the sector (combined free and dutiable) range from 5.1 to 14.6 percent ad valorem; the weighted averages from 1.9 to 8.1 percent. For dutiable products only, all of the arithmetic averages are slightly higher; the weighted averages are substantially higher and range from 6.6 to 14.6 percent ad valorem.

For all products, the European Community has the lowest arithmetic average tariff (5.1 percent) and the United States has the highest (14.6 percent). The European Community also has the lowest weighted average (1.9 percent), while Canada has the highest weighted average (8.1 percent). The same basic relationship described above holds for dutiable products. The European Community has the lowest arithmetic (6.9 percent)

^{1/} For the specific coverage of this sector, see BTN headings 41.01-.10 42.01; 42.03-.05; 43.01-.04. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-14-A. -- Average MFN tariff rates on raw hides and skins, leather and furskins, and manufactures
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by amounts ranging from 17 percent to 50 percent) made in 1972 on an insignificant part of Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

and weighted average (6.6 percent), while the United States has the highest arithmetic average (16 percent) and Canada the highest weighted average (14.6 percent).

The distribution of MFN tariff provisions by duty level is shown in table I-14-A. All five of the major countries maintained MFN duty-free provisions, with the European Community having by far the largest proportion (26 percent). Rate provisions for the various countries are so dispersed that no one duty bracket contains the largest proportion of rate provisions for a majority of countries. However, for the United States and the United Kingdom, provisions within the 5.1 to

Table I-14-A.--Distribution, by duty level, of MFN tariff provisions of raw hides and skins, leather and furskins and manufactures

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	14.8	8.4	7.3	26.3	14.8
0.1-5.0 percent----	-	18.2	4.9	34.2	3.7
5.1-10.0 percent---	29.6	35.0	24.4	31.6	40.7
10.1-15.0 percent--	7.4	8.4	26.8	7.9	18.5
15.1-20.0 percent--	38.9	4.9	26.8	-	18.5
20.1-25.0 percent--	9.3	10.5	9.8	-	3.7
25.1-30.0 percent--	-	4.9	-	-	-
30.1-40.0 percent--	-	3.5	-	-	-
40.1-50.0 percent--	-	.7	-	-	-
Over 50 percent----	-	5.6	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

10.0 percent ad valorem range predominate; for the Community, provisions in the 0.1-5 percent range; for Canada, provisions within the 15.1-20 percent bracket; for Japan, provisions in both the 10.1-15 and 15.1-20 percent ranges. No country has rates over 25 percent ad valorem except the United States, which has 14.7 percent of its provisions above that level. This is somewhat counterbalanced by the fact that 61.6 percent of U.S. tariff provisions are under 10 percent--a figure surpassed only by the European Community.

Imports of articles in this sector receiving preferential tariff treatment represent 7.5 percent of the total value of 1970 imports by the countries concerned. Imports from sources eligible for preferential treatment are particularly significant in the United Kingdom and Canada (22.9 and 15.8 percent of total entries, respectively). The European Community grants such treatment to 4.4 percent of its imports, the United States to 3.6 percent, and Japan not at all. In addition to the EC preferential imports from outside countries, intra-EC shipments

(which move duty free) are equal to about 40 percent of EC entries from nonmember countries.

A high percentage of MFN imports in this sector by most of the developed countries enter duty free. Japan, the European Community, and the United Kingdom all accord free entry to over 70 percent of their MFN imports in the sector, while Canada and the United States, respectively, enter about 44 and 33 percent of their MFN imports free (table I-14-B). The duty-free trade is very largely in raw hides and skins.

Table I-14-B.--Distribution of duty level, of MFN imports for raw hides and skins, leather and furskins and manufactures

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	44.3	32.5	78.7	71.8	74.1
0.1-5.0 percent----	-	23.1	1.9	14.9	.5
5.1-10.0 percent---	29.6	28.8	11.4	10.9	10.3
10.1-15.0 percent--	.5	10.8	4.3	2.4	3.0
15.1-20.0 percent--	11.2	-	3.2	-	11.5
20.1-25.0 percent--	14.5	3.0	.5	-	.5
25.1-30.0 percent--	-	1.6	-	-	-
30.1-40.0 percent--	-	.1	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

None of the five major countries have free provisions for manufactured articles in this sector, and only the Community has significant duty-free imports of leather and dressed furskins. The bulk of all dutiable imports in the sector enter at rates less than 10 percent; Canada is the only country with a significant portion of its imports dutiable at rates higher than 20 percent.

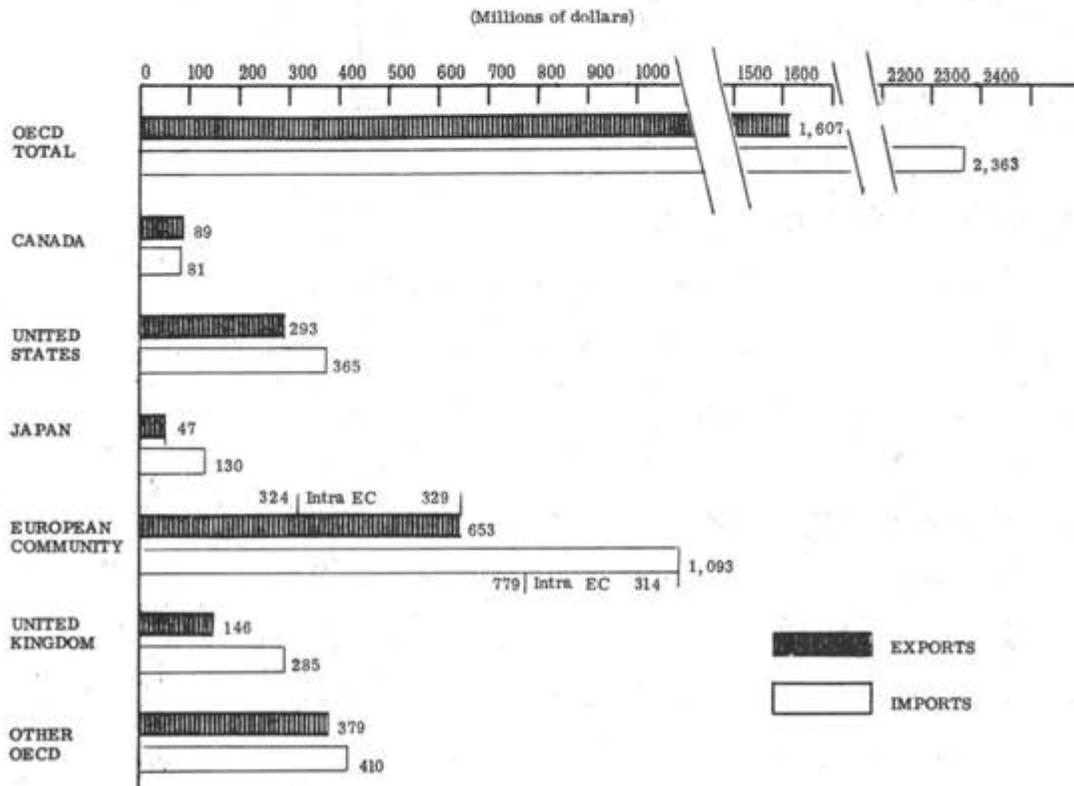
The United Kingdom has the least detailed MFN tariff schedule for this sector, with 27 lines, and the United States the most detailed, with 112 lines. Canada has 37 lines; Japan, 41 lines; and the European Community, 38 lines.

Trade importance

Raw hides and skins, leather and furskins and manufactures rank 14th in both OECD exports and imports among the 23 industrial sectors. These items make up only 1 percent of OECD industrial exports and 1.5 percent of imports. U.S. imports of these goods in 1969 were valued at \$365 million and exports at \$293 million making them, respectively, the 16th and 15th most important sectors for this country.

Imports by the GATT tariff study countries were valued at \$1.4 billion in 1967 and \$1.8 billion in 1970. OECD 1969 imports were \$2.4 billion, but declined to \$2.2 billion in 1970 (including \$327 million of intra-EC shipments). Exports rose from \$1.6 to \$1.7 billion during the same period (see chart I-14-B).

Chart I-14-B. -- OECD trade in raw hides and skins, leather and furskins and manufactures, 1969

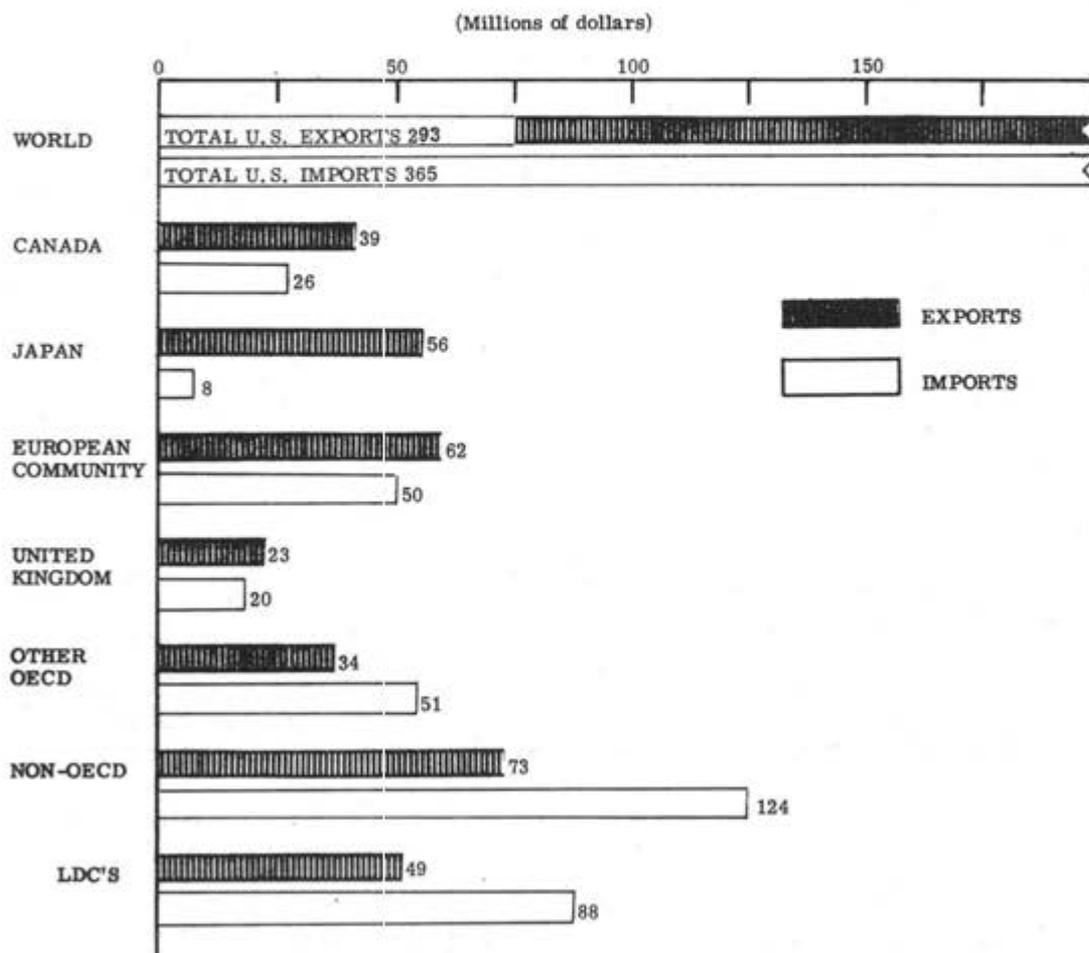


Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for 76 percent of OECD exports and 83 percent of imports. The United States ranks second to the European Community in exports in this sector. Sixty-one percent of U.S. exports go to the four other principal countries, with the European Community and Japan being the largest markets (chart I-14-C). Non-OECD countries (chiefly LDC's) receive about one-fourth of U.S. exports.

Chart I-14-C. -- United States trade in raw hides and skins, leather and furskins and manufactures, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Complete country of destination data for Canada, Japan, the Community, and the United Kingdom are unavailable. Of those EC exports accounted for, over half of the EC export total are intra-EC shipments; "other" OECD countries receive 43 percent of EC outside exports, and non-OECD destinations are the recipients of one-fourth of EC outside shipments, for which destination data are available. Among the major countries, only the United States and the United Kingdom are significant markets for EC goods. The European Community is the largest developed market for United Kingdom exports, while the United States is the principal market for Canada and Japan (see table I-14-C).

Table I-14-C.--OECD exports of raw hides and skins, leather and furskins and manufactures, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,607	89	293	47	<u>1/</u> 653	146	379
OECD total-----	1,256	64	214	20	530	116	312
Canada-----	62	-	39	X	5	11	7
United States---	162	28	-	12	51	19	52
Japan-----	73	5	56	-	9	1	2
European Community-----	<u>1/</u> 578	11	62	6	329	42	128
United Kingdom--	107	13	23	1	22	-	48
Other OECD-----	274	7	34	1	114	43	75
Non-OECD total----	209	6	73	7	67	17	39
UFC's-----	111	2	49	7	36	9	8

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 21 percent of Canadian exports, 43 percent of Japanese exports, 9 percent of EC exports, and 9 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Raw hides and skins, leather and furskins and manufactures rank 13th in industrial imports for the United Kingdom and the European Community, 14th for Japan, 15th for Canada, and 17th for the United States. The European Community is by far the largest importer. U.S. imports were

valued at \$292 million in 1967, \$365 million in 1969, and \$355 million in 1971. Complete country of origin data are not available for the United States and Canada. Non-OECD countries provide about one-third of Japanese imports, 61 percent of imports by the European Community and United Kingdom entries, and 44 percent of those U.S. imports for which the origin is known. The United States is the source of over half of Canada's imports and almost half of Japan's. With the exception of the United States, none of the major countries supplies more than 17 percent of any of the other's imports. IDC's are a significant supplier to not only the United States but also the United Kingdom (26 percent), the European Community (34 percent of entries from outside sources), and Japan (18 percent) (see table I-14-D).

Table I-14-D.--OECD imports of raw hides and skins, leather and furskins and manufactures, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,363	81	365	130	<u>1/</u> 1,093	285	410
OECD total-----	1,251	71	155	83	568	103	271
Canada-----	61	-	26	4	13	10	8
United States---	216	45	-	63	63	20	25
Japan-----	16	X	8	-	5	1	2
European Community-----	<u>1/</u> 501	5	50	10	314	26	96
United Kingdom--	135	14	20	1	50	-	50
Other OECD-----	322	7	51	5	123	46	90
Non-OECD total----	915	4	124	47	479	174	87
LDC's-----	512	3	88	23	266	75	57

1/ Includes intra-EC shipments.

X = Less than \$500,000.

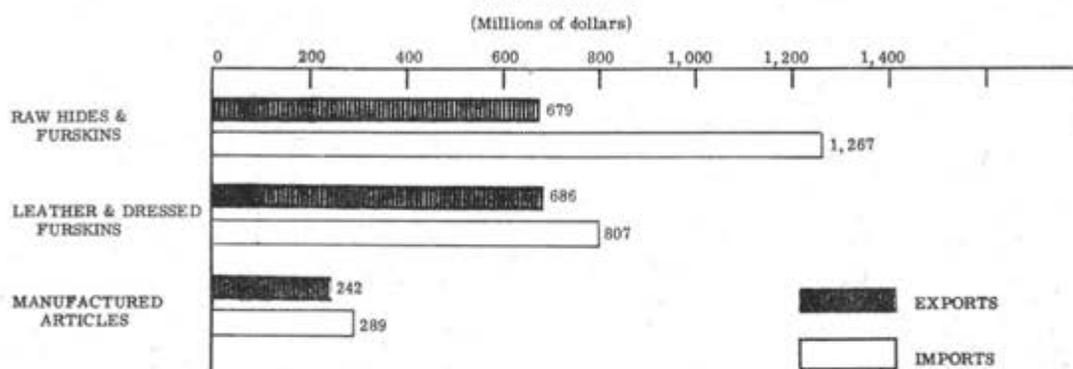
Note.--Complete country of origin data are not available for 7 percent of Canadian imports and 24 percent of U.S. imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

Trade in raw hides and skins, leather and furskins and manufactures is divided into three subsectors. The value of exports is largest in the leather and dressed furskins subsector; raw hides and furskins are by far the largest category of imports and the second largest category of exports. The relative importance of the three subsectors is shown in chart I-14-D.

Chart I -14-D. -- OECD trade in raw hides and skins, leather and furskins, and manufactures by subsector, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for this sector were below levels existing on pre-trade-agreement base dates. The most substantial reduction has been in the U.S. duty level. The tariff levels are compared in the tabulation below. For all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. The only products affected by Japan's 20 percent unilateral reduction in 1972 are artificial furs and products made thereof covered by BTN 43.04. This does not significantly alter the weighted average given for Japan.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	20.7	6.0
European Community	2.2	1.9
United Kingdom	11.4	3.5
Japan	5.5	2.3
Canada	22.1	13.1

Concessions under the GATT have been made on all MFN provisions of the United States and the European Community for raw hides and skins, leather and furskins and manufactures. GATT concessions cover about 96 percent of United Kingdom provisions and about 93 percent of Canadian provisions. Concessions under the GATT also cover about 66 percent of Japan's provisions, affecting 98 percent of Japan's imports in the sector, with the lowest coverage among the categories being 47 percent.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on raw hides and skins, leather and furskins and manufactures negotiated under the GATT. The number of such concessions totaled 189, of which 106 reflected rates higher than the autonomous rate established in the CXT; 40 were at the CXT rate; and 43 were below the CXT rate.

Trade complaints

Seventy-five complaints were received by the Tariff Commission concerning policies and practices reported as trade barriers to products in the sector covering raw hides and skins, leather and furskins and manufactures. Ten developed countries and 14 developing countries were specifically named in the complaints. Japan

was the country most frequently cited, followed by the United States and the European Community. The United Kingdom was mentioned less frequently and Canada not at all. Complaints against LDC's represented 39 percent of the total. Forty-five percent of the complaints dealt with various kinds of specific limitations (chiefly embargoes, quotas, and licensing practices), one-fourth dealt with numerous types of nontariff charges on imports, and one-fifth with import duties.

Quotas, embargoes, and other specific limitations.--Major complaints by U.S. manufacturers in this area centered on quantitative restrictions, embargoes, and licensing practices. Japan was the country most often cited for quantitative restrictions and licensing practices. Both of these impediments were cited in regard to bovine and equine leather and associated products. Other countries where import quotas on leather were reported included Mexico, Brazil, the Philippines, Portugal, and Spain. U.S. importers cited the export quotas of Japan, France, and West Germany, aimed at maintaining a cheap source of supply of hides and skins for the local tanning industry, as important barriers to trade.

Among the various forms of specific limitations on trade, embargoes or practices which in effect do not permit trade were the most frequently mentioned in this sector. The United States was the country most often mentioned in this regard. The United States prohibits imports of ermine, fox, kolinsky, marten, mink, muskrat, and weasel furskins, which are the products of the Union of Soviet Socialist Republic or of the Peoples Republic of China. This embargo was regarded by some manufacturers as a significant impediment to their trade. A manufacturer of

shoeboard reported encountering embargoes in his efforts to export to Czechoslovakia, Hungary, Mexico, Venezuela, and New Zealand. Embargoes on leather and leather goods were reported in Egypt, Korea, and Jamaica. Some of these embargoes were only effective on items also produced by local manufacturers.

Outside of the various specific limitations on trade, the second major area of complaint concerned nondiscriminatory and discriminatory import duties. Complaints were registered against Italy, Spain, Japan, New Zealand, and the Philippines for their high duty levels on various types of shoeboard. One manufacturer regarded the higher United Kingdom duty on cellulose shoeboard, as opposed to leather fiber shoeboard, as discriminatory against his product. In regard to leather, the tariffs of Argentina, Japan, and Mexico were characterized by the complainant as "astronomical."

There were fewer complaints about discriminatory import duties than nondiscriminatory duties. The Community and Greece were charged with discriminating in respect to leather products. Japan was criticized for allowing duty-free imports of fiberboard from underdeveloped countries, while imposing a 10 percent duty on others. A complaint against Hungary concerned the application of MFN rates to shoeboard from the United Kingdom, while the same item from the United States paid a discriminatory duty.

The various nontariff charges on imports reported by manufacturers included port and statistical taxes levied by Greece, France, Italy, and Japan. Greece was the country most frequently mentioned in this respect,

particularly in regard to leather and leather products. Greece's imposition of stamp taxes on these goods was also pointed out. In addition to the above, complaints were registered against variable levies on cowhide by Portugal and border tax adjustments on leather by the West European countries in general.

Eighteen of the producers and traders submitting complaints also gave their assessments of the effect which removal of the barrier or barriers would have upon their trade. Ten reported they would expect a "significant" increase in their trade; the remaining eight would expect a "moderate" increase. Among those also giving estimated dollar amounts for the increase, the "moderate" increases were approximately 20 percent of current trade, and the "significant" increases ranged from 15 to several hundred percent of present trade levels. The projected trade increases totaled almost \$16 million.

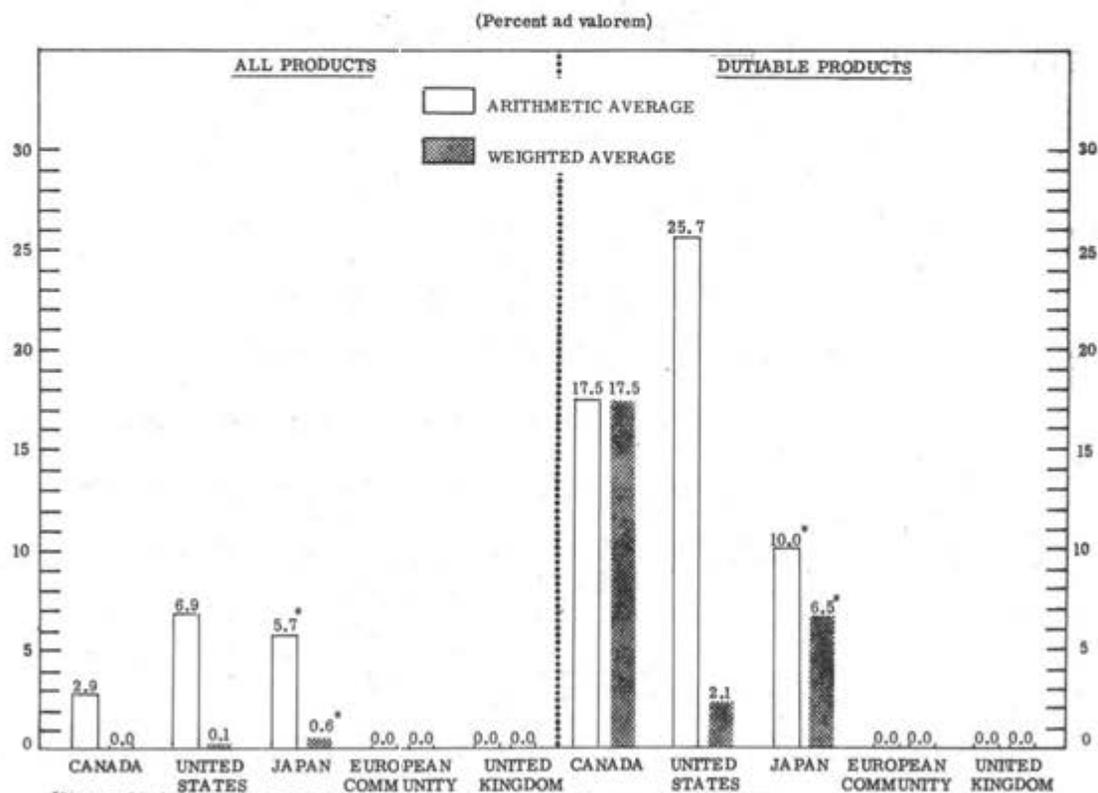
Raw Hides and Furskins

Covered in this subsector are raw hides and skins, including sheepskins in the wool, raw furskins, and parings and other waste of leather or composition leather. ^{1/}

MFN tariffs

All MFN tariff provisions of the United Kingdom and the European Community for raw hides and furskins are duty free. Canada, the United States, and Japan have dutiable provisions which apply to a very small part of their imports. Consequently, their weighted average duties for

Chart I-14-E. -- Average MFN tariff rates on raw hides and furskins



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 41.01, 41.09, 43.01.

all raw hides and furskins are less than 1 percent ad valorem (actually zero in the case of Canada) (see chart I-14-E). The United States has the highest arithmetic average for all products (6.9 percent). For the relatively few dutiable items in this subsector, the United States again has the highest arithmetic average (25.7 percent), but its weighted average (2.1 percent) is below both Japan's (6.5 percent) and Canada's (17.5 percent).

The distribution, by duty level, of MFN tariff provisions for raw hides and skins is shown in table I-14-E. Japan has the largest portion

Table I-14-E.--Distribution, by duty level, of MFN tariff provisions for raw hides and furskins

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	83.3	73.3	42.9	100.0	100.0
0.1-5.0 percent----	-	6.7	28.6	-	-
5.1-10.0 percent---	-	-	14.3	-	-
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	16.7	6.7	14.3	-	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	13.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent

of dutiable provisions. Only the United States has rate provisions higher than 20 percent ad valorem. Only for Japan is a significant portion (9 percent) of imports dutiable (see table I-14-F).

Table I-14-F.--Distribution, by duty level, of MFN imports of raw hides and furskins

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	99.9	97.2	90.9	100.0	100.0
0.1-5.0 percent----	-	2.8	8.1	-	-
5.1-10.0 percent---	-	-	.1	-	-
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	.1	-	.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

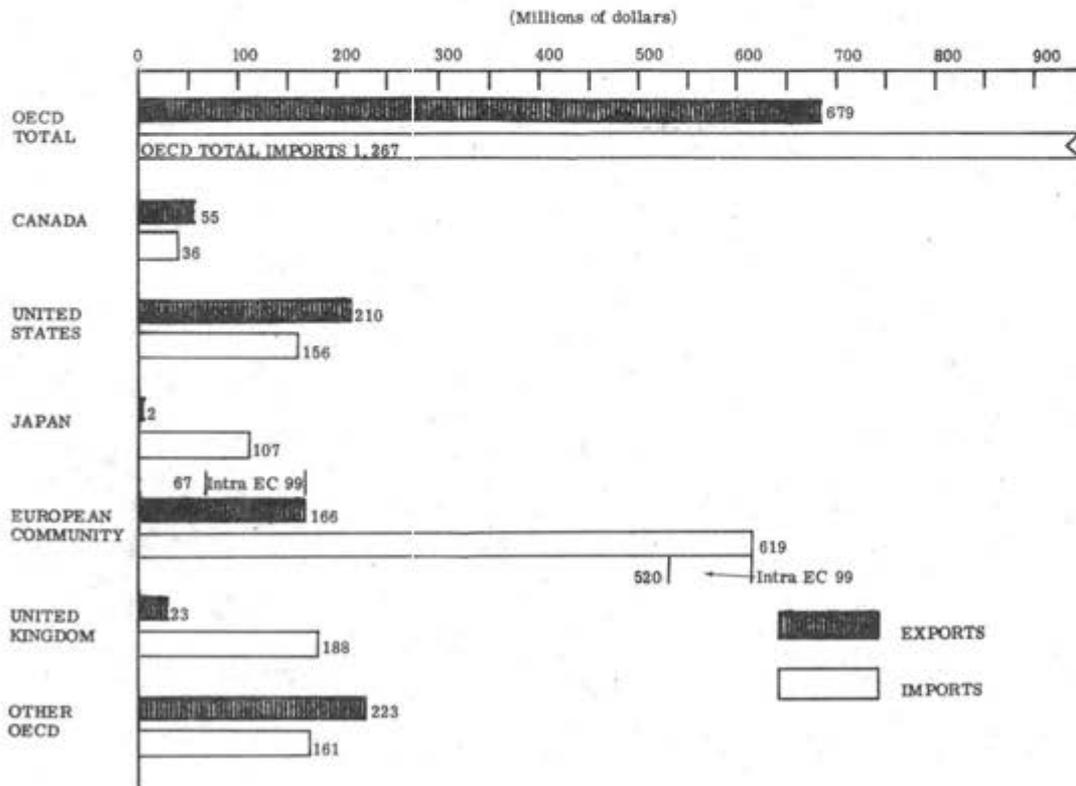
Note.--Due to rounding, figures may not add to 100 percent.

The United States exhibits the most complex tariff schedule for raw hides and furskins, with 15 tariff lines; the United Kingdom has the simplest, only 3 lines. Schedules for Japan have seven lines; for Canada, six lines; and for the Community, five lines.

Trade importance

In terms of trade, raw hides and furskins are the most important product category in this sector, accounting for 54 percent of total OECD imports of raw hides and skins, leather and furskins and manufactures, and 42 percent of exports. OECD imports totaled \$1.3 billion in 1969, exports \$679 million (see chart I-14-F). Among the 119 industrial

Chart I-14-F. -- OECD trade in raw hides and furskins, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

categories, raw hides and furskins rank 33rd in value of aggregate imports of the GATT tariff study countries. For the Community it is the 17th most important subsector in imports; for Japan the 19th most important; and for the United States the 40th most important. U.S. imports amounted to \$156 million in 1969, but dropped to \$105 million in 1971. Raw hides and skins accounted for \$53 million of 1971 U.S. imports, and \$52 million were of raw furskins.

Trade network

The five major countries account for 67 percent of OECD exports and 87 percent of imports (tables I-14-G and H). The United States is the largest exporter of the group with 31 percent of the OECD total,

Table I-14-G.-- OECD exports of raw hides and furskins, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	679	55	210	2	<u>1/</u> 166	23	223
OECD total-----	584	51	161	2	149	22	199
Canada-----	27	-	20	X	1	X	6
United States---	68	20	-	1	6	1	40
Japan-----	67	5	55	-	6	X	1
European Community-----	<u>1/</u> 264	11	48	X	99	15	91
United Kingdom--	72	10	19	1	14	-	28
Other OECD-----	86	5	19	X	23	6	33
Non-OECD total----	94	4	48	X	16	1	25
LDC's-----	41	1	27	X	8	1	4

1/ Includes intra-EC shipments.

X= Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-14-H.--OECD imports of raw hides and furskins, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,267	36	156	107	<u>1/</u> 619	188	161
OECD total-----	603	32	68	76	265	67	95
Canada-----	49	-	19	4	13	7	6
United States---	165	23	-	62	50	17	13
Japan-----	2	X	1	-	X	1	-
European Community-----	<u>1/</u> 151	1	7	6	99	17	21
United Kingdom--	37	2	2	X	23	-	10
Other OECD-----	199	6	39	4	80	25	45
Non-OECD total----	664	3	88	32	354	120	67
LDC's-----	302	2	54	10	156	35	45

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

followed by the European Community (including intra-EC shipments) with one-fourth. The major markets for U.S. exports are Japan and the European Community. Intra-Community shipments make up 60 percent of the EC exports.

The European Community is by far the largest importer of raw hides and furskins, followed by the United Kingdom, United States, Japan, and Canada. The main exporters to the Community, the United Kingdom, and the United States are non-OECD countries, and more particularly the LDC's. The United States supplies over half of Japan's and Canada's imports. Overall, the United States and Canada have surpluses in the trade of raw hides and furskins, while the Community, the United Kingdom, and Japan have large deficits.

Trade-agreement concessions

The tabulation below shows average tariff levels for raw hides and skins existing on pre-trade-agreement base dates and on January 1, 1972. For all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. The EC average on both dates is zero; the other countries show reductions in duties from the already low base-date levels. The most significant reduction occurred in the United Kingdom average tariff, which dropped from 7.7 percent ad valorem to zero.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	0.4	0.1
European Community	0.0	0.0
United Kingdom	7.7	0.0
Japan	3.6	0.6
Canada	3.4	2.9

All MFN provisions for raw hides and furskins in the tariff schedules of the United States and European Community have been the subject of GATT concessions. Eighty-three percent of Canadian provisions, 67 percent of the provisions of the United Kingdom, and 57 percent of those of Japan, covering virtually all of these countries' imports, have had GATT concessions. Specific reductions for the two most important trade items within the group, raw furskins and raw hides and skins, are shown below (tables I-14-I and J).

All the EC member state national tariffs prior to the adoption of the Common External Tariff contained concessions under GATT. Of 21 concessions in the national tariffs, 3 were above the CXT autonomous rate and 18 were at the CXT rate.

Table I-14-I.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on raw furskins

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free ^{2/}	Free ^{2/}	Free ^{2/}	123.00; 124.10
Canada-----	Free	Free	Free	60100-1
European Community--	Free	Free	Free	43.01
United Kingdom-----	10%; Free	5%; 10%; Free	Free	43.01(A), (B)
Japan-----	Free 40% 40%	Free 20% 10%	Free 20% 5%	43.01-1 43.01-2 43.01-3

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Silver, black, or platinum fox furskins, which comprise an insignificant part of imports, are not included among the raw furskins considered here.

Table I-14-J.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on raw hides and skins including sheepskins in the wool

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10% Free	2%; 4% Free	2%; Free Free ^{2/}	120.11-.17; 120.20
Canada-----	Free	Free	Free	59900-1
European Community--	Free	Free	Free	41.01
United Kingdom-----	Free	Free	Free	41.01
Japan-----	Free	Free	Free	41.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Nearly all U.S. imports in 1972 were included in classes which are statutorily duty free.

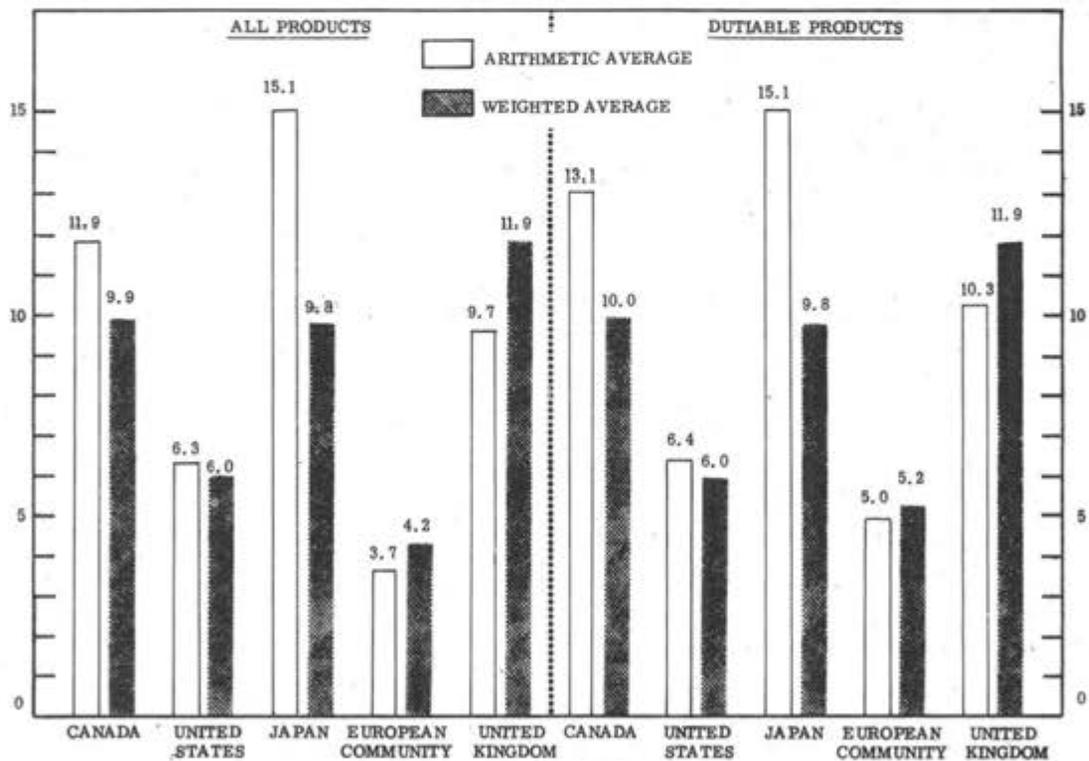
Leather and Dressed Furskins

Included in this subsector are all kinds of leather (except waste and parings) and tanned or dressed furskins. 1/

MFN tariffs

The European Community has the lowest arithmetic (3.7 percent ad valorem) and weighted (4.2 percent ad valorem) tariff averages for total MFN imports of leather and dressed furskins. The U.S. average rates are only slightly higher than those of the Community. Japan has a high arithmetic average (15.1 percent), but its weighted average (9.8 percent)

Chart I-14-G. -- Average MFN tariff rates on leather and dressed furskins
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

1/ For specific coverage of this subsector see BTN headings 41.02-.08; 41.10; 43.02.

is below both Canada's (9.9 percent) and the United Kingdom's (11.9 percent). The relationships of the country averages that hold for all products also hold for dutiable items. Only the Community has a significant amount of duty-free imports, but the elimination of these from the calculations is not sufficient to raise the EC tariff levels on dutiable products above those of the United States (see chart I-14-G).

Virtually all imports into the United States and Japan and over 90 percent of shipments into the Community from external countries are accorded MFN treatment. Sixty-eight percent of United Kingdom imports, of which 59 percent are from developing countries, and 31 percent of Canadian imports are treated preferentially.

Ninety percent of the European Community's MFN tariff provisions are under 5 percent ad valorem (see table I-14-K). A majority of U.S.

Table I-14-K.--Distribution, by duty level, of MFN tariff provisions for leather and dressed furskins

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	9.1	2.5	-	26.3	6.3
0.1-5.0 percent----	-	37.5	-	63.2	6.3
5.1-10.0 percent---	45.4	55.0	36.9	10.5	43.8
10.1-15.0 percent--	12.1	2.5	15.8	-	31.3
15.1-20.0 percent--	30.3	2.5	36.8	-	12.6
20.1-25.0 percent--	3.0	-	10.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

provisions are in the 5.1-10 percent bracket. Three-fourths of the United Kingdom's provisions are distributed in the two brackets between 5.1 and 15 percent, while a significant proportion of Japanese provisions extend into the 20.1-25 percent category. In terms of MFN

imports of leather and dressed furskins, only the European Community admits a significant portion (19.7 percent) duty-free (see table I-14-L).

Table I-14-L.--Distribution, by duty level, of MFN imports of leather and dressed furskins

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	1.4	0.4	-	19.7	-
0.1-5.0 percent----	-	61.9	-	62.6	1.9
5.1-10.0 percent---	81.9	37.7	76.1	17.7	48.1
10.1-15.0 percent--	1.4	-	12.0	-	13.8
15.1-20.0 percent--	12.9	-	11.5	-	36.2
20.1-25.0 percent--	2.3	-	.4	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

However, most EC and U.S. entries are assessed rates from 0.1 to 5 percent ad valorem. Eighty-two percent of Canada's imports, 76 percent of Japan's, and 48 percent of the United Kingdom's are in the 5.1-10 percent ad valorem bracket.

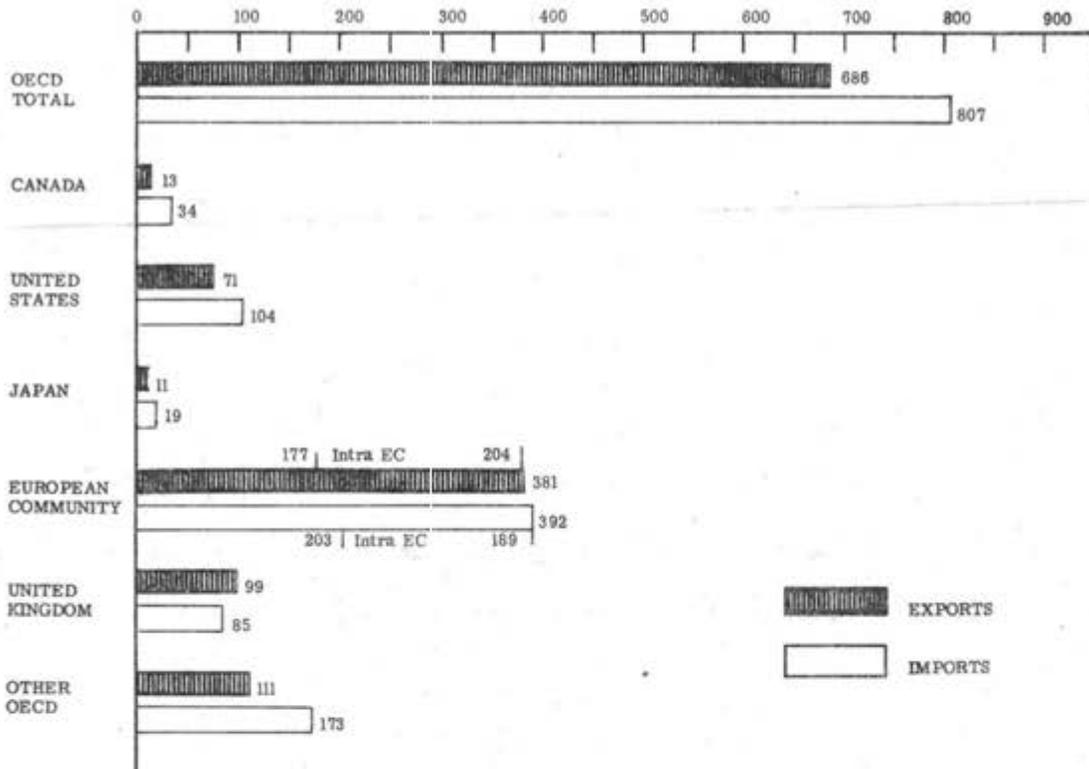
The United States exhibits the most complex tariff schedule for leather and dressed furskins, with 40 tariff lines; the United Kingdom has the simplest, only 16 lines. Schedules for Canada have 33 lines, and those for the Community and Japan, 19 lines.

Trade importance

Leather and dressed furskins account for about one-third of OECD imports of this sector and 43 percent of exports. OECD imports totaled \$807 million and exports \$686 million in 1969 (see chart I-14-H). U.S. imports amounted to \$104 million in 1969, but dropped to \$93 million in 1971. Bovine cattle leather and horse leather accounted for \$40 million of the 1971 U.S. total.

Chart I-14-H. -- OECD trade in leather and dressed furskins, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for 84 percent of OECD exports of leather and dressed furskins and 79 percent of imports. The European Community is the largest exporter of these items, shipping \$381 million, of which \$204 million are intra-EC exports. U.S. exports total \$71 million; the United Kingdom, \$99 million; Canada, \$13 million; and Japan, \$11 million. "Other" OECD countries as a group, Canada, and the IDC's each provide a market for between 20 and 30 percent of U.S. exports (see table I-14-M).

Table I-14-M--OECD exports of leather and dressed furskins, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	686	13	71	11	<u>1/</u> 381	*99	111
OECD total-----	589	12	50	7	336	86	98
Canada-----	31	-	17	X	3	11	X
United States---	75	8	-	X	41	15	11
Japan-----	5	X	1	-	2	1	1
European Community-----	<u>1/</u> 280	X	13	5	204	26	32
United Kingdom--	32	3	4	X	8	-	17
Other OECD-----	166	1	15	2	78	33	37
Non-OECD total----	96	1	21	5	44	13	12
IDC's-----	55	1	19	4	21	7	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The Community is the largest importer of these items, followed by the United States and the United Kingdom (see table I-14-N). The Community is the largest source of U.S. imports, and the United States is the largest supplier to Canada. IDC's, as a group, are the most important source of imports by the Community, the United Kingdom, and Japan. None of the five major countries except the United Kingdom have a positive balance of trade in leather and dressed furskins. For trade within the five major countries and excluding intra-EC shipments, the United Kingdom has a \$40 million surplus in its balance of trade; the Community, \$11 million; and Japan, none. The United States has a \$26 million deficit and Canada a \$21 million deficit.

Table I-14-N.--OECD imports of leather and dressed furskins, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	807	34	104	19	1/ 392	85	173
OECD total-----	568	33	72	5	269	33	156
Canada-----	11	-	6	X	X	3	2
United States---	46	18	-	1	13	3	11
Japan-----	6	X	X	-	4	X	2
European Community-----	1/ 305	3	39	3	189	7	64
United Kingdom--	93	11	16	1	26	-	39
Other OECD-----	107	1	11	X	37	20	38
Non-OECD total----	239	1	31	14	122	53	18
IDC's-----	200	1	29	12	107	39	12

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Average tariff levels of all the major countries on January 1, 1972, were substantially below levels existing on pre-trade-agreement base dates, as shown in the tabulation below. The major part of the reductions reflect reciprocal concessions.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
--	----------------------------	------------------------

(Percent ad valorem)

United States	21.6	6.0
European Community	7.2	4.2
United Kingdom	18.5	11.9
Japan	17.8	9.8
Canada	20.8	11.9

The United States, European Community, and the United Kingdom have made concessions under the GATT on all MFN provisions for leather

and dressed furskins. Concessions have been made on 91 percent of Canada's provisions covering almost all imports. GATT concessions cover only about 47 percent of Japan's provisions and around 88 percent of trade in these items. Specific reductions on mature bovine leather and horse leather are shown in table I-14-0. It is noteworthy that all countries except Japan have reduced rates on this large trade item.

Table I-14-0.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on mature bovine leather and equine leather

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%	10%	5%	121.57
Canada-----	10%-27.5%	Free-22.5%	Free-17.5%	60405-1; 60425-1; 60430-1; 60705-1
European Community--	9%; 10%	9%; 10%	8%	41.02 BI, II
United Kingdom-----	15%; 10%	15%; 10%	12%; 8%	41.02(B)(1), (2)
Japan-----	20%; 15%	20%; 15%	20%; 15%	41.02-1, 2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

The national tariffs of all member states of the European Community prior to the adoption of the CXT contained tariff concessions on leather and dressed furskins. The number of such concessions totaled 126, of which 82 reflected rates higher than the CXT rate; 15 were at the CXT rate; and 29 were below the CXT rate.

Manufactured Articles of Leather or Furskins

Included in this subsector are saddlery and harness of any material, apparel and clothing accessories of leather or furskins, leather articles for industrial use, artificial fur and articles made thereof, and other miscellaneous manufactures of leather or furskins except travel goods and footwear. 1/

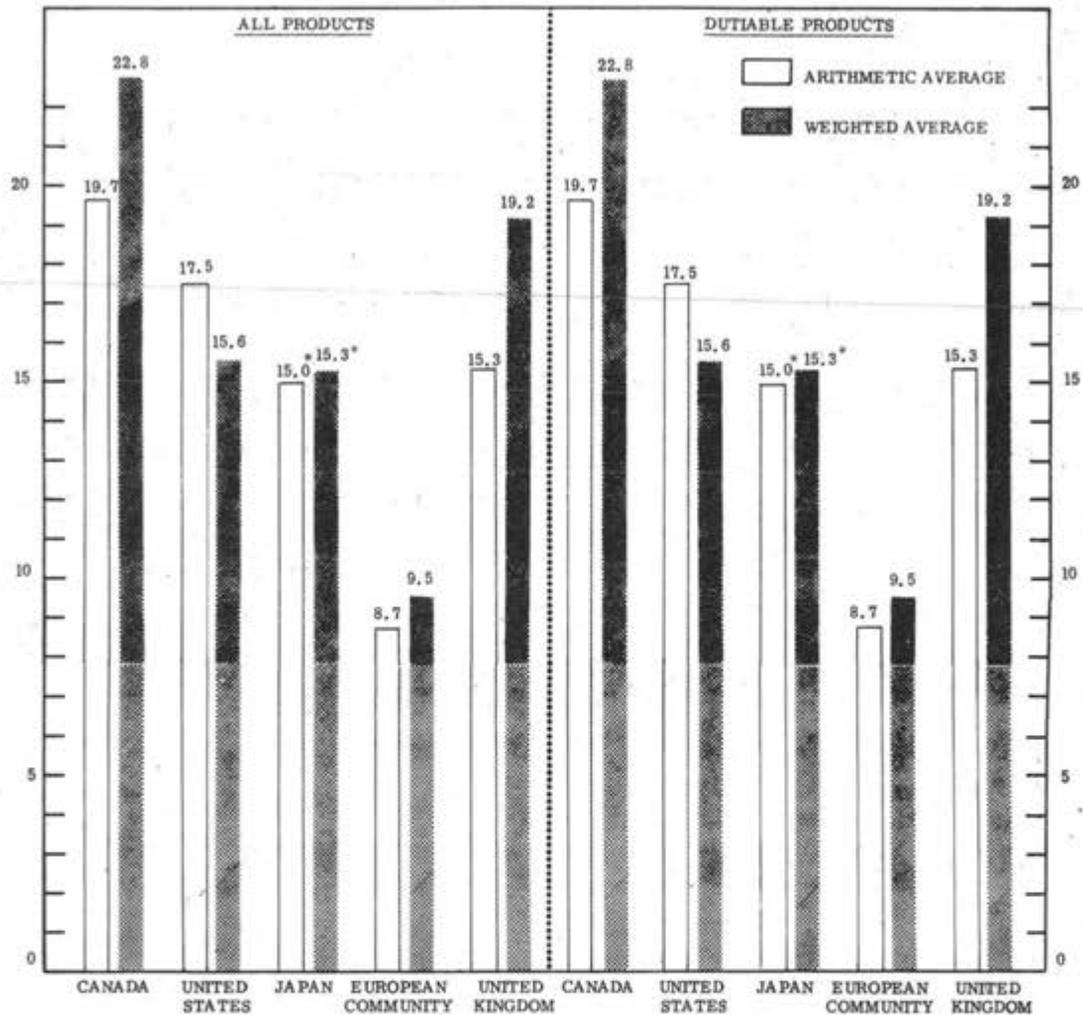
MFN tariffs

For total MFN imports of manufactured articles of leather and furskins, the arithmetic tariff averages of the five major countries range from 8.7 percent ad valorem to 19.7 percent ad valorem; the weighted averages from 9.5 to 22.8 percent. The European Community has the lowest arithmetic (8.7 percent ad valorem) and weighted (9.5 percent ad valorem) averages and Canada the highest (19.7 and 22.8 percent, respectively). The U.S. arithmetic average of 17.5 percent is higher than either Japan's (15 percent) or the United Kingdom's (15.3 percent), but the U.S. weighted average of 15.6 percent is quite a bit lower than the United Kingdom's (19.2 percent) and almost as low as Japan's (15.3 percent). None of the five major countries has duty-free MFN provisions for products in this subsector, and, therefore, the dutiable product averages mirror those for all products, as shown in chart I-14-I.

Preferential tariff treatment is accorded 14 percent of U.S. total imports in this subsector, 13 percent of Canada's imports, and 46 percent of entries into the United Kingdom. Preferential shipments into the

1/ For specific coverage of this subsector see BTN headings 42.01; 42.03-.05; 43.03-.04. (Leather footwear and travel goods are included in industrial sector I-15, Footwear and Travel Goods.)

Chart I-14-1. --Average MFN tariff rates on manufactured articles of leather and furskins
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 17 percent or 20 percent) made in 1972 on two of the approximately 11 Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Community from external sources are negligible, but intra-EC imports, which move duty free, exceed EC imports from outside sources.

Most MFN tariff provisions of the European Community and half of those of the United Kingdom are in the 5.1-10 percent ad valorem range. Japan has slightly more than half of its provisions in the 10.1-15

percent bracket and two-thirds of Canada's provisions are in the 15.1-20 percent ad valorem range (see table I-14-P). The U.S. provisions

Table I-14-P.--Distribution, by duty level, of MFN tariff provisions for manufactured articles of leather and furskins

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	11.5	-	7.1	-
5.1-10.0 percent----	6.7	31.6	13.4	71.5	50.0
10.1-15.0 percent--	-	10.1	53.4	21.4	-
15.1-20.0 percent--	66.7	10.2	20.0	-	37.5
20.1-25.0 percent--	26.7	17.7	13.3	-	12.5
25.1-30.0 percent--	-	10.1	-	-	-
30.1-40.0 percent--	-	6.3	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	2.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

have a wider range than the others, extending from under 5 to over 50 percent ad valorem, with close to one-third in the 5.1 to 10 percent ad valorem bracket.

In terms of MFN imports of leather and furskin manufactures, 71 percent of the European Community's entries and one-third of U.S. imports fall in the 5.1-10 percent ad valorem bracket; half of Japan's imports are in the 10.1-15 percent ad valorem range; three-fourths of United Kingdom's entries fall in the 15.1-20 percent ad valorem bracket; and two-thirds of Canada's imports enter at rates in the 20.1-25 percent range. U.S. imports are the most widely dispersed over the duty ranges, with 20 percent of the total entering at rates above 25 percent ad valorem (see table I-14-Q).

Table I-14-Q.--Distribution, by duty level, of MFN imports of manufactured articles of leather and furskins

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	7.6	-	1.0	-
5.1-10.0 percent---	-	34.2	15.1	71.4	13.4
10.1-15.0 percent--	-	24.2	49.9	27.7	-
15.1-20.0 percent--	31.9	-	10.2	-	75.4
20.1-25.0 percent--	68.1	13.9	24.8	-	11.2
25.1-30.0 percent--	-	17.8	-	-	-
30.1-40.0 percent--	-	2.2	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The United States exhibits the most complex tariff schedule for this subsector, with 79 tariff lines; the United Kingdom has the simplest, only 8 lines. Schedules for Canada and Japan have 15 lines and those for the Community, 14.

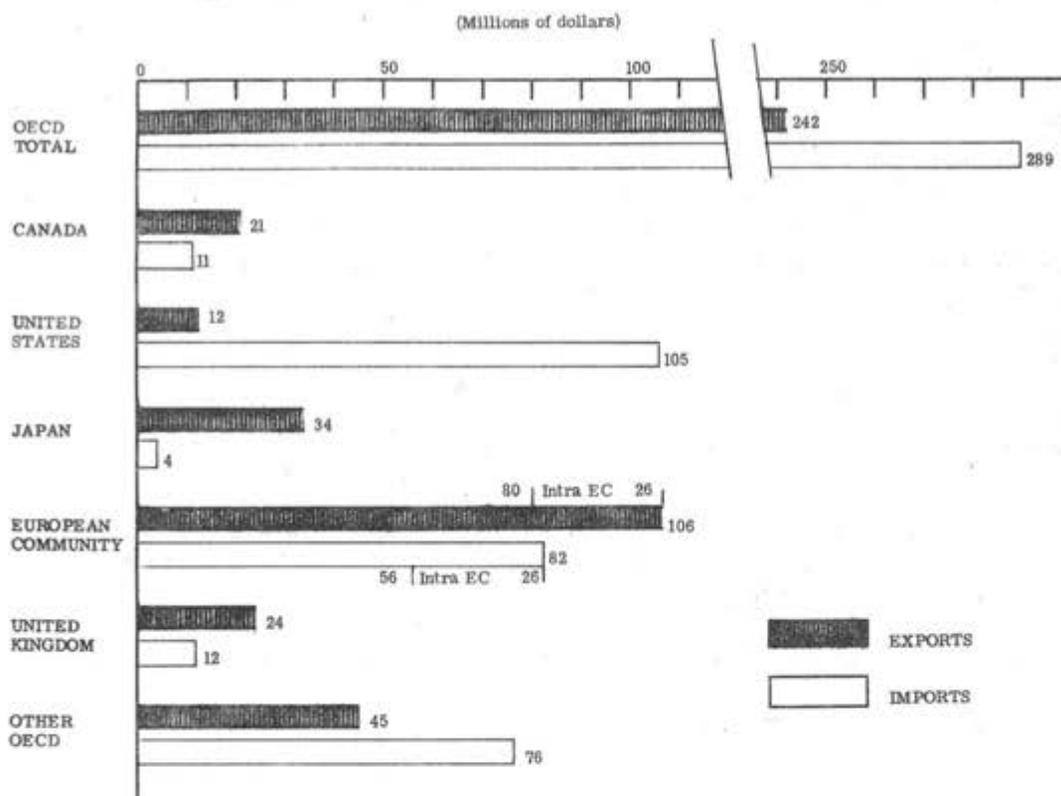
Trade importance

In terms of overall OECD trade, manufactured articles are the least important of the three subdivisions of this sector, accounting for only 12 percent of the total sector imports and 15 percent of the exports. OECD exports of leather and furskin manufactures in 1969 totaled \$242 million and imports \$289 million (see chart I-14-J). U.S. imports amounted to \$105 million in 1969 and \$137 million in 1971. Articles of apparel and clothing accessories accounted for \$114 million of the U.S. total in 1971.

Trade network

The five major countries account for 81 percent of OECD exports in this subsector and 74 percent of imports. The European Community

Chart I-14-J --- OECD trade in manufactured articles of leather or furskins, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

(excluding intra-EC shipments) is the principal exporter of these items, shipping \$80 million (see table I-14-R). The United States is the largest importer, followed distantly by the European Community (see table I-14-S). The value of trade between the five countries is small.

Trade-agreement concessions

As the table below displays, the average tariff levels of all countries on January 1, 1972, were significantly below the pre-trade-agreement base-date levels. The most substantial reduction has been in the U.S. tariff average and the least in the United Kingdom's.

Table I-14-R.--OECD exports of manufactured articles of leather and furskins, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	242	21	12	34	<u>1/</u> 106	24	45
OECD total-----	83	1	3	11	45	8	15
Canada-----	4	-	2	X	1	X	1
United States---	19	X	-	11	4	3	1
Japan-----	1	X	X	-	1	X	X
European Community-----	<u>1/</u> 34	X	1	1	26	1	5
United Kingdom--	3	X	X	X	X	-	3
Other OECD-----	22	1	X	X	13	4	5
Non-OECD total----	19	1	4	2	7	3	2
LDC's-----	15	X	3	3	7	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 90 percent of Canada's exports, 42 percent of U.S. exports, 62 percent of Japan's exports, 51 percent of EC exports, and 54 percent of the United Kingdom's exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-14-S.--OECD imports of manufactured articles of leather and furskins, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	289	11	105	4	<u>1/</u> 82	12	76
OECD total-----	80	6	15	2	34	3	20
Canada-----	1	-	1	X	X	X	X
United States---	5	4	-	X	X	X	1
Japan-----	8	X	7	-	1	X	X
European Community-----	<u>1/</u> 45	1	4	1	26	2	11
United Kingdom--	5	1	2	X	1	-	1
Other OECD-----	16	X	1	1	6	1	7
Non-OECD total----	12	X	5	1	3	1	2
LDC's-----	10	X	5	1	3	1	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of origin data are not available for 45 percent of Canadian imports, 81 percent of U.S. imports, 55 percent of EC imports and 67 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	35.5	15.6
European Community	20.2	9.5
United Kingdom	26.1	19.2
Japan	28.5	15.3
Canada	35.9	19.7

All of the five major countries except Japan have made concessions under the GATT covering all MFN provisions in this subsector, and Japan has made concessions on 93 percent of its provisions encompassing all trade in these items. Specific reductions on leather gloves are shown in table I-14-T below.

Table I-14-T.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on leather gloves

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%-50% 61.7%-208.2% AVE	25%-40% 30.8%-104.1% AVE	15%-35% ^{2/} 24.4%-96.7% AVE ^{2/ 3/}	705.35-.78
Canada-----	45%	10%-25%	10%-25%	56825-1; 56830-1; 56835-1
European Community--	19%; 17%	19%; 14%	13%; 10.5%	42.03BI, IIT
United Kingdom-----	30%	30%	25%	42.03(A)
Japan-----	30%	20%-25%	10%-12.5%	42.03-1, 2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Nearly half of imports, in terms of values in 1970 were subject to concessions in the Kennedy Round.

^{3/} Range of ad valorem equivalents of specific rates of duty from \$5 to \$7 per dozen pairs.

All of the EC member state national tariffs prior to the adoption of the CXT contained concessions under the GATT. Of 42 such concessions, 21 were above the CXT rate, 7 at the CXT rate, and 14 below the CXT rate.

FOOTWEAR AND TRAVEL GOODS

Footwear and travel goods include most types of footwear and parts of footwear; ankle and leg coverings such as spats and shin-guards for sportswear; and travel goods (including such items as trunks and suit-cases), handbags, wallets, purses, tool cases, and boxes for musical instruments and jewelry. The sector does not include knitted or crocheted footwear without applied soles; articles of asbestos; orthopedic footwear; and toys and skating boots with skates attached. 1/

MFN tariffs

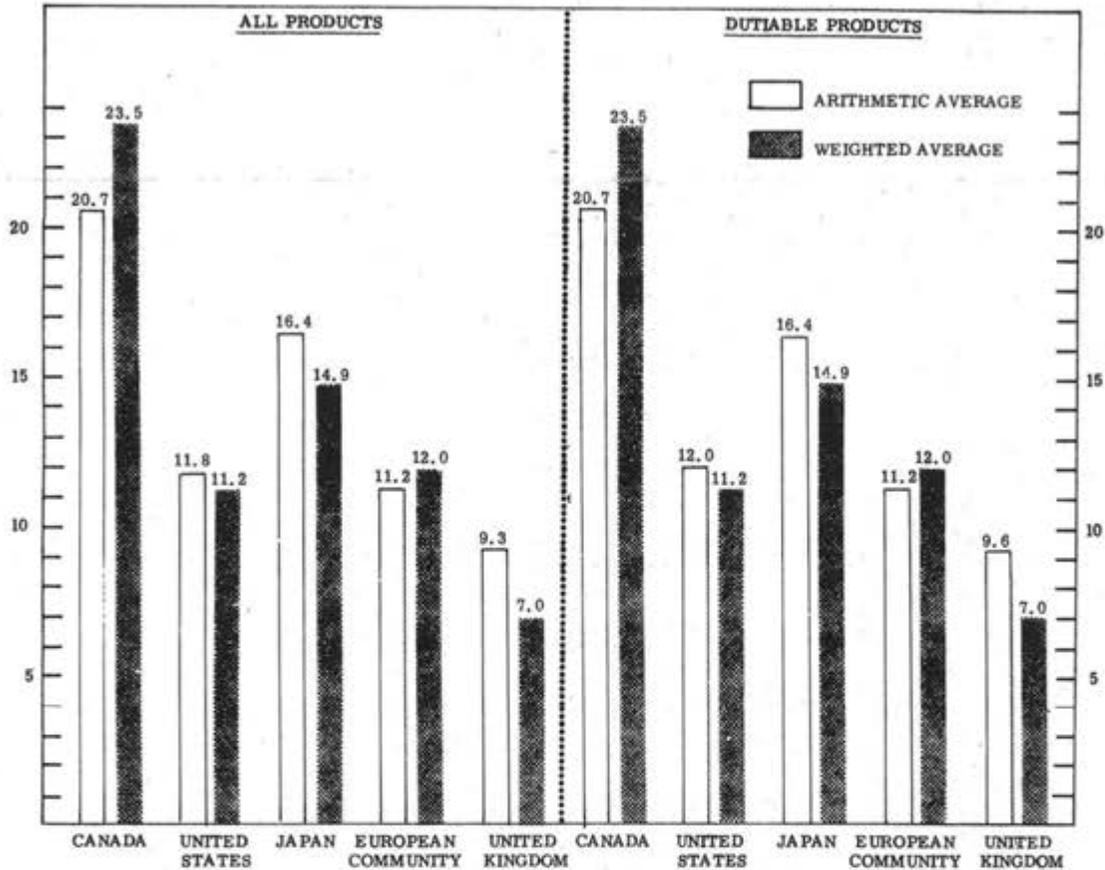
World MFN imports of footwear and travel goods face average tariffs in Canada, Japan, and the European Community substantially above those for all industrial products. In the United States, the weighted average tariff for footwear and travel goods is well above the all products average, whereas the arithmetic average is about the same as the average for all products. 2/ A similar comparison of the average tariffs for the United Kingdom reveals that the footwear and travel goods averages and the all products averages are at approximately the same level. The

1/ For the specific coverage of this sector, see BTN headings 64.01-.06 and 42.02. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

2/ U.S. tariff averages reported for this sector and the subsector on footwear do not reflect the effect of assessing the U.S. duty of 25 percent ad valorem, applicable to certain footwear with fabric uppers and soles of rubber or plastics, on the American selling price (ASP) of like or similar footwear produced in the United States, rather than on the actual price paid for the imported footwear. Such footwear accounts for about 3 percent of U.S. imports in this sector. The U.S. average duties would be only slightly higher than those reported here if the ASP assessment were taken into account (see subsection on footwear).

Chart I-15-A. -- Average MFN tariff rates on footwear & travel goods

(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

arithmetic averages for all footwear and travel goods (combined free and dutiable) range from 9.3 to 20.7 percent ad valorem; the weighted averages from 7 to 23.5 percent (chart I-15-A). For all footwear and travel goods, the United Kingdom has the lowest arithmetic and weighted average tariffs (9.3 and 7 percent, respectively) and Canada the highest (20.7 and 23.5 percent, respectively). Few products in this sector

enter duty free; consequently there is no significant difference between average tariffs for all and dutiable products. Only average tariffs for the United States and the United Kingdom are slightly lower for all products than for dutiable products.

The distribution of tariff provisions, by duty level, is shown in table I-15-A. The greatest concentration of rate provisions is in

Table I-15-A.--Distribution, by duty level, of MFN tariff provisions for footwear and travel goods

Duty level	(In percent)				
	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	-	1.6	-	-	3.3
0.1-5.0 percent----	-	18.0	-	-	3.3
5.1-10.0 percent---	-	37.7	50.0	70.0	83.3
10.1-15.0 percent--	-	18.0	5.6	10.0	-
15.1-20.0 percent--	62.5	16.4	16.7	20.0	10.0
20.1-25.0 percent--	37.5	4.9	-	-	-
25.1-30.0 percent--	-	-	27.8	-	-
30.1-40.0 percent--	-	3.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the United States do not reflect the effect of assessing the U.S. rate of duty (nominally 20 percent ad valorem) for certain footwear with fabric uppers and soles of rubber or plastics on the basis of the American selling price of like or similar footwear produced in the United States rather than on the actual price paid for the imported footwear. If the effect of ASP assessment were included, the figure in the duty level range of 15.1-20 percent would be slightly smaller, by an amount which would appear in a duty-level bracket of over 50 percent ad valorem.

Note.--Due to rounding, figures may not add to 100 percent.

the bracket of 5.1-10 percent ad valorem for all countries except Canada, where 63 percent of the rate provisions fall within the 15.1-20 percent bracket. Tariffs of the United States and the United Kingdom

contain a few MFN duty-free provisions for footwear and travel goods; those of Canada, Japan, and the European Community have none. The maximum rates for the European Community and the United Kingdom are in the 15.1-20 percent bracket. Canada has items in the 20.1-25 percent bracket and Japan's rates extend into the 25.1-30 percent range. The United States has provisions in the 30.1-40 percent bracket, as well as one footwear provision (TSUS 700.60) under which higher duties are collected on certain footwear under the American selling price (ASP) system (equivalent to 58 percent ad valorem based on 1965 data; current sample data suggest the present equivalent is higher than 58 percent).

In 1970, imports of footwear and travel goods receiving preferential tariff treatment ranged from 46 percent for the United Kingdom to none for Japan. Canada grants preferential rates on 12 percent of such imports; the European Community, 4 percent; and the United States, 1 percent. Intra-European Community shipments moving free of duty are almost four times greater than European Community imports from outside sources.

MFN imports by all major countries enter at differing rates; about half of Japan's imports and roughly two-thirds of imports of the United States, the European Community, and the United Kingdom are in the 5.1-10 percent range (table I-15-B). Twenty-one percent of Japanese entries are in the 25.1-30 percent bracket. Over two-thirds of Canada's MFN imports are dutiable in the 20.1-25 percent bracket. Only the United States has duty-free MFN imports, but such entries account for less than 1 percent of total U.S. imports.

Table I-15-B.--Distribution, by duty level, of MFN imports of footwear and travel goods

(In percent)

Duty level	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	-	0.4	-	-	-
0.1-5.0 percent----	-	7.2	-	-	30.5
5.1-10.0 percent----	-	65.5	51.8	63.3	68.8
10.1-15.0 percent--	-	10.3	16.6	4.9	-
15.1-20.0 percent--	29.1	14.1	10.4	31.8	.7
20.1-25.0 percent--	70.9	.1	-	-	-
25.1-30.0 percent--	-	-	21.1	-	-
30.1-40.0 percent--	-	2.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the United States do not reflect the effect of assessing the U.S. rate of duty (nominally 20 percent ad valorem) for certain footwear with fabric uppers and soles of rubber or plastics on the basis of the American selling price of like or similar footwear produced in the United States rather than on the actual price paid for the imported footwear. If the effect of ASP assessment were included, the figure in the duty level range of 15.1-20 percent would be approximately 11.1, and a figure of about 3.0 would appear in a duty-level bracket of over 50 percent ad valorem.

Note.--Due to rounding, figures may not add to 100 percent.

The United States has the most detailed tariff schedule for footwear and travel goods with 61 tariff lines, while the European Community has the least with 10. The United Kingdom has 30 lines; Canada, 24 lines; and Japan, 18 lines.

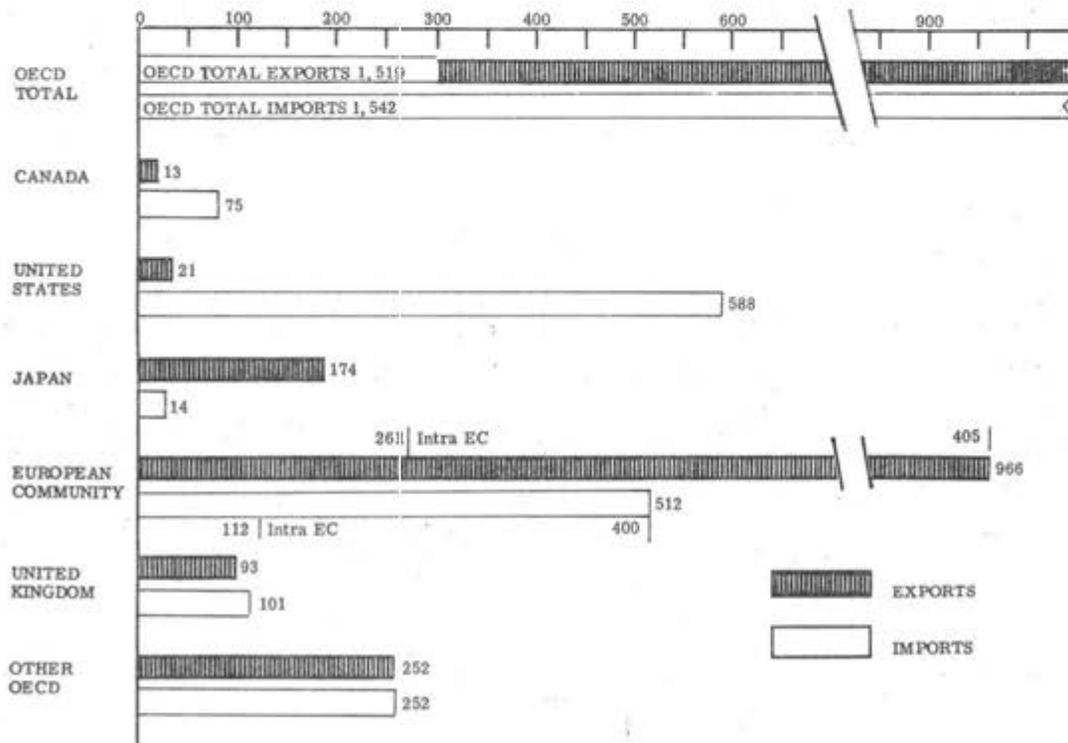
Trade importance

Footwear and travel goods is one of the less important industrial sectors, ranking 15th in both OECD exports and imports. The sector accounts for only about 1 percent of OECD industrial exports and

imports. For the United States, the sector is the least important in exports. It ranked 13th in U.S. imports in 1969, but rose to 11th in 1970.

Imports by the GATT tariff study countries were valued at \$761 million in 1967 and \$1.3 billion in 1970. Intra-European Community shipments were an additional \$260 million in 1967 and \$453 million in 1970. Imports by the OECD countries in 1969 were \$1.5 billion (including \$400 million of intra-European Community shipments) and exports were \$1.5 billion (chart I-15-B). By 1970, imports by the OECD countries

Chart I-15-B. -- OECD trade in footwear and travel goods, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

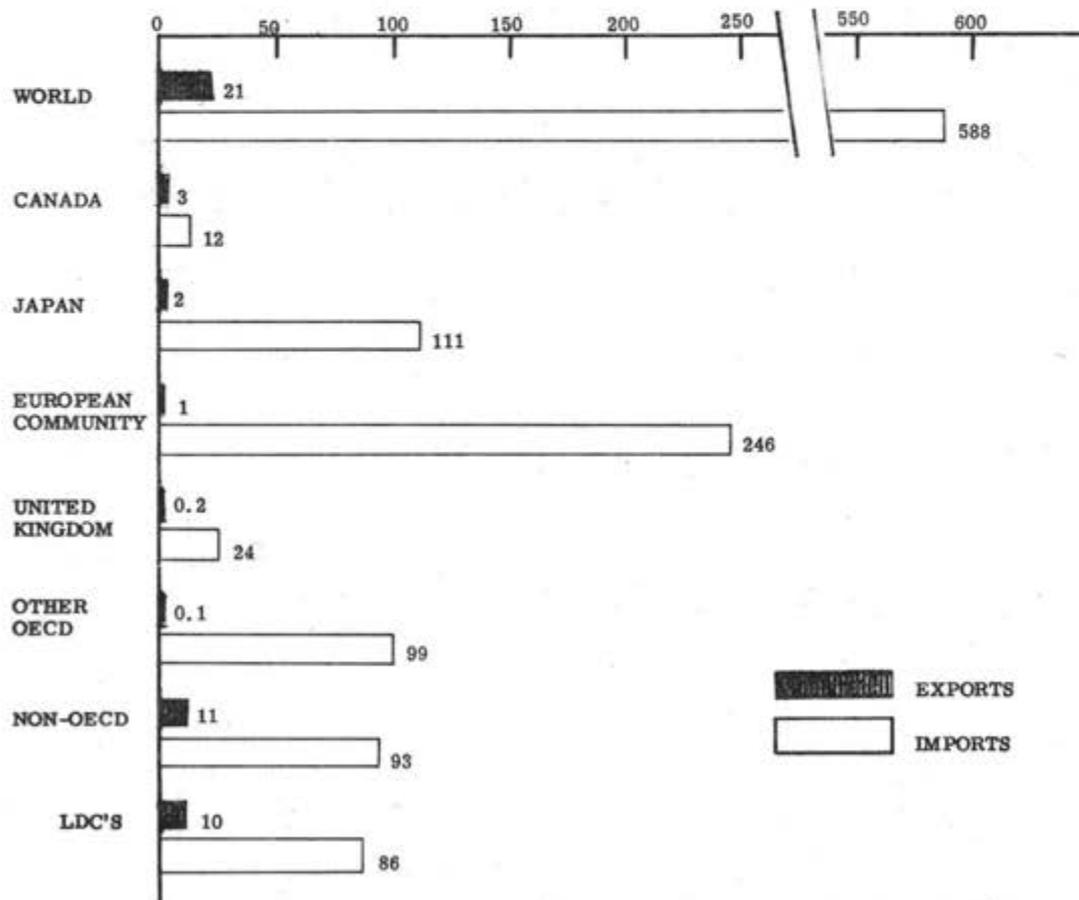
had risen to \$1.8 billion (including \$431 million of intra-European Community shipments) and exports totaled \$1.7 billion.

Trade network

The five major countries account for about 83 percent of OECD exports and 84 percent of imports. About 70 percent of OECD exports go to the five major countries; about 8 percent to LDC's. Almost 70 percent of OECD imports are supplied by the five major countries.

Chart I-15- C . -- United States trade in footwear and travel goods, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community is by far the principal exporter, accounting for almost two-thirds of total OECD exports, followed by Japan and the United Kingdom. The United States, the principal importer, exports only a small amount of footwear and travel goods, and U.S. shipments go largely to the LDC's (see chart I-15-C). Intra-European Community exports are equal to almost three-quarters of the Community's shipments to outside sources, of which 46 percent go to the United States, 9 percent to LDC's, and 21 percent to "other" OECD countries. Japan ships about two-thirds of its exports to the United States, 12 percent to LDC's, and 6 percent to both Canada and the European Community. The United Kingdom ships 26 percent of its products to the United States, 15 percent to LDC's, and 26 percent to "other" OECD countries (table I-15-C).

Table I-15-C.--OECD exports of footwear and travel goods, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,519	13	21	174	<u>1/</u> 966	93	252
OECD total-----	1,266	12	6	137	836	62	213
Canada-----	52	-	3	10	21	9	9
United States---	501	12	-	110	259	24	96
Japan-----	9	-	2	-	5	X	2
European Community-----	<u>1/</u> 443	X	1	10	405	5	22
United Kingdom--	53	X	X	4	26	-	23
Other OECD-----	208	X	X	3	120	24	61
Non-OECD total----	189	X	11	31	94	29	24
LDC's-----	114	X	10	21	53	14	16

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 19 percent of U.S. exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, among the 23 industrial sectors, footwear and travel goods ranked 19th in industrial imports for the European Community, 20th for Japan, 11th for the United States, 13th for Canada, and 16th for the United Kingdom. United States imports of footwear and travel goods were valued at \$338 million in 1967, \$588 million in 1969, and \$888 million in 1971. The European Community supplies about 42 percent of U.S. imports; Japan and "other" OECD countries each about 17-19 percent (table I-15-D). Country of origin data are unavailable for 5 percent of EC imports and 5 percent of Canadian imports. Only about 18 percent of European Community imports for

Table I-15-D.--OECD imports of footwear and travel goods, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,542	75	300	14	<u>1/</u> 512	101	252
OECD total-----	1,265	53	492	9	437	60	214
Canada-----	12	-	12	X	X	X	X
United States---	9	6	-	1	1	X	2
Japan-----	141	11	111	-	9	4	6
European Community-----	<u>1/</u> 820	21	246	5	400	30	118
United Kingdom--	67	9	24	X	5	-	29
Other OECD-----	216	7	99	3	22	26	59
Non-OECD total---	222	18	93	4	48	38	21
LDC's-----	176	13	86	4	32	30	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 5 percent of Canadian imports and 5 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

which origins are known come from nonmember countries, with LDC's as a group being the largest outside source. The United Kingdom imports about one-third of its supply from each of the following: The European Community, LDC's, and "other" OECD countries. The European Community is the principal supplier of Canadian imports (30 percent), followed by the LDC's (18 percent) and Japan (15 percent). The European Community is the major supplier to Japan (36 percent); other sources are LDC's (29 percent) and "other" OECD countries (21 percent).

Trade composition

Footwear and travel goods trade is divided into two subsectors, footwear and travel goods and handbags. Footwear is by far the largest in both OECD exports and imports (86 and 83 percent, respectively, in 1969).

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figures are arithmetic averages.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	28.0	11.2
European Community	19.6	12.0
United Kingdom	21.6	7.0
Japan	38.9	14.9
Canada	35.5	20.7

Concessions under the GATT have been made on all MFN provisions for footwear and travel goods of Canada as well as on 98 and 97 percent of the provisions (covering all of the trade) of the United States and the United Kingdom, respectively. For the European Community, 90 to 100 percent of the provisions, covering 76 to 100 percent of MFN imports, have GATT concessions; ^{1/} in the Japanese schedule, 84 percent of the provisions and 97 percent of the imports are covered.

The national tariffs of all member states of the European Community prior to adoption of the European Community's Common External Tariff contained tariff concessions on footwear and travel goods negotiated under the GATT. The number of such concessions totaled 51, of which 33 reflected rates higher than the autonomous rate established in the CXT, 5 were at the CXT rate, and 13 were below the CXT rate.

Trade complaints

Thirty-nine complaints submitted to the Tariff Commission during the investigation of trade barriers dealt with measures or practices affecting footwear and travel goods. About 60 percent were against developed countries, with Japan and the United States being the object of the greatest number of complaints (6 each) followed by Australia, Canada, and New Zealand. Fifteen complaints objected to trade obstacles encountered in numerous less developed countries.

^{1/} Ninety percent of tariff provisions, covering 76 percent of MFN imports, are fully covered by GATT concessions; for 10 percent of the provisions, covering 24 percent of MFN imports, only part of an item is covered.

Embargoes, quantitative restrictions and licensing practices were the subject of half of the complaints in this sector. These practices were encountered chiefly in LDC's, and most frequently, complaints mentioned that footwear could not be shipped to these countries because either similar products were produced locally or the complainant's products were considered luxury items and not essential to the country's well-being. United States producers reported encountering quotas on footwear in Japan and in unspecified European countries. A manufacturer of eyeglass cases complained of licensing practices of Australia, Japan, New Zealand and Malta, stating that licenses were not easily obtainable for his products, and without a license, entrance into those countries was prohibited.

Importers complained of the use of the American selling price method of customs valuation for assessing duty on U.S. imports of certain fabric-upper rubber-soled footwear. One importer of footwear and luggage complained that U.S. valuation procedures are overly time consuming and resultant delays lead to additional costs to the importer due to demurrage, storage, and extra service charges.

Footwear and travel goods tariffs of many LDC's, and particularly Mexico, were reported to be prohibitive. Some LDC's were said to limit imports through high consumption taxes, or supplemental "import taxes." Tariff discrimination in the markets of Australia, Canada, and New Zealand because of the Commonwealth preference system was also

the subject of complaint. U.S. producers objected to border taxes encountered in shipping to most countries of Western Europe.

Some U.S. footwear manufacturers report that Italy, Japan, and Spain subsidize firms in the manufacture of shoes, giving producers in those countries an unfair advantage in competing in the United States market and third countries. An objection was also raised against the Canadian requirement that the country of origin must be stamped, etched, engraved, or labeled in a permanent conspicuous manner on travel goods shipped to Canada.

Only one-third of the submissions to the Commission contained an assessment of the restrictive effect of the barriers encountered. Most reported that a moderate increase in sales would be experienced if the barriers were removed; only two respondents indicated they would expect a significant increase. Estimates of a percentage increase for those respondents who estimated a moderate sales increase went as high as 28 percent.

Footwear

This subsector includes most types of footwear and parts of footwear, as well as ankle and leg coverings such as leggings. It does not include knitted or crocheted footwear without applied soles, orthopedic footwear, and toys and skating boots with skates attached. 1/

1/ For the specific coverage of this subsector, see BTN headings 64.01-.06.

MFN tariffs

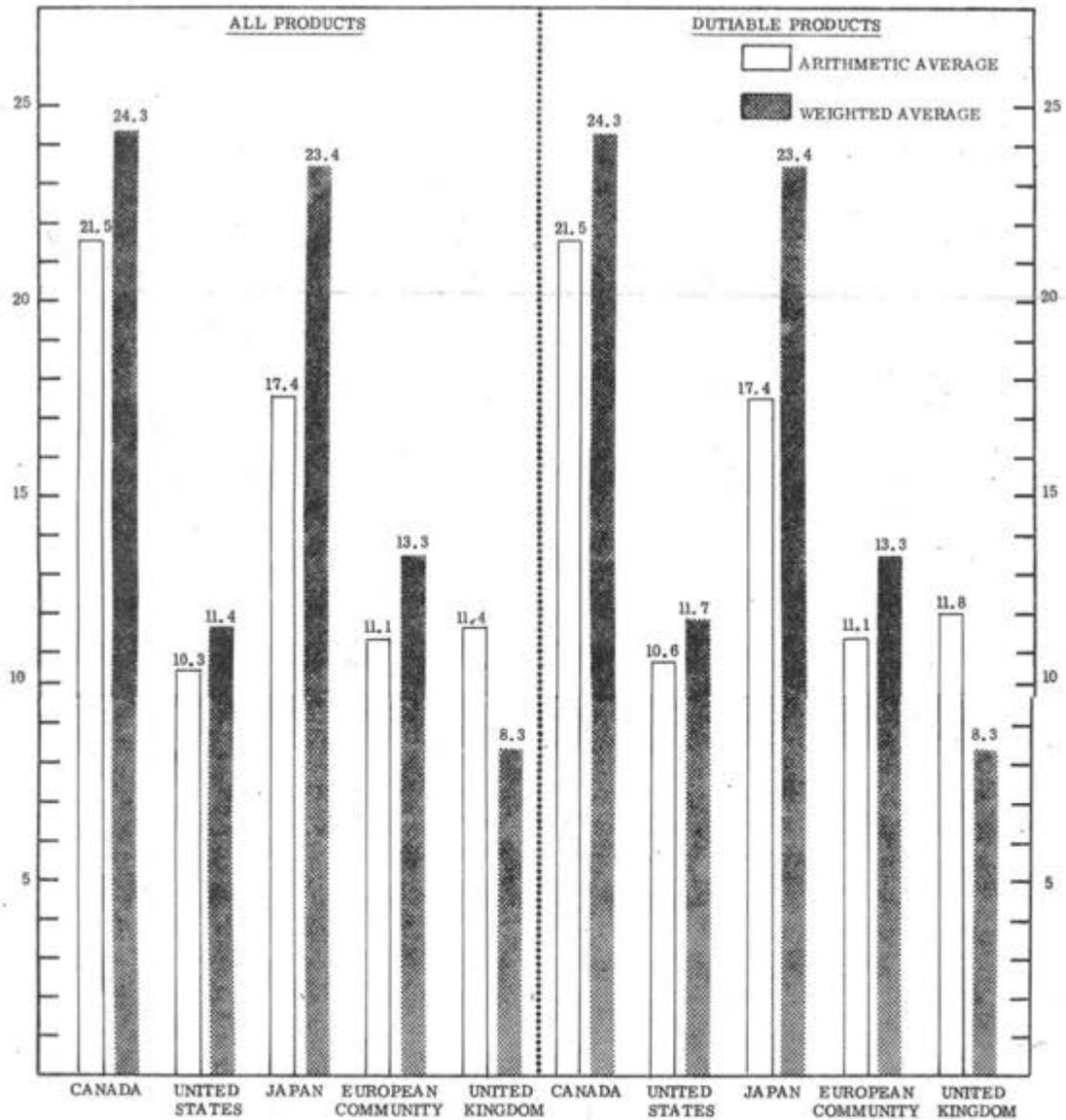
Among the five major countries, the United States, the European Community, and the United Kingdom have the lowest arithmetic tariff averages (10.3, 11.1, and 11.4 percent ad valorem, respectively) for total MFN imports of footwear. ^{1/} These countries also have the lowest weighted tariff averages--the United Kingdom, 8.3 percent; the United States, 11.4 percent; and the European Community, 13.3 percent. Tariff averages, arithmetic and weighted, for total MFN imports of footwear for Canada and Japan are roughly twice the level for the other three major countries (chart I-15-D).

The average MFN tariff rates on footwear are the same for all products and for dutiable products for Canada, Japan, and the Community, and differ only slightly for the United States and the United Kingdom, where a small number of duty-free provisions exist for footwear.

Virtually all U.S. and Japanese imports of footwear, and European Community imports from outside sources receive MFN treatment; preferential rates are of importance to the United Kingdom and Canada

^{1/} The U.S. tariff averages for footwear reported in this subsector do not reflect the effect of assessing the duty of 20 percent ad valorem, applicable to certain footwear with fabric uppers and soles of leather (e.g., tennis oxfords, basketball shoes, specialties for leisure, street or beach wear, and "sneakers"), on the American selling price (ASP) of like or similar footwear produced in the United States rather than on the actual price paid for the imported footwear. Such footwear accounted for 4 percent of total U.S. footwear imports in 1971. The U.S. average duties would be slightly higher than reported here if the ASP assessment were taken into account.

Chart I-15- D . -- Average MFN tariff rates on footwear
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

where 45 and 14 percent, respectively, of their footwear imports in 1967 entered under preferential rates. Intra-European Community shipments,

which move free of duty, are several times larger than European Community imports from outside sources.

Japanese, European Community, and United Kingdom MFN tariff provisions are principally in the 5.1-10 percent bracket, but one-fourth of the European Community rates are in the 15.1-20 percent bracket, and almost two-fifths of Japanese rates in the 25.1-30 percent range. The United States has slightly more than one-third of its rates in the 5.1-10 percent bracket and about one-fourth each in the 0.1-5 and 10.1-15 percent brackets. Canadian rates are about equally divided between the 15.1-20 and 20.1-25 percent brackets (table I-15-E). In terms of MFN imports of footwear, 89 percent of shipments into Canada are assessed rates between 20.1 and 25 percent; 57 percent of U.S. imports and 78 percent of United Kingdom imports are in the

Table I-15-E.--Distribution, by duty level, of MFN tariff provisions for footwear

Duty level	(In percent)				
	Canada	United States ^{1/}	Japan	European Community	United Kingdom
Free-----	-	2.6	-	-	3.6
0.1-5.0 percent----	-	23.7	-	-	3.6
5.1-10.0 percent---	-	36.9	53.9	75.0	57.2
10.1-15.0 percent--	-	23.7	-	-	25.0
15.1-20.0 percent--	47.1	7.9	7.7	25.0	3.6
20.1-25.0 percent--	52.9	2.6	-	-	3.6
25.1-30.0 percent--	-	-	38.5	-	-
30.1-40.0 percent--	-	2.6	-	-	3.6
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the United States do not reflect the effect of assessing the U.S. rate of duty (nominally 20 percent ad valorem) for certain footwear with fabric uppers and soles of rubber or plastics on the basis of the American selling price of like or similar footwear produced in the United States rather than on the actual price paid for the imported footwear. If the effect of ASP assessment were included, the figure in the duty level range of 15.1-20 percent would be slightly smaller, by an amount which would appear in a duty-level bracket of over 50 percent ad valorem.

Note.--Due to rounding, figures may not add to 100 percent.

5.1-10 percent bracket; 77 percent of Japanese entries are in the 25.1-30 percent bracket; all European Community imports are either in the 5.1-10 or the 15.1-20 percent brackets (table I-15-F).

Table I-15-F.--Distribution, by duty level, of MFN imports of footwear

Duty level	(In percent)				
	Canada	United States 1/	Japan	European Community	United Kingdom
Free-----	-	2.2	-	-	-
0.1-5.0 percent----	-	10.9	-	-	1.6
5.1-10.0 percent---	-	56.7	18.5	54.4	78.0
10.1-15.0 percent--	-	14.8	-	-	19.6
15.1-20.0 percent--	11.4	9.8	4.8	45.6	-
20.1-25.0 percent--	88.6	.1	-	-	.7
25.1-30.0 percent--	-	-	76.7	-	-
30.1-40.0 percent--	-	5.5	-	-	.1
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Figures for the United States do not reflect the effect of assessing the U.S. rate of duty (nominally 20 percent ad valorem) for certain footwear with fabric uppers and soles of rubber or plastics on the basis of the American selling price of like or similar footwear produced in the United States rather than on the actual price paid for the imported footwear. If the effect of ASP assessment were included, the figure in the duty level range of 15.1-20 percent would be approximately 5.8, and a figure of about 4.0 would appear in a duty-level bracket of over 50 percent ad valorem.

Note.--Due to rounding, figures may not add to 100 percent.

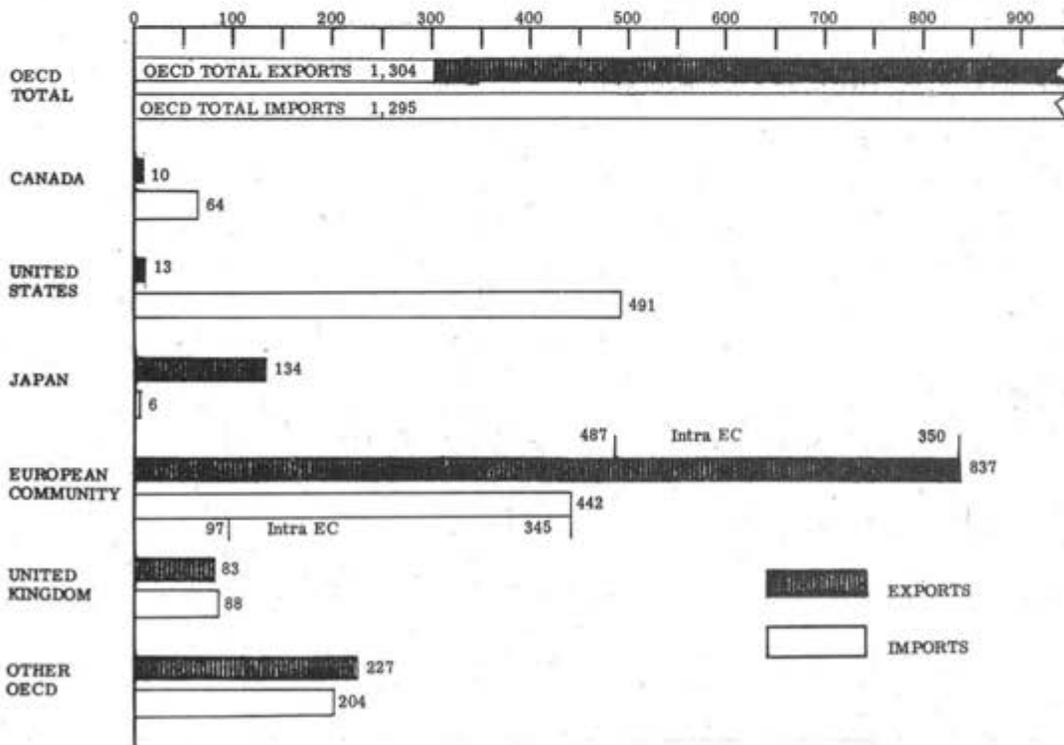
Of the major countries, the United States exhibits the most complex schedule for footwear, with 38 lines; the European Community has the simplest, 8 lines. Schedules for the United Kingdom have 28 lines; for Canada, 17 lines; and for Japan, 13 lines.

Trade importance

In 1969, footwear accounted for 86 percent of OECD exports and 83 percent of OECD imports of the footwear and travel goods sector.

OECD exports and imports each totaled \$1.3 billion in 1969 (chart I-15-E) and \$1.5 billion in 1970. In 1967, among the 119 industrial subsectors, footwear ranked 43rd in value of aggregate imports of the GATT tariff study countries. For the United States, however, the rank is 16th; United States imports amounted to \$491 million in 1969, and increased to \$768 million in 1971. Footwear with outer soles of leather or composition leather, or rubber or plastic (BTN 64.02) is by far the most important type of footwear traded. In 1967, the major importer of such footwear was the United States (\$200 million); the United Kingdom entered \$61 million.

Chart I-15- E . -- OECD trade in footwear, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for almost 85 percent of OECD exports and imports (tables I-15-G and H). By far the largest supplier to the world is the European Community, accounting for 64 percent of OECD exports in 1969, followed by Japan. The principal importer is the United States, followed distantly by the European Community. The United States imports principally from the European Community, Japan, and "other" OECD countries. Imports by the European Community from outside sources are equal to less than 20 percent of intra-European Community shipments which move duty free.

Table I-15-G.— OECD exports of footwear, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,304	10	13	134	<u>1/</u> 837	83	227
OECD total-----	1,083	9	3	105	721	55	190
Canada-----	45	-	2	8	19	8	8
United States---	439	9	-	85	233	22	90
Japan-----	4	-	1	-	2	X	1
European Community-----	<u>1/</u> 382	X	X	7	350	4	21
United Kingdom--	46	X	X	3	23	-	20
Other OECD-----	167	X	X	2	94	21	50
Non-OECD total----	158	X	6	23	81	26	22
LDC's-----	88	X	5	15	42	12	14

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 31 percent of U.S. exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-15-H.-- OECD imports of footwear, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,295	64	491	6	<u>1/</u> 442	88	204
OECD total-----	1,081	45	431	4	377	52	172
Canada-----	9	-	9	X	X	X	X
United States---	4	3	-	X	X	X	1
Japan-----	105	8	84	-	7	3	3
European Community-----	<u>1/</u> 711	19	224	2	345	27	94
United Kingdom--	57	8	21	X	4	-	24
Other OECD-----	195	7	93	2	21	22	50
Non-OECD total----	159	15	57	1	38	33	15
LDC's-----	122	10	50	1	25	27	9

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 6 percent of Canadian imports and 6 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade flows among the five countries are generally in the direction of countries having lower tariffs--intra-European Community shipments--and imports into the United States account for over three-fifths of trade. Canada and Japan, with the highest MFN tariff rates, are not very significant importers of footwear.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, except Japan, January 1, 1972, average tariff levels for footwear were substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Only in the United Kingdom are specific duties important,

accounting for 50 percent of tariff lines and about two-thirds of MFN imports.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	25.7	11.4
European Community	19.6	13.3
United Kingdom	21.0	8.3
Japan	25.5	23.4
Canada	35.4	21.5

All MFN provisions for footwear in the tariff schedules of Canada have been the subject of GATT concessions. In the U.S. schedule, 97 percent of the provisions, covering 100 percent of MFN imports have GATT concessions; in the United Kingdom schedule, 96 percent of the provisions, covering 100 percent of MFN imports. Although 100 percent of the European Community and Japanese MFN imports are covered, only 88 and 77 percent, respectively, of the MFN provisions have been the subject of GATT concessions.

All European Community member state national tariffs prior to adoption of the Common External Tariff contained concessions under the GATT. Of 37 concessions in the national tariffs, 21 were at rates above the CXT autonomous rate, 5 at the CXT rate, and 11 were below the CXT rate.

Tariffs on footwear with uppers of leather, the largest type of imports for the United States, have been reduced through trade-agreement concessions by all five major countries (table I-15-I). U.S. post-Kennedy Round MFN rates are significantly below statutory levels;

Table I-15-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on footwear with uppers of leather

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	10%-30%	5%-20%	Free-20%	700.05-.45
Canada-----	40%	27.5%	25%	61105-2
European Community---	20%	16%	8%	64.02A
United Kingdom-----	20%	3s./pr.-30%	5%-10%	64.02 (B)(2)
Japan-----	30%	27%	27%	64.02-1

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Canadian tariffs have been lowered about 38 percent. The United Kingdom rate reductions range from 50 to 75 percent. Japan has made no further reductions in its duties after the Kennedy Round.

Tariffs on footwear with outer soles and uppers of rubber or plastic, also a large import item for the United States, have been reduced through trade-agreement concessions by all five major countries except the European Community (table I-15-J). Reductions in U.S. MFN rates on this type of footwear are rather substantial; reductions by Japan amount to about 33 percent from statutory rates; and reductions by Canada about 38 percent. The United Kingdom shifted from an ad valorem to a specific duty.

Table I-15-J.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on footwear with outer soles and uppers of rubber or plastic

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%-75%	12.5%-37.5%	^{2/} 6%-37.5%	700.51-.55
Canada-----	40%	27.5%	25%	61105-1
European Community--	20%	20%	20%	64.01
United Kingdom-----	^{3/} 20%	10d. pr.-30%	9.6d-h/-per pair	64.01
Japan-----	15%	20%	10%	64.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} The 6 percent applies to shoes with supported vinyl uppers, zoris and other sandals, which comprise 80 percent of the imports. The remainder consists of hunting boots and rainwear, dutiable at 12.5, 25, and 37.5 percent ad valorem.

^{3/} Plus a duty of 2d. to 3d. per pair.

Travel Goods and Handbags

Travel goods and handbags include such items as trunks, handbags, purses, brief cases, tool cases, boxes and cases for musical instruments and jewelry, and all similar containers, of leather or composition leather, of vulcanized fiber, of plastic sheeting, of paperboard or of textile fabric. ^{1/}

MFN tariffs

Among the five major countries, Canada has the highest arithmetic tariff average (18.9 percent ad valorem) for total MFN imports of travel goods and handbags, while the other four countries range between 11.9 and 13.3 percent ad valorem. The highest weighted averages are

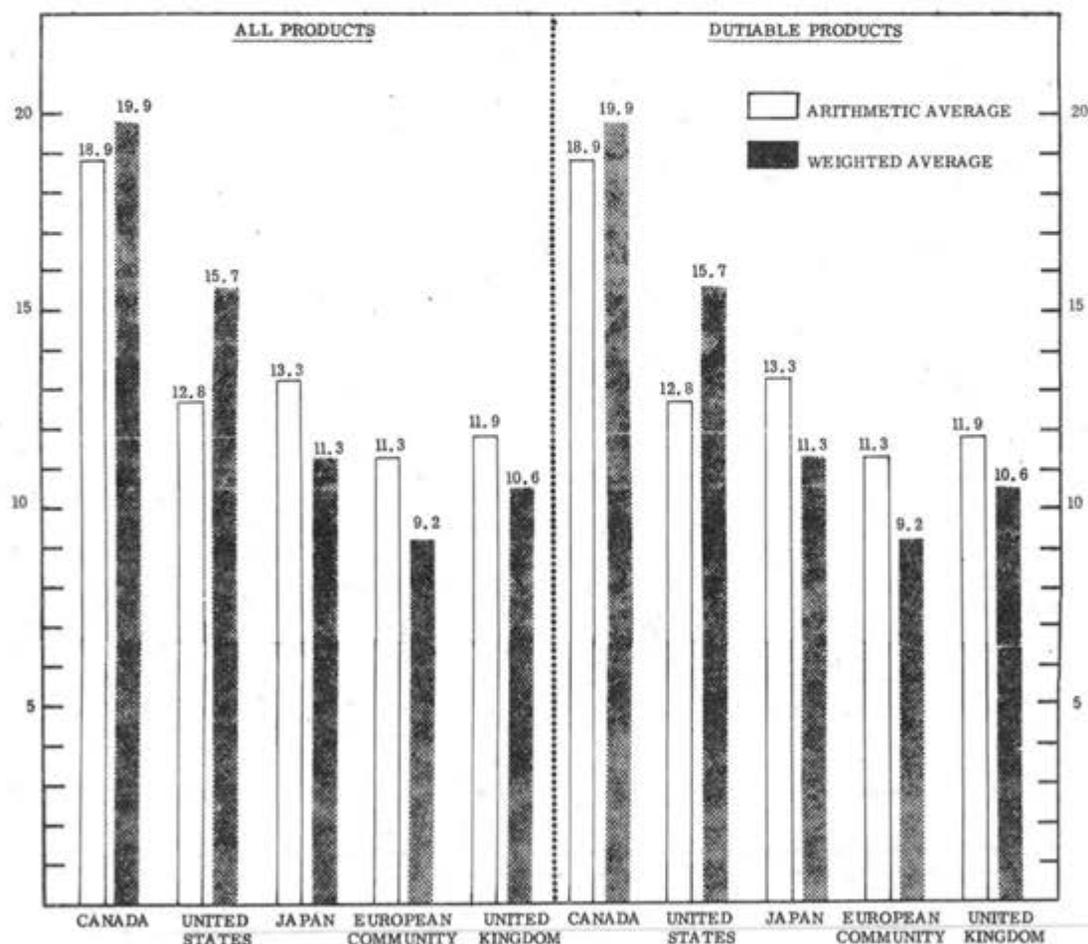
^{1/} For specific coverage of this subsector, see BTN heading 42.02.

19.9 percent ad valorem (Canada) and 15.7 percent ad valorem (the United States); the weighted averages for the other three countries range between 9.2 and 11.3 percent ad valorem (chart I-15-F).

The average MFN tariff rates on dutiable products in this sub-sector are identical to those for all products, reflecting the absence of duty-free provisions on travel goods.

Of the five major countries, preferential trade is significant for only the United Kingdom--about 40 percent of United Kingdom imports

Chart I-15- F. -- Average MFN tariff rates on travel goods and handbags
(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

in 1967 entered at preferential rates. However, intra-European Community duty-free shipments are three times as great as European Community imports from outside sources.

United States MFN tariff provisions are concentrated in the 5.1-10 percent and 15.1-20 percent ad valorem brackets (table I-15-K).

Table I-15-K.--Distribution, by duty level, of MFN tariff provisions for travel goods and handbags

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	9.6	-	-	-
5.1-10.0 percent---	-	42.9	50.0	50.0	50.0
10.1-15.0 percent--	-	9.6	16.7	50.0	50.0
15.1-20.0 percent--	100.0	33.3	33.3	-	-
20.1-25.0 percent--	-	4.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Provisions for the European Community and the United Kingdom are evenly divided between the 5.1-10 and 10.1-15 percent brackets; all Canadian provisions are within the 15.1-20 percent range. Half of the Japanese provisions are in the 5.1-10 percent bracket; one-third in the 15.1-20 percent bracket.

In terms of MFN imports of travel goods and handbags, the bulk of the entries for Japan, the European Community, and the United Kingdom are dutiable between 5.1 and 10 percent ad valorem (table I-15-L). All Canadian imports are assessed between 15.1 and 20 percent; about one-third of U.S. imports are dutiable between 5.1 and 10 percent and three-fifths are in the 15.1-20 percent bracket.

Table I-15-L.--Distribution, by duty level, of MFN imports of travel goods and handbags

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	0.9	-	-	-
5.1-10.0 percent---	-	35.7	70.6	77.7	83.1
10.1-15.0 percent--	-	4.4	20.2	22.3	16.9
15.1-20.0 percent--	100.0	58.9	9.1	-	-
20.1-25.0 percent--	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

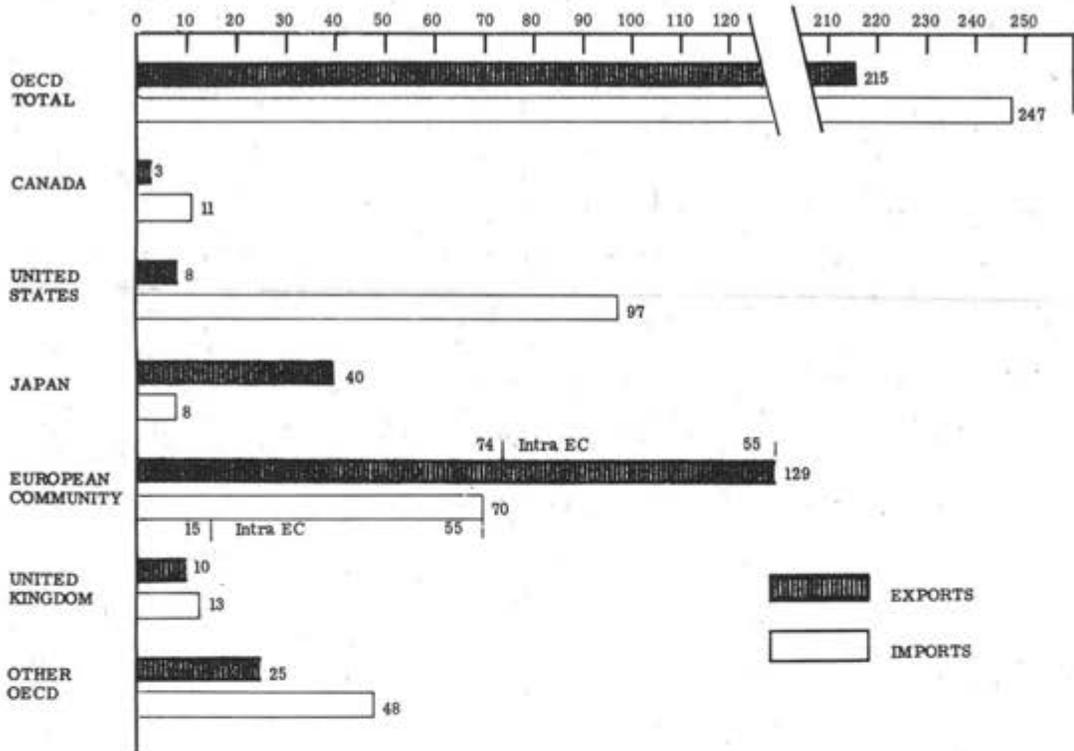
Note.--Due to rounding, figures may not add to 100 percent.

Of the five major countries, the United States exhibits the most complex tariff schedule for travel goods and handbags, with 21 tariff lines; the European Community and the United Kingdom have the simplest, with 2 lines. Schedules for Canada have seven lines and Japan has six lines.

Trade importance

Travel goods and handbags account for about 14 percent of OECD exports and 17 percent of the imports in the footwear and travel goods sector. OECD exports in 1969 totaled \$215 million; imports were \$247 million (chart I-15-G). Among the 119 industrial subsectors, travel goods and handbags ranked 98th in value of aggregate imports of the GATT tariff study countries in 1967; for the United States the rank is 61. United States imports amounted to \$97 million in 1969 and increased to \$120 million in 1971.

Chart I-15-G . -- OECD trade in travel goods and handbags, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for 88 percent of OECD exports and 81 percent of imports of travel goods and handbags (tables I-15-M and I-15-N). The largest supplier to the world is the European Community, which accounts for 60 percent of OECD exports, followed by Japan. The principal importer is the United States, followed by the European Community. Of the five, the least important exporter is Canada; Japan is the least important importer. The United States imports principally from the LDC's, Japan, and the European Community.

Table I-15-M.-- OECD exports of travel goods and handbags, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	215	3	8	40	<u>1/</u> 129	10	25
OECD total-----	183	3	3	32	115	7	23
Canada-----	7	-	1	2	2	1	1
United States---	62	3	-	25	26	2	6
Japan-----	5	-	1	-	3	X	1
European Community-----	<u>1/</u> 61	X	1	3	55	1	1
United Kingdom--	7	X	X	1	3	-	3
Other OECD-----	41	X	X	1	26	3	11
Non-OECD total----	31	X	5	8	13	3	2
LDC's-----	26	X	5	6	11	2	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-15-N.-- OECD imports of travel goods and handbags, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	247	11	97	8	<u>1/</u> 70	13	48
OECD total-----	184	8	61	5	60	8	42
Canada-----	3	-	3	X	X	1	X
United States---	5	3	-	1	1	X	1
Japan-----	36	3	27	-	2	1	3
European Community-----	<u>1/</u> 109	2	22	3	55	3	24
United Kingdom--	10	1	3	X	1	-	5
Other OECD-----	21	x	6	1	1	4	9
Non-OECD total----	63	3	36	3	10	5	6
LDC's-----	54	3	36	3	7	3	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Intra-European Community shipments are almost four times as great as European Community imports from outside sources, half of which are supplied by IDC's.

The United States, the major importer of travel goods among the five countries, has an average weighted tariff higher than all other major countries except Canada. The second largest volume of trade is intra-European Community shipments which are duty free.

Trade-agreement concessions

As the tabulation below shows, for all the five major countries, average tariff levels for travel goods and handbags are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. For the five major countries, only in the United Kingdom are specific duties important; such rates account for 50 percent of tariff lines and covered 17 percent of United Kingdom MFN imports in 1967.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	42.9	15.7
European Community	19.4	9.2
United Kingdom	25.0	10.6
Japan	47.0	11.3
Canada	35.6	18.9

All of the European Community member state national tariffs prior to adoption of the Common External Tariff contained concessions under the GATT. Of 14 concessions in the national tariffs, 12 were at rates above the CXT autonomous rate and 2 were below the CXT rate.

For the five major countries, all MFN provisions for travel goods and handbags have been the subject of GATT concessions. Specific

concessions made on handbags appear in table I-15-0. Reductions in U.S. MFN rates range from 56 to 71 percent below statutory levels; Canadian and Japanese tariffs have been lowered 50 percent. The Community's rates have been substantially reduced. The United Kingdom rate has been reduced 60 percent.

Table I-15-0.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on handbags

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	17.5%	10%	^{2/} 706.0820
	45%	20%	20%	^{2/} 706.6020
Canada-----	40%	22.5%	20%	^{3/} 62300-1(pt.)
European Community--	19-21%	15-17%	7.5-15%	42.02(pt.)
United Kingdom-----	25%	15-20%	10%	42.02A
Japan-----	20-40%	20-40%	10-20%	42.02(pt.)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Item 706.0820 covers handbags of leather, except reptile leather, whereas item 706.6020 consists chiefly of handbags of plastic.

^{3/} Includes all handbags except those made from straw and sisal.

Industrial Sector I-16

MUSICAL INSTRUMENTS, SOUND RECORDING AND
REPRODUCTION APPARATUS

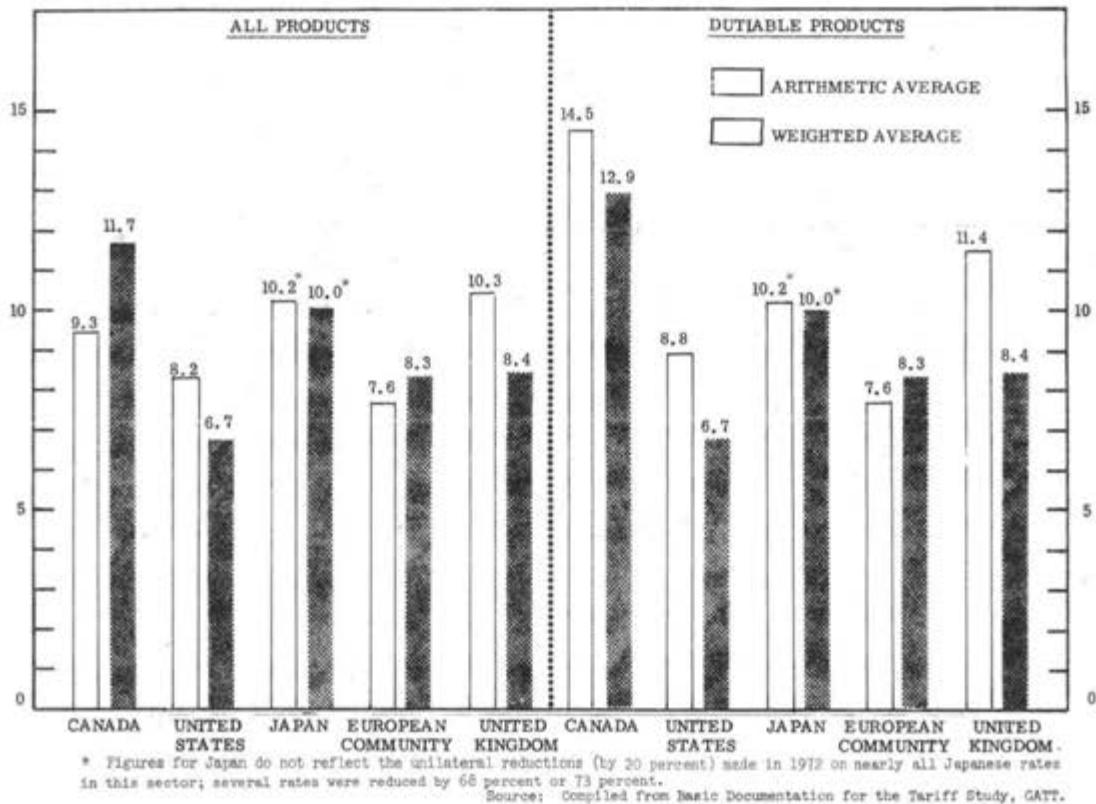
Musical instruments, sound recording and reproduction apparatus cover: Musical instruments, including pianos, organs, and other electronic and electrostatic musical instruments; sound recorders and reproducers, including magnetic television image and sound recorders and reproducers; and parts and accessories for the foregoing, including phonograph records, sound tapes, and blank material for sound recording. It excludes film, microphones, amplifiers, head phones, etc., not in the same cabinet as instruments falling within this heading. It also excludes sound recorders or reproducers combined with a radio receiving set. 1/

MFN tariffs

World MFN imports of musical instruments and sound recording or reproduction apparatus face average tariffs not significantly at variance with those for industrial products taken as a whole. The arithmetic averages of the five major countries for all products in the sector range from 7.6 to 10.3 percent ad valorem; the weighted averages from 6.7 to 11.7 percent (chart I-16-A). For all products, the European Community has the lowest arithmetic average tariff and the United Kingdom, the highest. The lowest weighted average for all products is held by the United States (6.7 percent) and Canada has the highest (11.7 percent).

1/ For specific coverage of this sector, see BTN chapter 92. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-16-A. -- Average MFN tariff rates on musical instruments, sound recording and reproduction apparatus
(Percent ad valorem)



The averages for dutiable products only do not differ significantly from the all products averages except in the case of Canada, which has a 14.5 percent arithmetic average and a 12.9 percent weighted average, reflecting the fact that only Canada has a significant portion of duty-free imports in the sector.

The distribution of MFN tariff provisions for musical instruments and sound recording and reproduction apparatus, by duty level, is shown in table I-16-A. The largest portion of rate provisions are between 5.1 and 10 percent ad valorem for all the major countries except Canada, where slightly more than one-third of the rate provisions are free. The

Table I-16- A.--Distribution, by duty level, of MFN tariff provisions for musical instruments, sound recording and reproduction apparatus

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	35.7	7.0	-	-	9.1
0.1-5.0 percent----	-	14.0	-	13.8	6.1
5.1-10.0 percent---	14.3	63.2	81.8	75.9	39.4
10.1-15.0 percent--	30.0	3.5	15.2	10.3	30.3
15.1-20.0 percent--	20.0	10.5	-	-	15.2
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	1.8	-	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	-	3.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

United States and the United Kingdom also have duty-free provisions for musical instruments and sound recording and reproduction apparatus (7 and 9.1 percent of provisions, respectively), but Japan and the European Community do not. The European Community has no rates below 3.1 percent ad valorem; Japan has no rates below 7.1 percent ad valorem. The rates of Canada and the United Kingdom range into the 15.1-20 percent ad valorem bracket; only the United States and Japan reach higher levels, 25.1-30 percent and 40.1-50 percent ad valorem, respectively.

At least three-fourths of the MFN imports of the United States, Japan, the European Community and half of those of the United Kingdom enter at duty rates between 5.1 and 10 percent ad valorem; for Canada, the largest portion enters at rates between 10.1 and 15 percent ad valorem (table I-16-B). Only Canada and the United Kingdom have duty-free MFN imports (9.7 percent and 0.2 percent, respectively).

Imports of musical instruments, sound recording and reproduction apparatus receiving preferential tariff treatment are significant in the

Table I-16-B.--Distribution, by duty level, of imports of musical instruments, sound recording and reproduction apparatus

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	9.7	-	-	-	0.2
0.1-5.0 percent----	-	3.5	-	2.9	35.5
5.1-10.0 percent---	23.6	89.2	72.6	91.4	48.4
10.1-15.0 percent--	54.2	.1	27.3	5.6	14.7
15.1-20.0 percent--	12.5	7.3	-	-	1.1
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

United Kingdom, where 20 percent of total imports are accorded preferential entry. Such treatment is accorded less than 1 percent of total imports into the United States and 3 percent of total shipments into Canada. Intra-European Community shipments, which move duty free, are equal to almost 85 percent of Community imports from outside sources.

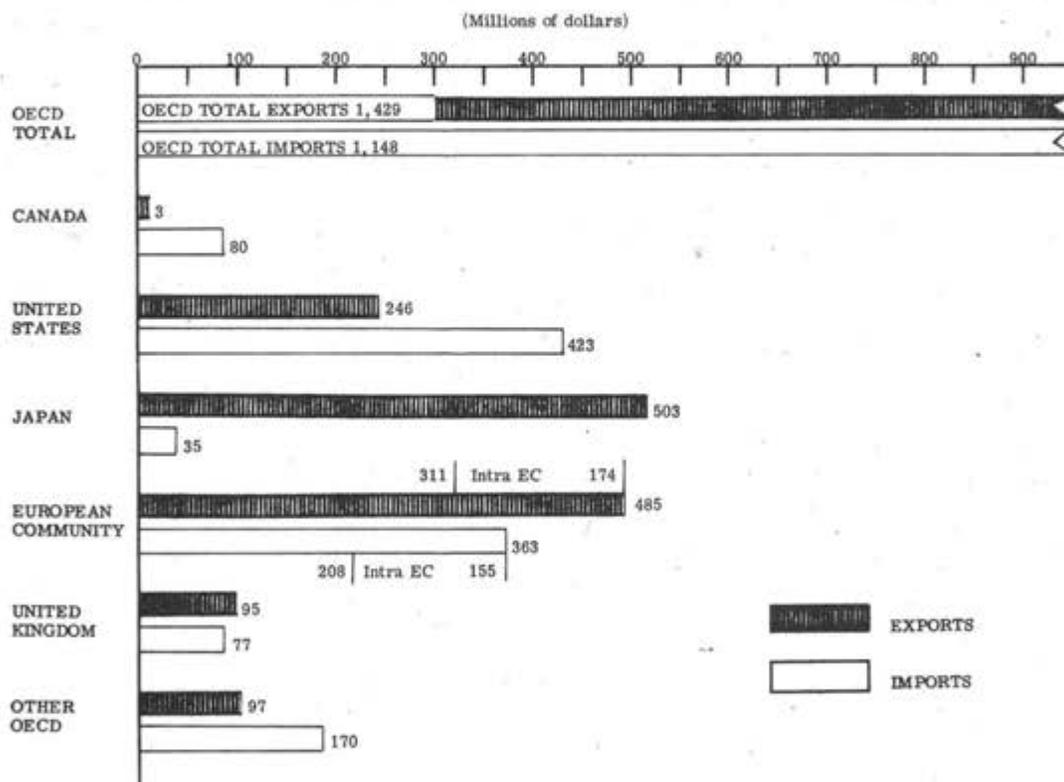
Canada and the United States have the most detailed MFN tariff schedules for musical instruments, sound recording and reproduction apparatus with 70 and 55 tariff lines, respectively, while the European Community has the least with 29 lines. The United Kingdom has 33 tariff lines; Japan, 32 lines.

Trade importance

The musical instruments, sound recording and reproduction apparatus sector is one of the less important in the industrial area, ranking 16th in both OECD exports and imports. The sector accounts for less than 1 percent of OECD industrial exports and less than 1 percent of OECD industrial imports. For the United States, the sector was the 17th most important in 1970 industrial exports. It ranked 15th in 1969 U.S. imports.

Imports by the GATT tariff study countries were valued at \$641 million in 1967 and \$988 million in 1970. Intra-European Community shipments were an additional \$100 million in 1967 and \$211 million in 1970. OECD 1969 imports were \$1.1 billion (including \$155 million of intra-European Community shipments) and exports were \$1.4 billion (see chart I-16-B). In 1970, OECD imports increased to \$1.4 billion, exports to \$1.6 billion.

Chart I-16-B.--OECD trade in musical instruments, sound recording and reproduction apparatus, 1969



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Trade network

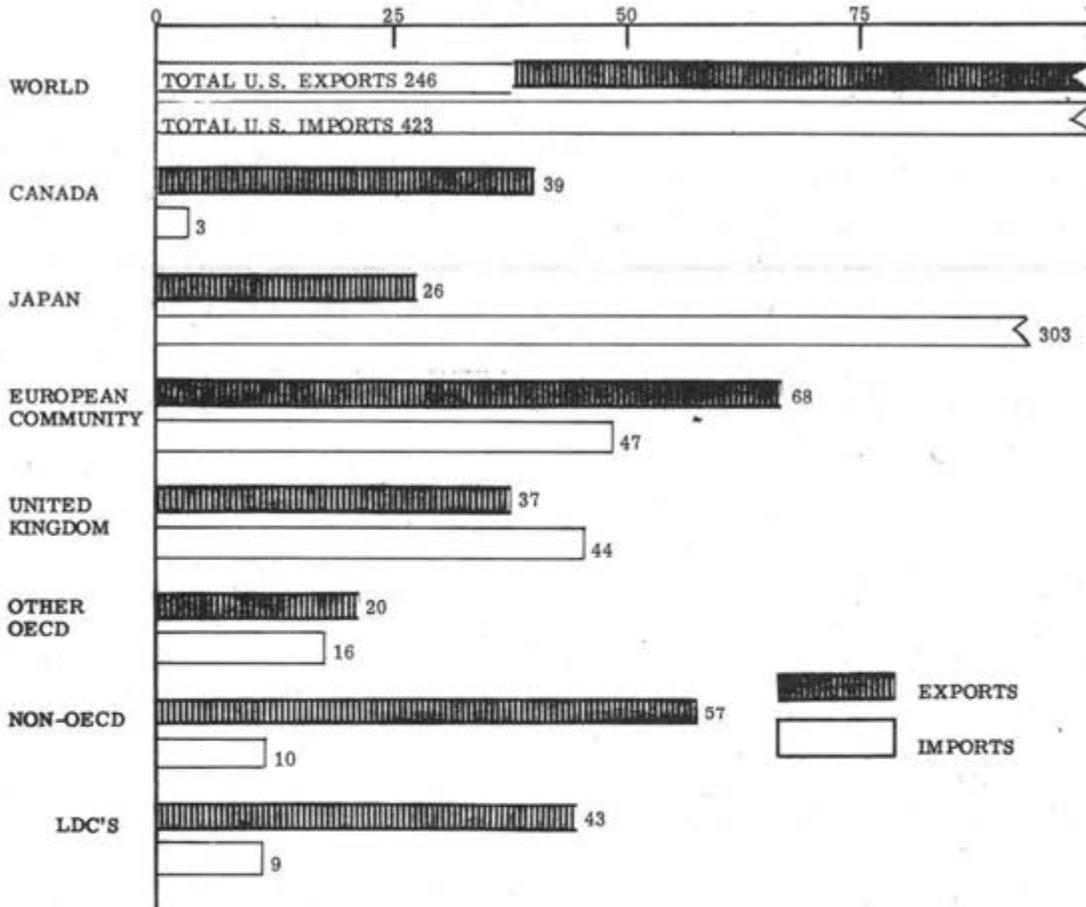
The five major countries account for almost 95 percent of OECD exports and 85 percent of OECD imports. Slightly over three-fifths of OECD exports go to the five major countries; most of the remaining two-fifths is about evenly divided between "other" OECD countries and LDC's, although some exports are sent to the non-OECD developed countries. Over four-fifths of OECD imports are supplied by the five major countries.

Japan, the European Community, and the United States are the principal exporters. Canada, Japan, the European Community, the United Kingdom, and the less developed countries collectively draw almost 90 percent of U.S. exports (see chart I-16-C); the European Community alone draws nearly 30 percent of U.S. exports and each of the other countries between 10 and 17 percent. The United States takes virtually all of Canada's exports. Japan ships nearly 60 percent of its exports to the United States and 20 percent to the less developed countries. Country of destination data are unavailable for over one-fifth of total EC exports. Of the remaining EC exports, nearly half are intra-European Community shipments. Over one-third of the European Community's known outside exports go to "other" OECD countries, nearly one-fourth go to the United States and one-fifth to the less developed countries. The United Kingdom ships nearly 40 percent of its exports to the United States, 15 percent to the European Community, and 18 percent to "other" OECD countries (see table I-16-C).

The United States is the principal importer, followed by the European Community. United States imports of musical instruments, sound recording

Chart I-16-C. -- United States trade in musical instruments, sound recording and reproduction apparatus, 1969

(Millions of dollars)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

and reproduction apparatus were valued at \$220 million in 1967, \$423 million in 1969, and \$371 million in 1971. Japan supplies about 70 percent of U.S. imports; the European Community and the United Kingdom about 10 percent each. The United States supplies almost half of Canada's imports; Japan supplies 30 percent. Japan receives around two-thirds of its imports from the United States. Data concerning

Table I-16-C.--OECD exports of musical instruments, sound recording and reproduction apparatus, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,429	3	246	503	<u>1/</u> 485	95	97
OECD total-----	1,066	3	190	379	325	78	91
Canada-----	82	-	39	27	10	5	1
United States---	388	3	-	292	46	37	10
Japan-----	36	X	26	-	5	4	1
European Community-----	<u>1/</u> 329	X	68	30	174	15	42
United Kingdom--	71	X	37	4	20	-	10
Other OECD-----	160	X	20	26	70	17	27
Non-OECD total----	257	X	57	123	53	17	7
IPC's-----	196	X	43	102	39	8	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 22 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the source of 28 percent of total EC imports in this sector are unavailable. Of the remainder of the Community's imports, about three-fifths are intra-European Community shipments; imports from the United States account for 41 percent of known Community imports from outside sources; Japan accounts for one-fourth, and "other" OECD countries for 16 percent. The United States provides 40 percent of the United Kingdom's imports; the European Community provides 30 percent (table I-16-D).

Trade composition

The musical instruments, sound recording and reproduction apparatus sector is divided into two subsectors, of which sound recorders, reproducers

Table I-16-D.--OECD imports of musical instruments, sound recording and reproduction apparatus, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,148	80	423	35	<u>1/</u> 363	77	170
OECD total-----	1,022	79	413	34	255	74	167
Canada-----	4	-	3	X	1	X	X
United States---	155	37	-	23	43	31	21
Japan-----	378	24	303	-	26	4	21
European Community-----	<u>1/</u> 322	12	47	6	155	24	78
United Kingdom--	83	5	44	4	13	-	17
Other OECD-----	80	1	16	1	17	15	30
Non-OECD total----	24	1	10	X	5	3	5
LDC's-----	12	X	9	X	1	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

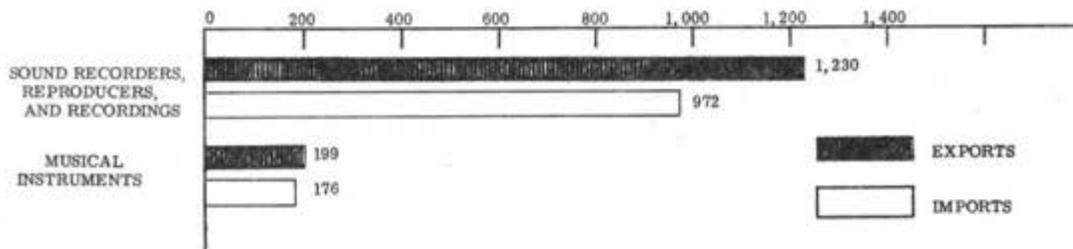
Note.--Complete country of origin data are not available for 28 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

and recordings is by far the largest in both exports and imports (about 85 percent of each), followed by musical instruments. The relative importance of each of these subsectors is shown in chart I-16-D.

Chart I-16-D.-- OECD trade in musical instruments, sound recording and reproduction apparatus, by type, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for musical instruments, sound recording and reproduction apparatus were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates in this sector were unilaterally reduced in 1972; the reductions were equal to 20 percent of the rates in effect on January 1, 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	38.8	6.7
European Community	17.5	8.3
United Kingdom	33.3	8.4
Japan	31.1	10.0
Canada	23.9	9.3

Concessions under the GATT have been made on all MFN provisions for musical instruments, sound recording and reproduction apparatus in the tariff schedules of the United States, the European Community, Japan, and the United Kingdom. In the Canadian schedule, 63 percent of the tariff provisions, covering 31 percent of MFN imports are fully covered by GATT concessions; Canada's coverage drops as low as 47 percent of the tariff provisions and 16 percent of MFN imports in the sound recorders, reproducers and sound recordings subsector.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on musical instruments, sound recording and reproduction apparatus negotiated under the GATT. The number of such concessions totaled 80, of which 48 reflected rates higher than the autonomous rate established in the CXT; 5 concessions were at the CXT rate; and 27 were below the CXT rate.

Trade complaints

Producers and traders of musical instruments and sound recording and reproducing apparatus submitted 213 complaints to the Tariff Commission concerning practices and policies which they considered to adversely affect their trade. Two-thirds of the complaints concerned practices of developed countries. Every market-economy developed country was named in the complaints at least once. The European Community countries drew a total of 37 complaints; Japan 30; the United Kingdom, 15; and the United States, 11. Twenty-five developing countries were named in the complaints, with Brazil, Chile, Argentina, India, and the Philippines mentioned most frequently.

Subsidies and other aids.--One-fourth of the complaints received in this sector were made by large U.S. producers of sound recorders and reproducers against various forms of direct or indirect governmental assistance received by their foreign

competitors. Among the types of assistance which the complainants found objectionable were the following:

- A tax system allowing the build-up of exceptional reserve accounts which provide interest-free working capital;
- Income tax relief in various forms geared to export performance or foreign investment;
- Low-interest loans for export production;
- Concessionary financing to export customers;
- Government advertising and promotion of exports;
- Partial payment of travel expenses to foreign countries for the development of exports;
- Underwriting export market research, legal costs in trade disputes, and overseas exhibitions;
- Supplying credit information on potential foreign customers;
- Subsidization of research and development;
- Tax relief for entertainment expenses in soliciting export sales;
- Guarantee of debt position by the state banks, thereby enabling use of debt as a source of corporate financing;
- Low-cost insurance covering: 1) market research and overseas advertising costs when sales projections based on the promotion fail to materialize; 2) exporter's credit risks; 3) tariff increases;
- Tax deductions for a reserve fund to develop overseas markets;
- Rewards or penalties to encourage exporters to meet specified goals.

Virtually all of these aids were reported to be available to producers in Japan, and several were said to be available to

industries in EC member countries, the United Kingdom, Sweden, Norway, Switzerland, Ireland, South Africa, New Zealand, Spain, Canada, and Venezuela.

Import duties.--High import duties were reported in Australia and the United Kingdom on consumer electronic products. Several countries were cited for assessing higher duties on phonograph records and recorded tapes than on books, and the complainant felt the Florence Agreement should be modified to extend duty-free treatment to these products under the same conditions as such treatment is extended to printed matter.

The European Community customs union under which duties are not collected on intra-EC imports was objected to as a discrimination against the United States. The United States was criticized for applying discriminatory duties on musical instruments and recordings from China and other Communist nations.

Licensing practices, embargoes, and quantitative restrictions.--Licenses for home electronic products were reported to be periodically imposed by the European Community and the United Kingdom. A complaint was made against the licensing procedures in Brazil, Colombia, India, Pakistan, the Philippines, and other nonspecified countries, which demand that the weight and value of the goods must be provided in advance of actual shipping. One U.S. producer complained of the U.S. requirement of a license for the export of certain magnetic recorders and reproducers.

A U.S. producer complained that Arab countries imposed an embargo on his shipments when he failed to supply information concerning business operations with Israel. European Community members, the United Kingdom, and Japan were reported to have periodically imposed quotas on imports of home electronic products, including sound recording and reproducing equipment.

Nontariff charges on imports.--Several products in this sector, particularly phonograph records and recorded tapes, are subject to special consumption taxes or other nontariff charges in many countries of the world. One-fourth of the complaints received in the sector were concerned with such charges, which were reported to exist in almost all of the 50 countries named in the complaints.

Customs procedures.--Customs valuation practices came under criticism from both U.S. producers and importers. The major complaint by U.S. producers is that most other countries of the world assess duties on the c.i.f. value, whereas the United States uses an f.o.b. type value, a situation which was felt to be discriminatory to U.S. exports and favoring U.S. imports. U.S. importers of consumer electronic products complained that burdensome customs valuation procedures under which the Customs Bureau often requests information concerning home market and third country sales when determining "export value," under section 402 of the Tariff Act of 1930, significantly impede imports to the United States.

A large U.S. producer of consumer electronic products reported his trade to be hampered by the lack of uniform commodity

descriptions among nations, the amount of paper work required for compliance with U.S. export control regulations, as well as the documentation concerning freight, insurance, and other costs required in filing customs declarations in foreign countries. The same producer felt the excessive record-keeping requirements connected with the U.S. drawback system make it impossible for him to collect the substantial amounts in drawback payments to which he is entitled.

Only two respondents in the sector for musical instruments, sound recording and reproducing apparatus gave a dollar value assessment of the restrictive trade effects of the barriers they encountered. Both indicated that a "significant" increase in sales could be expected if the reported barriers were removed. Dollar estimates for the various products involved ranged from \$50,000 to \$300,000 annually, and totaled \$1.5 million. The dollar estimates represented a 20 to 150 percent increase over present trade in the products.

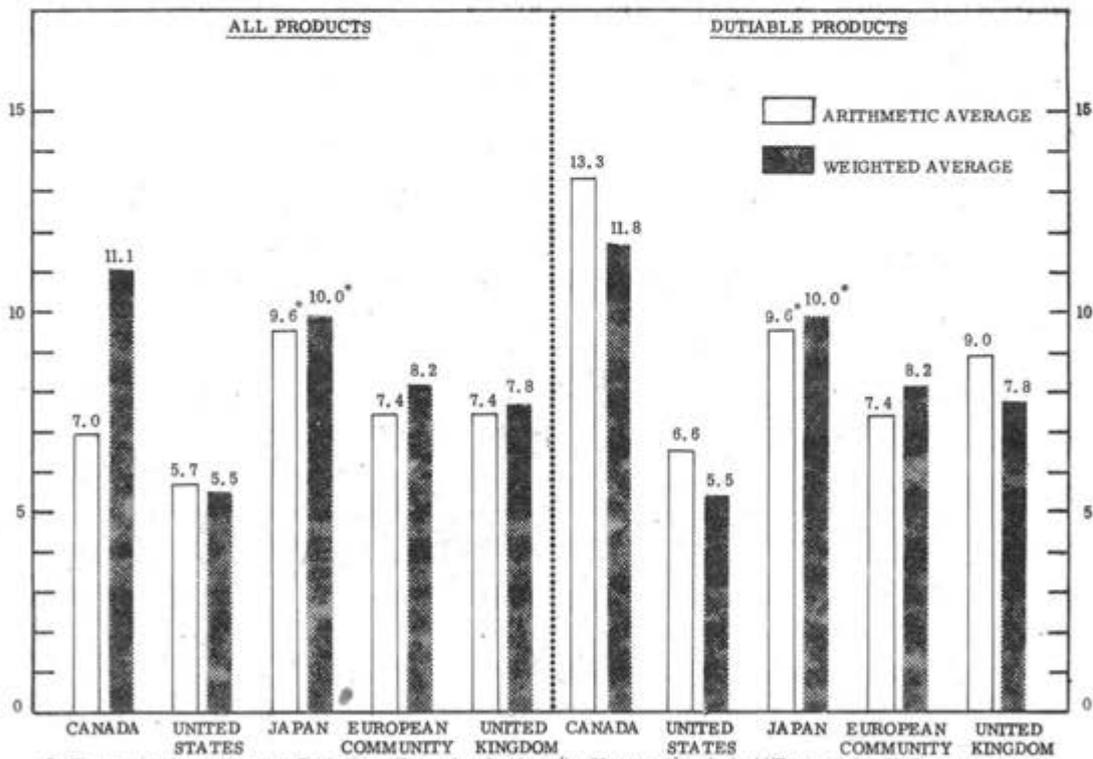
Sound Recorders, Reproducers and Sound Recordings

Sound recorders, reproducers and sound recordings include not only sound recorders and reproducers, but also their parts and accessories, as well as phonograph records and sound tapes, including blank material for sound recording. ^{1/}

MFN tariffs

Among the five major countries, the United States has the lowest arithmetic average tariff (5.7 percent ad valorem) for all products (combined free and dutiable), and Japan the highest (9.6 percent) (see chart I-16-E). The United States also holds the lowest weighted

Chart I-16-E. --Average MFN tariff rates on sound recorders, reproducers and sound recordings
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by 20 percent) made in 1972 on nearly all Japanese rates in this sector; several rates were reduced by 65 percent or 73 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector, see BTN headings 92.11-.13.

tariff average for all products (5.5 percent); Canada holds the highest (11.1 percent). For dutiable products only, the United States has both the lowest arithmetic average (6.6 percent) and the lowest weighted average (5.5 percent); Canada has both the highest arithmetic average (13.3 percent) and the highest weighted average (11.8 percent). The tariff averages for dutiable products alone are not significantly higher than the averages calculated for all products, except in the case of the arithmetic average of Canada, since the amount of Canada's duty-free provisions causes Canada's arithmetic average on all products to be lower than the average for dutiable products alone.

Virtually all imports into the United States, Canada, the European Community and Japan are accorded MFN treatment. One-fourth of the United Kingdom's imports receive preferential treatment. Intra-EC imports, which move duty free, are equal to 70 percent of EC imports from outside sources.

The distribution of tariff provisions for sound recorders, reproducers and sound recordings, by duty level, is shown in table I-16-E.

Table I-16-E.--Distribution, by duty level, of MFN tariff provisions for sound recorders, reproducers and sound recordings

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	47.4	13.3	-	-	18.2
0.1-5.0 percent----	-	20.0	-	20.0	9.1
5.1-10.0 percent---	21.1	60.0	73.4	73.4	63.7
10.1-15.0 percent--	15.8	6.7	26.7	6.7	9.1
15.1-20.0 percent--	15.8	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

By far the largest portion of rate provisions are between 5.1 and 10 percent ad valorem for all countries except Canada, where almost half of the provisions are free. The United States and the United Kingdom also have some duty-free provisions, but none are found in the schedules of the European Community and Japan. The provisions of all the countries except Canada reach upper limits in the 10.1-15 percent bracket; about 16 percent of Canada's provisions extend into the 15.1-20 percent bracket.

In terms of MFN imports, 96 percent of U.S. imports, 68 percent of Japanese imports, 93 percent of European Community imports, and 62 percent of United Kingdom imports enter at duty rates between 5.1 and 10 percent ad valorem. Over half of Canada's imports pay duties between 10.1 and 15 percent ad valorem (see table I-16-F). Canada is the only

Table I-16-F.--Distribution, by duty level, of imports of sound recorders, reproducers and sound recordings

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	6.4	-	-	-	0.1
0.1-5.0 percent----	-	4.0	-	2.4	37.2
5.1-10.0 percent---	33.6	96.0	67.6	93.0	62.3
10.1-15.0 percent--	55.1	-	32.4	4.5	.6
15.1-20.0 percent--	4.9	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

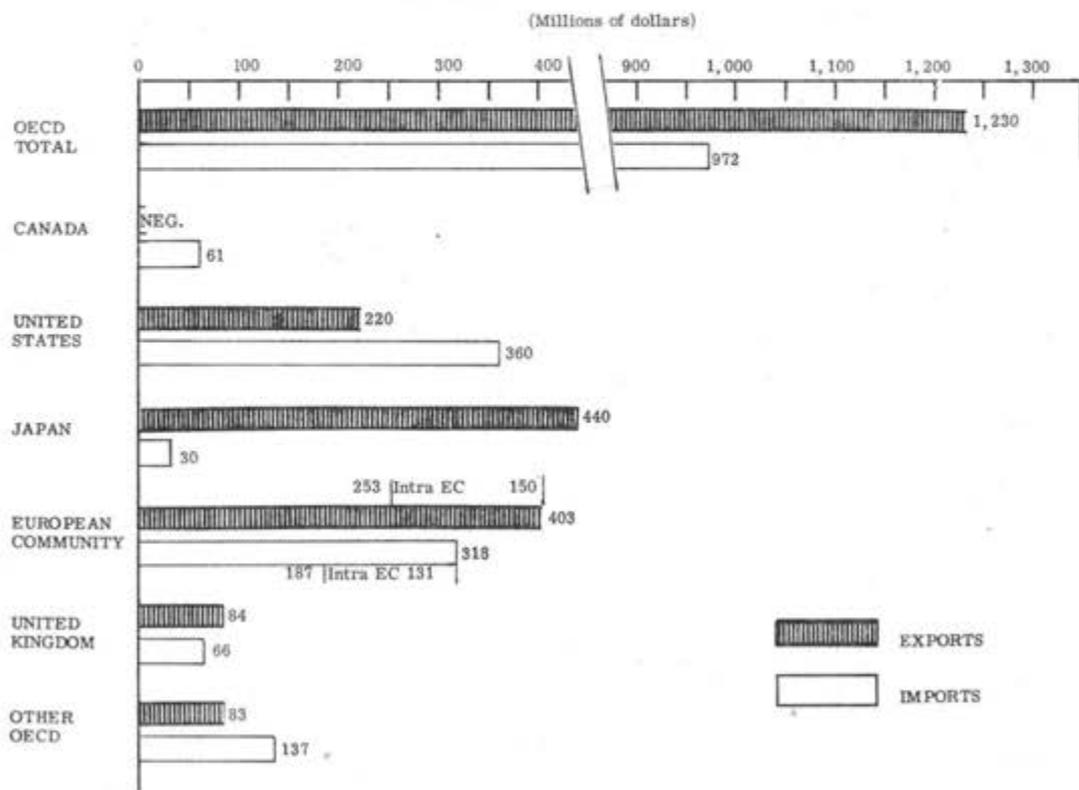
country with significant duty-free imports, 6.4 percent of total entries.

The United States, Japan, and the European Community each have 15 tariff lines in this subsector; the United Kingdom has 11 tariff lines and Canada, 38 lines.

Trade importance

Sound recorders, reproducers and sound recordings account for about 85 percent of OECD trade in the sector for musical instruments and sound recording and reproduction apparatus. OECD exports of sound recorders, reproducers and sound recordings totaled \$1.2 billion in 1969; imports were \$1 billion (chart I-16-F). For the United States, imports amounted to \$360 million in 1969 but dropped to \$291 million in 1971. Sound recorders and reproducers are the most important trade item both in the subsector and the sector as a whole. U.S. imports of recorders and reproducers totaled \$245 million in 1971.

Chart I-16-F.--OECD trade in sound recorders, reproducers and sound recordings, 1969



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

Trade network

The five major countries account for over 90 percent of OECD exports and over 85 percent of imports. Japan is by far the major exporter. U.S. exports are approximately half those of Japan, the Community's external shipments, for which destinations are known, about one-third (table I-16-G). The United Kingdom accounts for less than 10 percent of OECD exports, and

Table I-16-G.--OECD exports of sound recorders, reproducers and sound recordings, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,230	X	220	440	<u>1/</u> 403	84	83
OECD total-----	902	X	171	332	252	70	77
Canada-----	65	-	32	22	6	4	1
United States---	321	X	-	256	25	35	5
Japan-----	33	X	24	-	4	4	1
European Community-----	<u>1/</u> 289	X	63	26	150	13	37
United Kingdom--	62	X	34	3	16	-	9
Other OECD-----	132	X	18	24	51	14	24
Non-OECD total----	221	X	49	108	44	13	7
IPC's-----	177	X	40	94	33	7	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 27 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Canada for virtually none. The United States ships slightly more than one-fourth of its exports to the European Community, while non-OECD countries receive somewhat less than one-fourth of U.S. exports. The United States takes almost 60 percent of Japan's exports. Japan also ships almost one-fourth of its exports to non-OECD countries. Data on

the destinations of 27 percent of EC exports are unavailable. With regard to those accounted for, the European Community ships about 30 percent of its external exports to non-OECD and 35 percent to "other" countries.

The United States is by far the principal importer, taking almost 40 percent of total OECD imports. EC imports from outside sources rank second among the five major countries in OECD imports in this subsector; the remaining countries, by comparison, are relatively unimportant (table I-16-H). Information on the country of origin of 32 percent of total EC

Table I-16-H.--OECD imports of sound recorders, reproducers and sound recordings, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	972	61	360	30	1/ 318	66	137
OECD total-----	857	61	352	30	215	65	134
Canada-----	2	-	1	X	1	X	X
United States---	135	28	-	21	39	28	19
Japan-----	331	20	271	-	21	3	16
European Community-----	1/ 249	8	26	3	131	20	61
United Kingdom--	76	4	42	4	11	-	15
Other OECD-----	64	1	12	2	12	14	23
Non-OECD total----	12	X	8	X	1	1	2
LDC's-----	10	X	8	X	1	1	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 32 percent of EC imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C. 1969.

imports in this sector is unavailable. Over 75 percent of U.S. imports come from Japan, and over 10 percent come from the United Kingdom. The United States supplies nearly half of Canada's imports, over two-thirds of Japan's imports, almost half of the European Community's known external imports, and accounts for over two-fifths of the United Kingdom's

imports. The European Community supplies nearly one-third of the United Kingdom's imports.

Among the five countries, the largest volume of two-way trade flows between the United States and Japan. This trade flow is basically from Japan, which has relatively high average duties and is the smallest importer, to the United States, which has the lowest duty averages and is the largest importer.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, average tariff levels for sound recorders, reproducers and sound recordings are substantially below levels existing on pre-trade-agreement base dates. Most of the reductions reflect concessions granted in reciprocal negotiations. Japan, in November 1972, made unilateral 20 percent reductions in all of its rates on sound recorders and sound recordings, thereby reducing the Japanese average level to about 8 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	38.5	5.5
European Community	17.0	8.2
United Kingdom	33.3	7.8
Japan	33.7	10.0
Canada	19.7	7.0

All MFN provisions for sound recorders, reproducers and sound recordings in the tariff schedules of the United States, Japan, the European Community, and the United Kingdom have been the subject of

GATT concessions. In the Canadian schedule, only 47 percent of the provisions, covering 16 percent of MFN imports, are completely covered by GATT concessions.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on sound recorders, reproducers and sound recordings negotiated under GATT. The number of concessions totaled 48, of which 29 reflected rates higher than the autonomous rates established in the CXT; 1 was at the CXT rate; and 18 were below the CXT rate.

Tariffs on phonographs, dictating machines, and other sound recorders and reproducers, the largest trade item, have been reduced in trade-agreement concessions by all five major countries (see table I-16-I). In most cases the reductions have been by 50 percent or more.

Table I-16-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on phonographs, dictating machines, and other sound recorders and reproducers

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	11.5%	5.5%	685.32; .40
Canada-----	25% 29%	12.5% 20%	12.5% 15%	41410-1; 44538-1 41535-1
European Community--	16%; 19% 13%	13%; 15% 10%	7.5%; 8.5%; 9.5% 8%	92.11 A 92.11 B
United Kingdom-----	33.3%; 50% 15%-33.3%	10%; 11% 13.5%; 22.2%	10%; 11% 7%	92.11 A, B 92.11 C
Japan-----	15%	15%-30%	7.5%-15%	92.11

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Musical Instruments

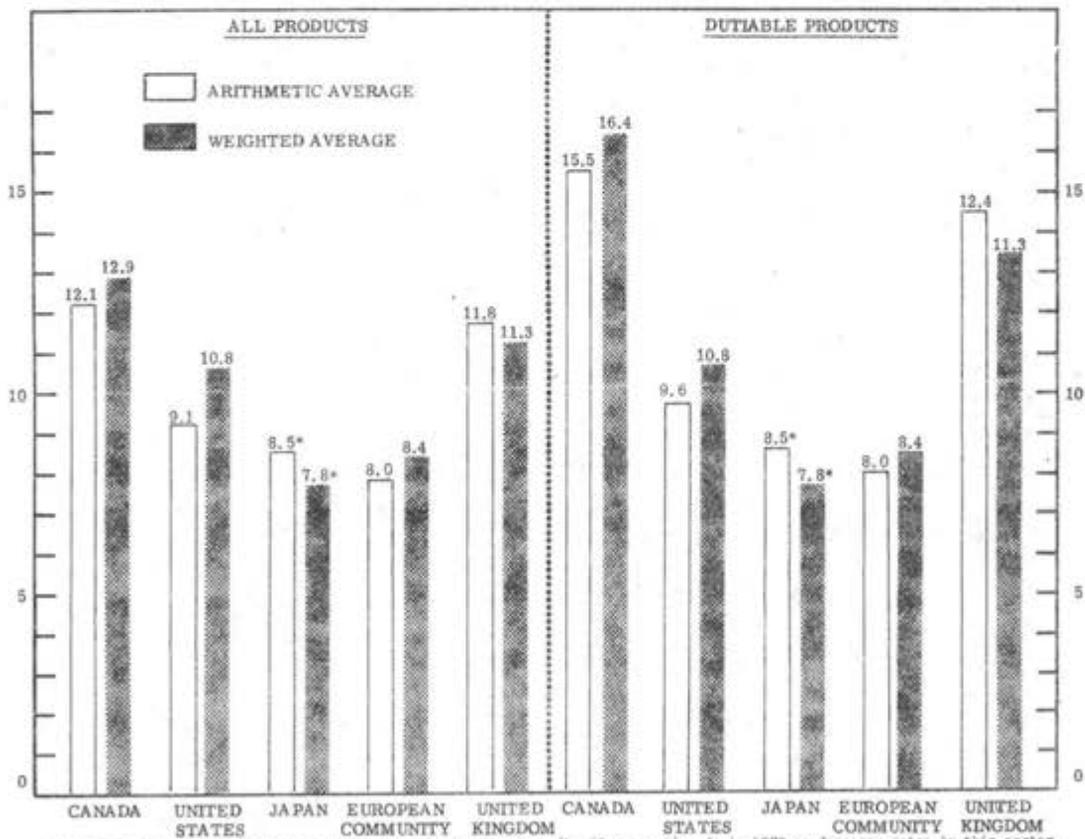
Musical instruments include pianos, organs and all other string, wind, percussion, electronic, and electrostatic musical instruments, and parts and accessories for such instruments. ^{1/}

MFN tariffs

Among the five major countries, for all musical instruments (dutiable and free combined) the European Community has the lowest arithmetic average MFN tariff (8 percent ad valorem) and Canada has the highest (12.1 percent) (see chart I-16-G). Japan has the lowest

Chart I-16-G.-- MFN tariff rates on musical instruments

(Percent ad valorem)



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

^{1/} For specific coverage of this subsector see BTN headings 92.01-.10.

weighted average (7.8 percent) and Canada, the highest (12.9 percent). Average tariffs for dutiable goods only do not differ significantly from the averages for all products except in the case of Canada, where substantial duty-free imports cause average MFN tariff rates on dutiable products only to be considerably higher than average rates for all products.

Virtually all imports of musical instruments into the United States, Canada, Japan, and shipments into the European Community from external sources are accorded MFN treatment. Ten percent of United Kingdom imports are given preferential treatment. Intra-EC imports, which move duty free, exceed EC imports from outside sources.

The distribution of MFN tariff provisions for musical instruments, by duty level, is shown in table I-16-J. Sixty-five percent of U.S.

Table I-16-J.--Distribution, by duty level, of MFN tariff provisions for musical instruments

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	21.9	5.0	-	-	4.5
0.1-5.0 percent----	-	12.5	-	7.1	4.5
5.1-10.0 percent---	6.3	65.0	100.0	78.6	27.3
10.1-15.0 percent--	46.9	-	-	14.3	40.9
15.1-20.0 percent--	25.0	15.0	-	-	22.7
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	2.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

rate provisions, 79 percent of EC provisions, and all of Japan's provisions are between 5.1 and 10 percent ad valorem. The largest portion of Canadian and United Kingdom provisions have rates in the 10.1-15 percent ad valorem range. One-fifth of Canada's provisions are duty free; the United States and the United Kingdom each have about 5 percent of their provisions free; Japan and the Community

have none. The provisions of the European Community reach upper limits in the 10.1-15 percent rate bracket; Canada and the United Kingdom in the 15.1-20 percent bracket, and the United States in the 25.1-30 percent bracket.

In terms of MFN imports of musical instruments, all of Japan's imports, about 60 percent of U.S. imports, and 70 percent EC imports are assessed duties between 5.1 and 10 percent ad valorem. The 10.1-15 percent rate bracket covers two-thirds of United Kingdom imports and two-fifths of Canadian imports. Canada is the only country with significant duty-free imports (21 percent of total MFN entries) (table I-16-K).

Table I-16-K.--Distribution, by duty level, of MFN imports of musical instruments
(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	21.2	-	-	-	0.2
0.1-5.0 percent----	-	8.0	-	11.6	19.0
5.1-10.0 percent---	.5	58.8	100.0	69.5	6.5
10.1-15.0 percent--	41.4	-	-	19.0	66.4
15.1-20.0 percent--	36.8	33.3	-	-	7.9
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The United States has the most complex tariff schedule for musical instruments, with 40 tariff lines; the European Community has the simplest, 14 lines. Schedules for the United Kingdom have 22 lines; for Canada, 32 lines; for Japan, 17 lines.

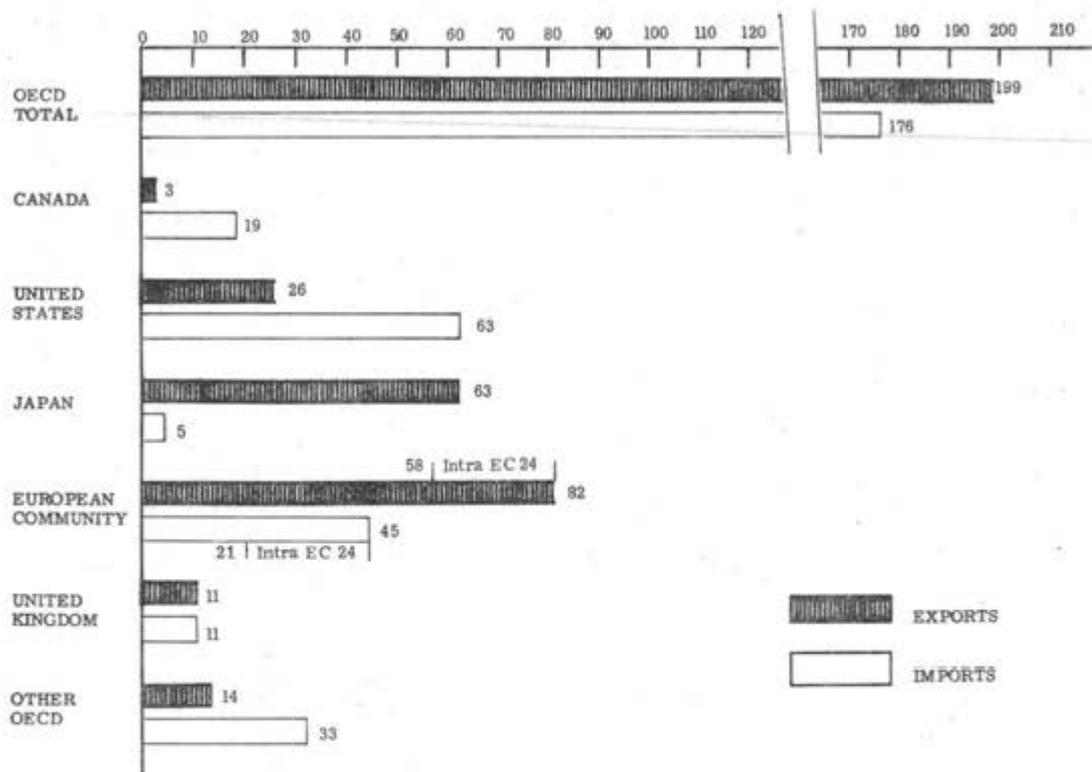
Trade importance

Musical instruments account for about 15 percent of OECD trade in the sector on musical instruments, sound recording and reproduction

apparatus. OECD exports totaled \$199 million in 1969; imports were \$176 million (chart I-16-H). United States imports amounted to \$63 million in 1969 and increased to \$80 million in 1971.

Chart I-16-H. -- OECD trade in musical instruments, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for over 90 percent of OECD exports and over 80 percent of imports (tables I-16-L and M). The largest suppliers to the world are Japan and the European Community; Japanese exports and EC external shipments each equal around 30

Table I-16-L.-- OECD exports of musical instruments, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	199	3	26	63	<u>1/</u> 82	11	14
OECD total-----	164	3	19	47	73	8	14
Canada-----	17	-	7	5	4	1	X
United States---	67	3	-	36	21	2	5
Japan-----	3	X	2	-	1	X	X
European Community-----	<u>1/</u> 40	X	5	4	24	2	5
United Kingdom--	9	X	3	1	4	-	1
Other OECD-----	28	X	2	1	19	3	3
Non-OECD total----	36	X	8	15	9	4	X
LDC's-----	19	X	3	8	6	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1973.

Table I-16-M.-- OECD imports of musical instruments, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	176	19	63	5	<u>1/</u> 45	11	33
OECD total-----	165	18	61	4	40	9	33
Canada-----	2	-	2	X	X	X	X
United States---	20	9	-	2	4	3	2
Japan-----	47	4	32	-	5	1	5
European Community-----	<u>1/</u> 73	4	21	3	24	4	17
United Kingdom--	7	1	2	X	2	-	2
Other OECD-----	16	X	4	X	5	1	7
Non-OECD total----	12	X	2	X	4	2	4
LDC's-----	2	X	1	X	X	X	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

percent of total OECD exports. The United States is the principal importing country, drawing over 35 percent of total OECD imports. U.S. exports go principally to Canada and non-OECD countries. Half of the U.S. imports are provided by Japan; one-third by the European Community.

Trade-agreement concessions

As the tabulation below shows, for all of the five major countries, average tariff levels for musical instruments are substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. Japan, in November 1972, made unilateral 20 percent reductions in all of its rates on musical instruments, thereby reducing the Japanese average level to about 6.2 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	39.8	10.8
European Community	19.0	8.4
United Kingdom	33.3	11.3
Japan	18.5	7.8
Canada	28.6	12.1

Concessions under the GATT have been made on all MFN provisions for musical instruments in the tariff schedules of the United States, Japan, the European Community, and the United Kingdom. Canada's GATT concessions cover 81 percent of Canadian rate provisions and 84 percent

of Canadian imports of musical instruments. Seven percent of Canadian provisions, covering 5 percent of imports are partially covered.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on musical instruments negotiated under the GATT. The number of such concessions totaled 32, of which 19 reflected rates higher than the autonomous rate established in the CXT; 4 were at the CXT rate; and 9 were below the CXT rate.

Tariff rates on pianos and musical instrument parts, the two largest trade items in the subsector, have been reduced in trade-agreement concessions by all five major countries. Rate reductions which have occurred in these two categories are shown in tables I-16-N and I-16-O.

Table I-16-N---Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on pianos

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%	17%	8.5% ^{2/}	725.01, .03
Canada-----	30%	22.5%	20%	59705-1
European Community--	20%; 22%	18%; 20%	9%; 10%	92.01 AI, AII
United Kingdom-----	33.3%	17%	17%	92.01
Japan-----	20%	20%	10%	92.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} As a result of escape-clause action, the rate of duty on pianos other than grand pianos in effect in January 1, 1972, was 13.5 percent ad valorem. If no further action is taken, this rate is scheduled to be reduced in stages beginning February 21, 1974, with the final stage, 8.5 percent ad valorem, scheduled to become effective on January 1, 1976.

Table I-16-0.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on parts and accessories of musical instruments

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%-45%	Free-34%	Free-20% ^{2/}	726.10-.80
Canada-----	Free; 30% 25%; 30% 25% 25%	Free 15% 15%; 7.5% 20%	Free 15% 15%; 7.5% 15%	59600-1; 59745-1; 59755-1 59715-1; 59750-1 59815-1; 59820-1 59720-1
European Community--	18%	8%; 18%	4%; 9%	92.10
United Kingdom-----	20%	6.7%-22.2%	5%-17%	92.10
Japan-----	15%	15%	7.5%	92.10

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About 85 percent of U.S. imports, based on values in 1971, are dutiable at 7.5 percent to 9.5 percent ad valorem.

Industrial Sector I-17

FIREARMS, AMMUNITION, TANKS AND OTHER
ARMORED FIGHTING VEHICLES

This sector covers side-arms (e.g., swords), all firearms, munitions of war, ammunition, tanks and other armored fighting vehicles. ^{1/} These products will be collectively referred to as arms and ammunition. The major part of international shipments in this sector consists of military equipment, which reflects governmental transactions and for which tariffs normally are suspended and have no significance. The tariffs discussed here are relevant only for trade in firearms and ammunition for nonmilitary use.

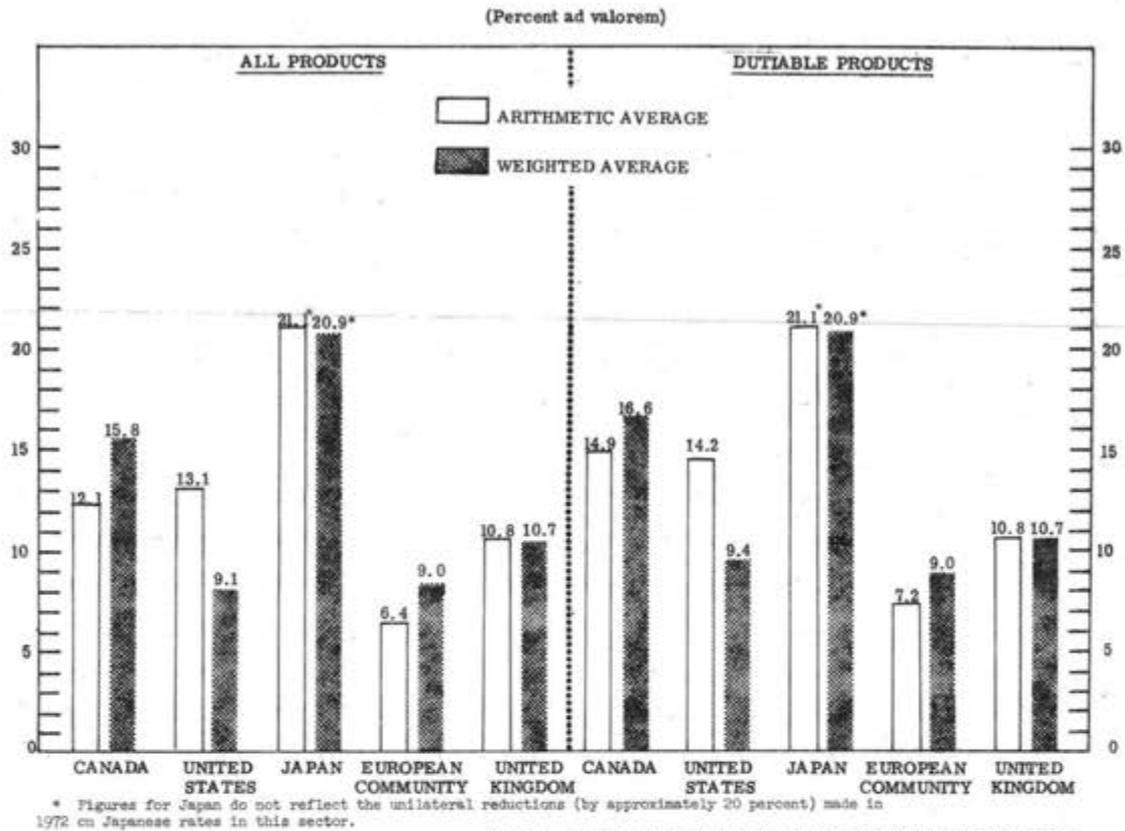
MFN tariffs

For all arms and ammunition (combined free and dutiable), arithmetic average MFN tariffs of the five major countries range from 6.4 to 21.1 percent ad valorem; the weighted averages from 9 to 20.9 percent (see chart I-17-A). The European Community has both the lowest arithmetic and weighted average tariffs and Japan has both of the highest averages. For dutiable products, the averages are virtually identical to those for all products, reflecting the limited number of duty-free provisions in this sector. Only Canada's averages change significantly (14.9 percent for the arithmetic and 16.6 percent weighted), since one-fifth of Canadian provisions are free.

^{1/} For the specific coverage of this sector, see BTN headings 87.08 and 93.01-.07.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-17-A. --Average MFN tariff rates on firearms, ammunition, tanks and other armored fighting vehicles



The distribution of MFN tariff provisions by duty level is shown in table I-17-A. Nearly 90 percent of Japan's provisions, over half of Canada's provisions and one-fifth of U.S. provisions range from 15.1 to 20 percent ad valorem. Over one-fourth of U.S. and Canadian provisions, half of the Community's and 70 percent of those of the United Kingdom are in the 5.1 to 10 percent ad valorem bracket. The tariff schedules of the United States, Canada, and the European Community contain duty-free provisions for firearms; those of Japan and the United Kingdom do not.

Table I-17-A.--Distribution, by duty level, of MFN tariff provisions of firearms, ammunition, tanks and other armored fighting vehicles

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	18.5	7.7	-	11.1	-
0.1-5.0 percent----	-	13.5	-	27.8	10.0
5.1-10.0 percent----	25.9	26.9	-	50.0	70.0
10.1-15.0 percent--	3.7	13.5	-	11.1	10.0
15.1-20.0 percent--	51.9	21.2	88.9	-	10.0
20.1-25.0 percent--	-	9.6	-	-	-
25.1-30.0 percent--	-	5.8	11.1	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	1.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

The major share of imports into the United States, the European Community, and the United Kingdom enter under rates between 5.1 and 10 percent ad valorem. Seventy percent of Canadian imports are in the 15.1-20 percent bracket, as are nine-tenths of Japanese imports (table I-17-B).

Table I-17-B.--Distribution, by duty level, of MFN imports of firearms, ammunition, tanks and other armored fighting vehicles

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	4.4	2.9	-	-	-
0.1-5.0 percent----	-	2.4	-	5.2	1.9
5.1-10.0 percent----	25.6	75.3	-	55.7	90.5
10.1-15.0 percent--	-	16.2	-	39.1	-
15.1-20.0 percent--	70.0	1.1	91.1	-	7.6
20.1-25.0 percent--	-	1.9	-	-	-
25.1-30.0 percent--	-	.1	8.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Commercial imports of arms and ammunitions receiving preferential tariff treatment are insignificant for all the major countries except the United Kingdom; preferential treatment is accorded one-sixth of total

United Kingdom imports of firearms. Intra-European Community shipments are equal to nearly 30 percent of Community imports from outside sources.

The United States and Canada have the most detailed MFN tariff schedules for firearms with 48 and 27 tariff lines, respectively, while Japan has the least, with 9 tariff lines; the European Community has 16 tariff lines and the United Kingdom, 10 lines.

Trade importance

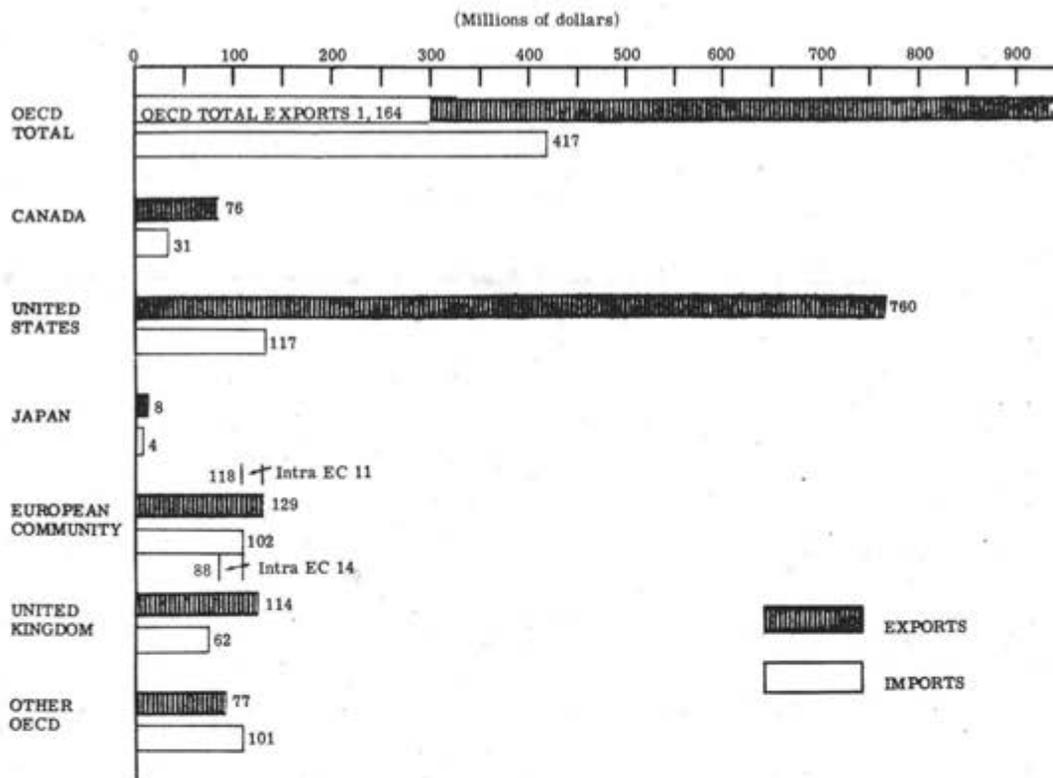
The firearms sector is one of the less important industrial sectors, ranking 17th in exports and 22nd in imports. The sector accounts for less than 1 percent of OECD industrial exports and imports. For the United States, the sector is the 11th most important in industrial exports. It ranked 21st in U.S. imports in 1969 but dropped to 22nd in 1970.

Imports by the GATT tariff study countries were valued at \$241 million in 1967 and \$327 million in 1970. Intra-European Community shipments were an additional \$18 million in 1967 and \$28 million in 1970. OECD 1969 imports were \$417 million (including \$14 million of intra-European Community shipments) and exports were \$1.2 billion (see chart I-17-B). In 1970, OECD imports and exports remained at about the same level as the year before -- \$398 million and \$1.1 billion, respectively.

Trade network

Because a large part of international shipments in this sector are military transactions for which complete trade statistics are not published, only an incomplete picture of the trade network of this sector

Chart I-17-B. --OECD trade in firearms, ammunition, tanks, and other armored vehicles, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

is available. The five major countries account for nearly 95 percent of OECD exports and over 75 percent of OECD imports (tables I-17-C and I-17-D). The largest portion of OECD exports appears to go to the United States and the European Community. Almost half of OECD imports are supplied by the five major countries; one-fourth by the United States alone.

The United States is the major exporter of arms and ammunition, accounting for nearly two-thirds of total OECD exports. The United States is also the principal importer. U.S. imports were valued at \$75 million in 1967, \$117 million in 1969, and \$88 million in 1971. Canada is the source of over 65 percent of those U.S. imports which

Table I-17-C.--OECD exports of firearms, ammunition, tanks, and other armored fighting vehicles, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,164	76	760	8	<u>1/</u> 129	114	77
OECD total-----	155	69	NA	X	43	NA	43
Canada-----	2	-	NA	X	1	NA	1
United States---	90	64	-	X	24	NA	2
Japan-----	3	X	NA	-	X	NA	3
European Community-----	<u>1/</u> 28	3	NA	X	11	NA	14
United Kingdom--	7	2	NA	-	X	-	5
Other OECD-----	25	-	NA	X	7	NA	18
Non-OECD total----	29	X	NA	X	14	NA	15
IDC's-----	27	X	NA	X	13	NA	14

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-17-D.--OECD imports of firearms, ammunition, tanks, and other armored fighting vehicles, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	417	31	117	4	<u>1/</u> 102	62	101
OECD total-----	223	18	64	3	68	NA	70
Canada-----	46	-	45	-	1	NA	X
United States---	106	14	-	X	50	NA	42
Japan-----	X	X	X	-	X	NA	X
European Community-----	<u>1/</u> 36	1	12	X	14	NA	9
United Kingdom--	14	3	1	X	2	-	8
Other OECD-----	21	X	5	X	1	NA	15
Non-OECD total----	15	X	2	X	X	NA	13
IDC's-----	3	X	2	-	X	NA	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available to total imports from the world. table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

are accounted for in published statistics; the European Community is the source of 18 percent. The United States is the source of roughly three-quarters of Canadian imports for which the origin is known. The European Community is also a major importer of firearms. Of the EC imports of known origin, intra-Community shipments equal one-fourth of total imports from outside sources. Japan is an insignificant purchaser and supplier of firearms.

Trade-agreement concessions

For all of the five major countries, average MFN tariff levels on January 1, 1972, for arms and ammunition were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. All of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average level of about 16.7 percent. The United States maintains specific rates on firearms covering 40 percent of tariff lines which account for 20 percent of imports.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	55.0	9.1
European Community	18.1	9.0
United Kingdom	25.0	10.7
Japan	24.0	20.9
Canada	26.2	12.1

Concessions under the GATT have been made on all MFN provisions on firearms and ammunition in the tariff schedules of the United States,

the European Community, and the United Kingdom. In the Canadian schedule, 81 percent of the tariff provisions, covering 98 percent of MFN imports are fully covered by GATT concessions. No Japanese provisions are bound by GATT concessions.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CET) contained tariff concessions on arms and ammunition negotiated under the GATT. The number of such concessions totaled 18, of which 12 reflected rates higher than the autonomous rate established in the CET; 2 were at the CET rate; and 4 were below the CET rate.

Table I-17-E shows concessions which have been made in the major country tariffs on shotguns valued over \$50 each. Reductions of at least one-third from the pre-trade-agreement rate were made in all the major tariffs, except that of Japan.

Table I-17-E.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on shotguns valued over \$50 each

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	65%	16%	8%	730.45
Canada-----	30%	22.5%	20%	44100-1
European Community--	18%; 16%	14%; 16%	10.5%; 8%	93.04A, B
United Kingdom-----	25%	14%; 12%	14%; 12%	93.04A, B
Japan-----	30%; 20%	30%; 20%	30%; 20%	93.04-1, 2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Trade complaints

Only a few complaints were received by the Tariff Commission concerning barriers which affect trade in arms and ammunition. Three-fourths of the small number of complaints were against developed countries, with the United States being the country most frequently cited, followed by Belgium and New Zealand. The three complaints concerning developing countries involved Brazil, Chile, and Gabon.

Criticism was directed at the United States for maintaining embargoes or other limitations and testing requirements on imported firearms when similar restrictions are not applied to domestic products. Other countries mentioned as having embargoes on firearms were Brazil and Chile; New Zealand is reported to have an embargo on certain cartridges for sporting guns. A U.S. producer of products in this sector objected to U.S. export controls. Belgium requires a license to import any weapon.

An importers association complained against a U.S. Department of Defense requirement that certain items contained in this sector must be purchased from particular U.S. firms. A U.S. producer complained that most foreign governments give procurement preferences to domestic products if they are available. A complaint also concerned the additional or complementary tax on firearms in Gabon.

One respondent reported that if the U.S. prohibition on importation of pistols and revolvers were lifted, a "significant" increase in imports of these firearms could be expected.

Industrial Sector I-18

FURNITURE

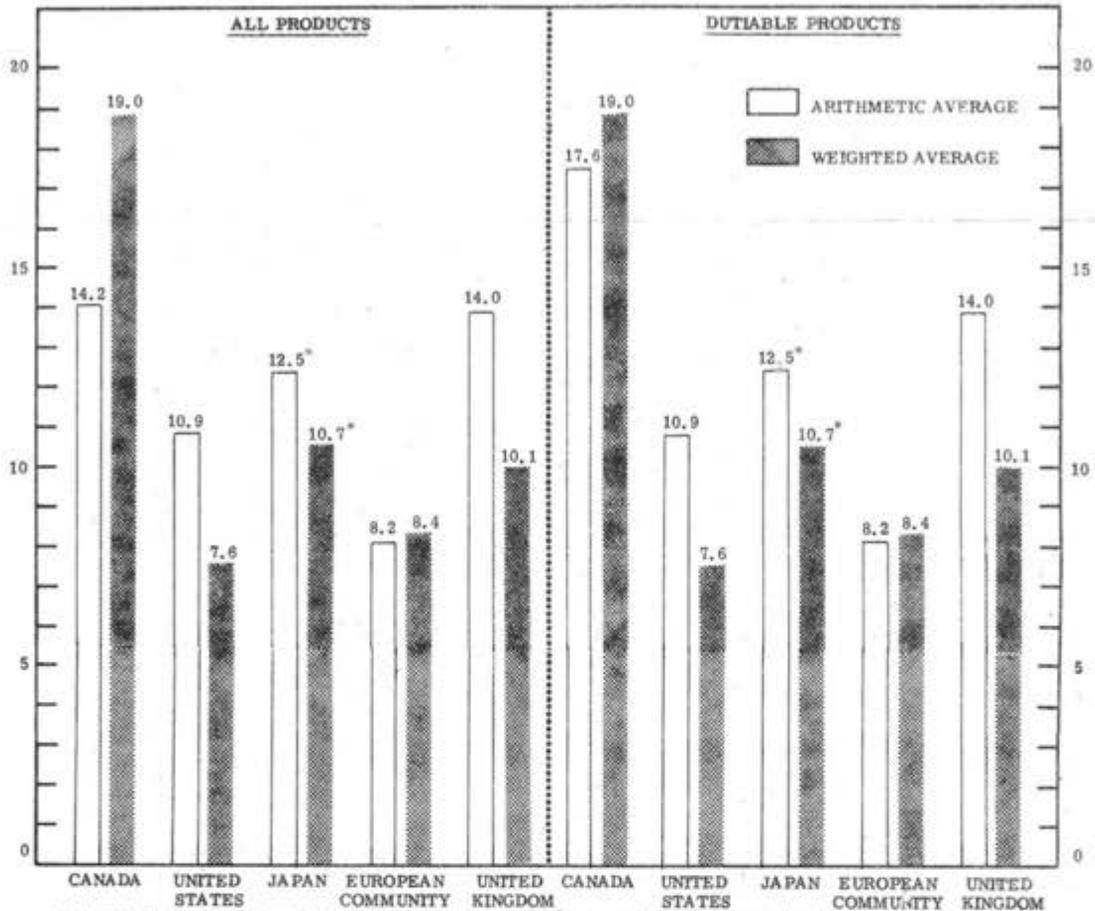
The furniture sector covers all furniture designed to be placed on the floor or ground, except mirrors. It also includes mattresses, bedding, and similar stuffed furnishings; folding seats and beds; automobile seats; and medical, dental, surgical or veterinary furniture. The sector does not include pneumatic and water mattresses; stone or ceramic furniture; furniture specially designed as parts of refrigerators, television sets, gramophones, etc.; toy furniture; and lamps and light fittings. ^{1/}

MFN tariffs

For all products (combined dutiable and free) in the furniture sector, arithmetic average MFN rates of duty of the five major countries range from 8.2 to 14.2 percent ad valorem; the weighted averages from 7.6 to 19 percent (chart I-18-A). The European Community has the lowest arithmetic average tariff on furniture and Canada and the United Kingdom the highest (14.2 and 14 percent, respectively). The lowest weighted average is held by the United States, followed closely by the European Community (8.4 percent); and Canada again has the highest average. For dutiable products only, all of the averages, except the Canadian arithmetic average, remain the same as those for all products. The Canadian arithmetic average rises to 17.6 percent ad valorem and

^{1/} For the specific coverage of this sector, see BTN chapter 94. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-18-A. -- Average MFN tariff rates on furniture
(Percent ad valorem)



* Figures for Japan do not reflect the unilateral reductions (by approximately 30 percent) made in 1972 on Japanese rates in this sector.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

the weighted average does not change, reflecting the significant amount of Canadian duty-free provisions and the insignificant amount of trade which enters under them.

The distribution of MFN tariff provisions for furniture, by duty level, is shown in table I-18-A. The Canadian schedule contains MFN duty-free provisions for furniture; those of the remaining four major countries do not. Over two-fifths of U.S. and Japanese provisions are in the 5.1-10 percent ad valorem range, as are over four-fifths of those

Table I-18- A.---Distribution, by duty level, of MFN tariff provisions for furniture

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	19.2	-	-	-	-
0.1-5.0 percent----	-	11.8	-	-	-
5.1-10.0 percent----	7.7	44.1	44.4	83.3	60.0
10.1-15.0 percent--	-	26.5	55.6	16.7	-
15.1-20.0 percent--	69.2	14.7	-	-	40.0
20.1-25.0 percent--	3.8	2.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

of the European Community and three-fifths of United Kingdom provisions. The 10.1-15 percent rate range contains over half of Japanese provisions and more than one-fourth of U.S. provisions. Nearly 70 percent of Canada's provisions are in the 15.1-20 percent range. United Kingdom rates extend into the 15.1-20 percent bracket; Canadian and United States rates into the 20.1-25 percent bracket. Japan and the Community have no rates above 15 percent.

Imports of furniture receiving preferential tariff treatment are significant for the United Kingdom and the United States among the five major countries; such treatment is accorded about 40 percent of the entries of each of these countries. The preferential imports into the United States consist almost entirely of furniture for use in motor vehicles (e.g., automobile seats) entered free of duty under the U.S.-Canadian Automotive Products Trade Agreement. Intra-EC shipments exceed imports from outside countries by over 400 percent.

Virtually all MFN imports by the United Kingdom and the European Community enter at rates between 5.1 and 10 percent ad valorem. Over half of U.S. MFN imports enter at rates of 5.1-10 percent; another 37 percent

of U.S. imports are in the 0.1-5 percent bracket. Canada has virtually all imports dutiable at the rates in the 15.1-20 percent bracket. Four-fifths of Japan's imports pay duties in the 5.1-10 percent ad valorem range (table I-18-B).

Table I-18-B.--Distribution, by duty level, of MFN imports of furniture

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	0.1	-	-	-	-
0.1-5.0 percent----	-	37.4	-	-	-
5.1-10.0 percent--	1.5	55.9	80.4	99.8	99.5
10.1-15.0 percent--	-	2.2	19.6	.2	-
15.1-20.0 percent--	98.3	4.5	-	-	.5
20.1-25.0 percent--	.1	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

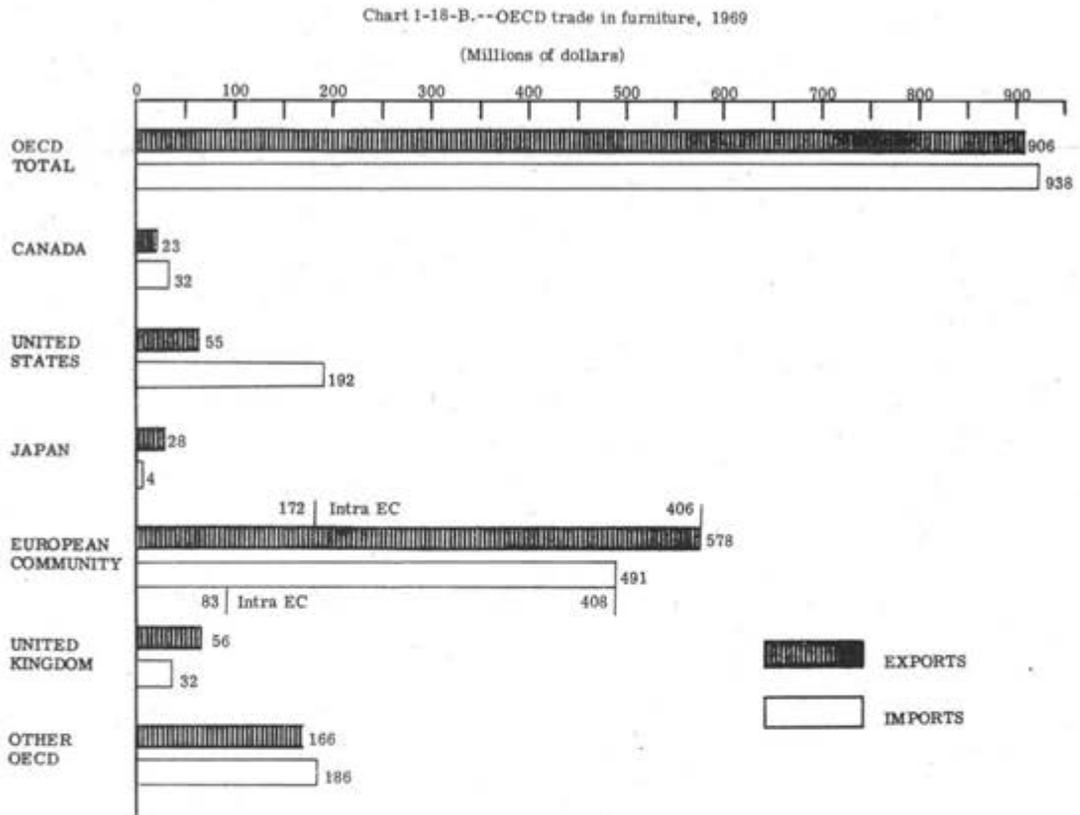
The United States has the most detailed tariff schedule for furniture with 34 tariff lines, while the United Kingdom has the least with 5 lines. Canada has 26 lines; Japan, 9 lines; and the European Community, 6 lines.

Trade importance

Furniture is one of the least important of the 23 industrial sectors, ranking 18th in OECD exports and 17th in imports. The sector accounts for 0.6 percent of OECD industrial exports and imports. For the United States, the sector is the 20th most important in exports. In 1969 and 1970, furniture ranked 19th in U.S. imports. U.S. imports of furniture were valued at \$89 million in 1967, \$192 million in 1969, and \$230 million in 1970.

Imports by the GATT tariff study countries were valued at \$343 million in 1967 and \$624 million in 1970. Intra-EC imports were an

additional \$208 million in 1967 and \$444 million in 1970. OECD 1969 imports were \$938 million (including \$408 million of intra-EC shipments) and exports were \$906 million (chart I-18-B).



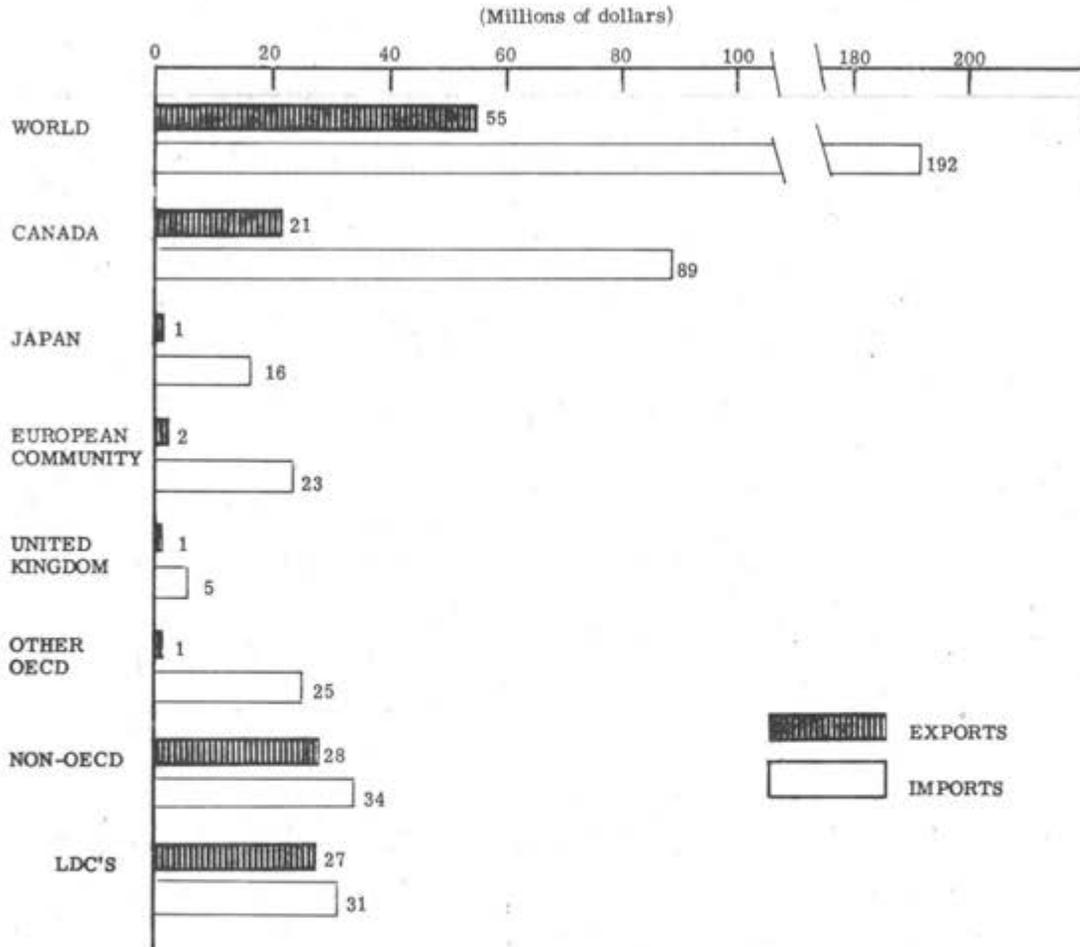
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for 82 percent of OECD furniture exports to the world and 80 percent of imports. Sixty-seven percent of OECD exports go to the five major countries; 12 percent to LDC's. About three-fourths of OECD imports are supplied by the five major countries.

One-half of U.S. exports go to less developed countries (chart I-18-C), where higher tariffs and other trade barriers generally are

Chart I-18-C. --United States trade in furniture, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

encountered. Canada is the principal developed market for U.S. exports. Virtually all Canadian exports of furniture go to the United States. Over half of Japanese furniture exports go to the United States; about 30 percent to less developed countries. EC outside exports equal about two-fifths of intra-EC exports. Less developed countries take 29 percent of EC outside exports; 15 percent go to the United States.

The United Kingdom ships 30 percent of its products to less developed countries and nearly one-fourth to the European Community (table I-18-C).

Table I-18-C.-- OECD exports of furniture, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	906	23	55	28	<u>1/</u> 578	56	166
OECD total-----	776	21	26	18	524	36	151
Canada-----	31	-	21	1	3	2	4
United States---	96	21	-	15	25	8	27
Japan-----	2	X	1	-	1	X	X
European Community----	<u>1/</u> 460	X	2	1	406	13	38
United Kingdom--	20	X	1	X	7	-	12
Other OECD-----	167	X	1	1	82	13	70
Non-OECD total----	129	2	28	10	54	19	16
LDC's-----	112	2	27	8	50	17	8

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Canada supplies nearly one-half of U.S. imports (chiefly automobile seats); LDC's, 16 percent; and the Community, 12 percent. The United States supplies 70 percent of Canadian imports. Japanese furniture imports are negligible. European Community imports from outside sources are relatively small, equaling only one-fifth of intra-EC shipments. The Community is the single most important source of United Kingdom imports (table I-18-D). "Other" countries supply about 40 percent of United Kingdom imports; non-OECD nations, about 30 percent.

Table I-18-D--OECD imports of furniture, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	938	32	192	4	<u>1/</u> 491	32	186
OECD total-----	846	30	158	2	463	22	170
Canada-----	89	-	89	X	X	X	X
United States---	27	22	-	1	2	1	1
Japan-----	19	1	16	-	1	X	1
European Community-----	<u>1/</u> 522	2	23	1	408	8	80
United Kingdom--	36	1	5	X	15	-	15
Other OECD-----	152	4	25	X	37	13	73
Non-OECD total----	92	2	34	1	27	10	18
LDC's-----	52	1	31	1	13	2	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For the five major countries average tariff levels for furniture are substantially below levels existing on pre-trade-agreement base dates. The reductions reflect, in large part, concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan, in November 1972, made unilateral 20 percent reductions on all of its rates for furniture, thereby reducing the Japanese average level to about 8.6 percent ad valorem.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	33.7	7.6
European Community	17.9	8.4
United Kingdom	28.0	10.1
Japan	21.8	10.7
Canada	32.8	14.2

Concessions under the GATT have been made on all MFN provisions for furniture in the tariff schedules of the United States, the United Kingdom, the Community, and Japan. GATT concessions cover 81 percent of Canada's provisions and 100 percent of Canadian imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on furniture negotiated under the GATT. The number of such concessions totaled 50 of which 21 reflected rates higher than the autonomous rate established in the CXT, 12 were at the CXT rate, and 17 were below the CXT rate.

Trade-agreement concessions in major country tariffs dealing with chairs are shown in table I-18-E. The U.S. rate of duty was reduced by nearly 80 percent from the pre-trade-agreement rate; the Canadian rate by over 55 percent; the EC rate by 53 percent; the Japanese rate by 50 percent; and the United Kingdom rate by 30 percent.

Table I-18-E.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on chairs

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%	17%	8.5%	727.30
Canada-----	45%	25%	20% <u>2/</u>	51901-1
European Community--	18%	17%	8.5%	94.01B
United Kingdom-----	20%	14%	10%	94.01(A)(2)(b)
Japan-----	20%	20%	15%	94.01-3

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Rate shown is the official MFN rate, presently superseded by a temporary rate of 15 percent. The temporary rate is subject to possible renewal in February, 1974.

Trade complaints

Only a few complaints were received by the Tariff Commission concerning barriers to trade in the furniture sector. Iceland, Japan, and the United States were the only developed countries cited in the complaints. Among the nine developing countries named, Mexico and the Philippines received the most complaints, while Argentina, Cyprus, Egypt, Guyana, Haiti, Jamaica, and Malta were also mentioned.

Taken as an aggregate, licensing practices, embargoes, and other quantitative restrictions were the barriers which received the most complaints in this sector. In Cyprus, Jamaica, and Malta, it was reported that licenses are required before any goods can be brought into these countries. In Egypt, it was cited that there is an embargo on household furniture unless the goods have been specifically approved by a government ministry. Haiti and Mexico were also alleged to have embargoes on household furnishings and upholstered furniture. Global quotas on furniture in Iceland were reported by one U.S. furniture producer as a hindrance to his trading in this country.

One U.S. producer complained of the Mexican requirement that firms trading there must purchase Mexican insurance policies rather than the U.S. insurance which is issued at a lower price. Another complaint concerned Mexican tax laws which discriminate in favor of borrowing money from Mexican sources rather than from the United States at cheaper rates. For goods such as hospital equipment, it

was cited that consular fees are required in the Philippines and are dependent on the value of the goods. The Philippines also require consular invoices on small shipments while most other countries either have standard forms or do not require this special paperwork for small shipments. Special import taxes ranging from 4-10 percent were alleged to be operating in Argentina and Guyana.

A complaint was lodged against the United States by a U.S. importer of furniture who feels that the disruptive effects of the labor unions discourage imports into the United States. One complaint was registered against Brazilian exchange controls.

Among the few complaints received by the Commission concerning this sector, only one response was accompanied by an assessment of the restrictive trade effect of the reported barrier. A large furniture manufacturer estimated that if Mexican restrictions which have the effect of a virtual embargo were lifted, his exports to Mexico would increase significantly and amount to \$2 million annually.

Industrial Sector I-19

TOYS AND SPORTING GOODS

Toys and sporting goods include: Toys of all kinds whether designed for children or adults; equipment for indoor or outdoor games; appliances and apparatus for sports, gymnastics, or athletics; certain requisites for fishing, hunting, or shooting; carrousel and other fairground amusements; and carnival articles, tricks, novelties, and Christmas tree decorations. Certain related articles, however, are not included. Among these are sports footwear, hunting firearms, children's bicycles, fireworks, tents, and camping goods. 1/

MFN tariffs

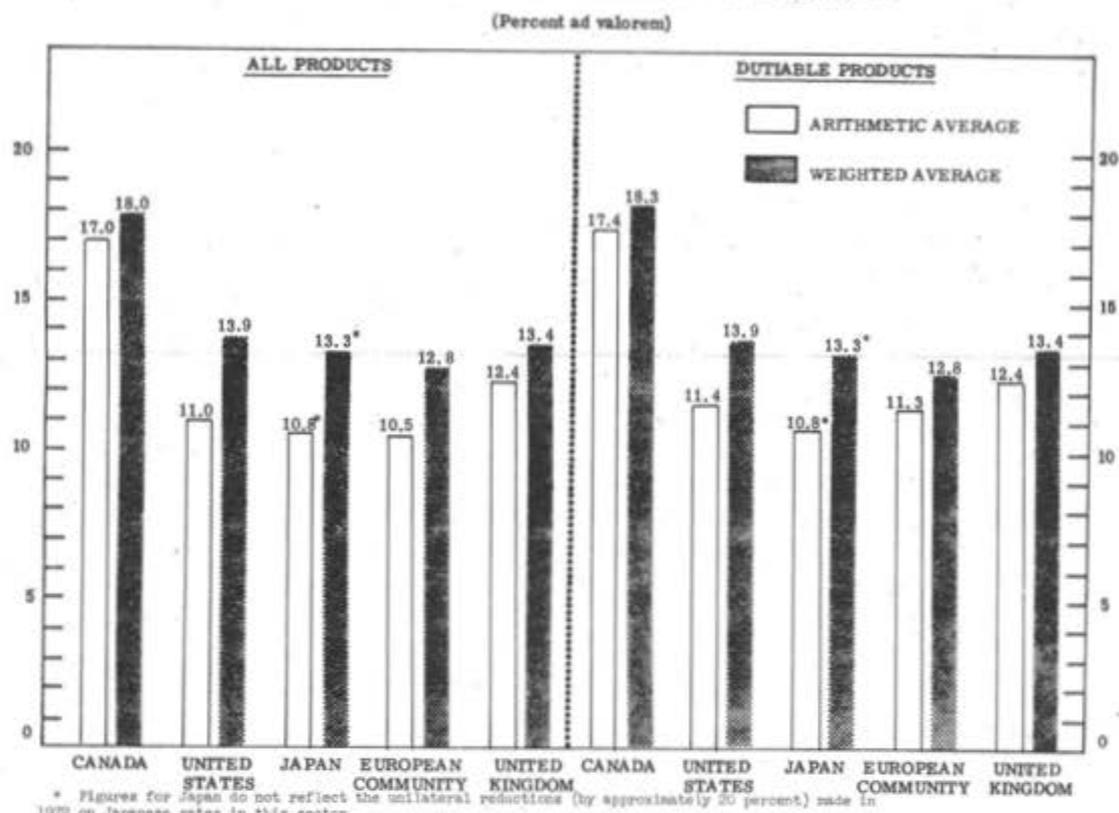
World MFN imports of toys and sporting goods face average tariffs considerably higher than those for industrial products taken as a whole (see chart I-19-A). The arithmetic averages range from 10.5 to 17 percent ad valorem; the weighted averages from 12.8 to 18 percent. For all products (combined free and dutiable), the European Community has the lowest arithmetic average tariff (10.5 percent) and Canada the highest (17 percent). The lowest weighted average is held by the European Community (12.8 percent) and the highest by Canada (18 percent). For dutiable products only, the averages are almost identical to those for all products, reflecting the very limited number of duty-free provisions in this sector.

The distribution of tariff provisions by duty level is shown in table I-19-A. The largest portion of rate provisions are in the bracket

1/ For the specific coverage of this sector, see BTN chapter 97.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-19-A. -- Average MFN tariff rates on toys and sporting goods, 1969



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

of 5.1-10 percent ad valorem for all countries except Canada, where 63.4 percent of the rate provisions are in the bracket of 15.1-20 percent ad valorem, and the United Kingdom, where 57.9 percent of the rate provisions

Table I-19-A.--Distribution, by duty level, of MFN tariff provisions for toys and sporting goods

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	2.4	3.4	-	7.1	-
0.1-5.0 percent----	1.2	13.6	-	7.1	10.5
5.1-10.0 percent---	6.1	43.2	83.3	35.7	15.8
10.1-15.0 percent--	18.3	17.0	16.7	28.6	57.9
15.1-20.0 percent--	63.4	15.9	-	21.4	10.5
20.1-25.0 percent--	8.5	4.5	-	-	5.3
25.1-30.0 percent--	-	1.1	-	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	1.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

are in the bracket of 10.1-15 percent ad valorem. The tariff schedules of the United States, Canada, and the European Community contain MFN duty-free provisions for toys and sporting goods; those of Japan and the United Kingdom do not. The United Kingdom's lowest rate is between 2 and 3 percent ad valorem; Japan has no rates under 5 percent, and none higher than 15 percent. The rates of Canada and the United Kingdom range into the 20.1-25 percent ad valorem bracket; only the United States reaches a higher level, the 40.1-50 percent bracket.

The largest portion of MFN imports enters Canada, the United States, and the European Community at duty rates of 15.1-20 percent ad valorem; for Japan and the United Kingdom, the largest portion enters at rates between 10.1-15 percent ad valorem (table I-19-B). Only Canada and the

Table I-19-B.--Distribution, by duty level, of MFN imports of toys and sporting goods

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	1.3	0.2	-	-	-
0.1-5.0 percent----	.5	3.6	-	0.6	2.0
5.1-10.0 percent---	3.3	33.1	35.0	40.7	8.3
10.1-15.0 percent--	10.9	9.6	65.0	9.0	76.1
15.1-20.0 percent--	83.6	50.6	-	49.8	12.9
20.1-25.0 percent--	.5	1.5	-	-	.6
25.1-30.0 percent--	-	1.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

United States have duty-free MFN imports, a small 1.3 percent and 0.2 percent of their respective total imports in 1970.

Imports of toys receiving preferential tariff treatment are significant for some of the major countries. Such treatment is accorded 9.5 percent of total imports into Canada, 62.3 percent of total shipments

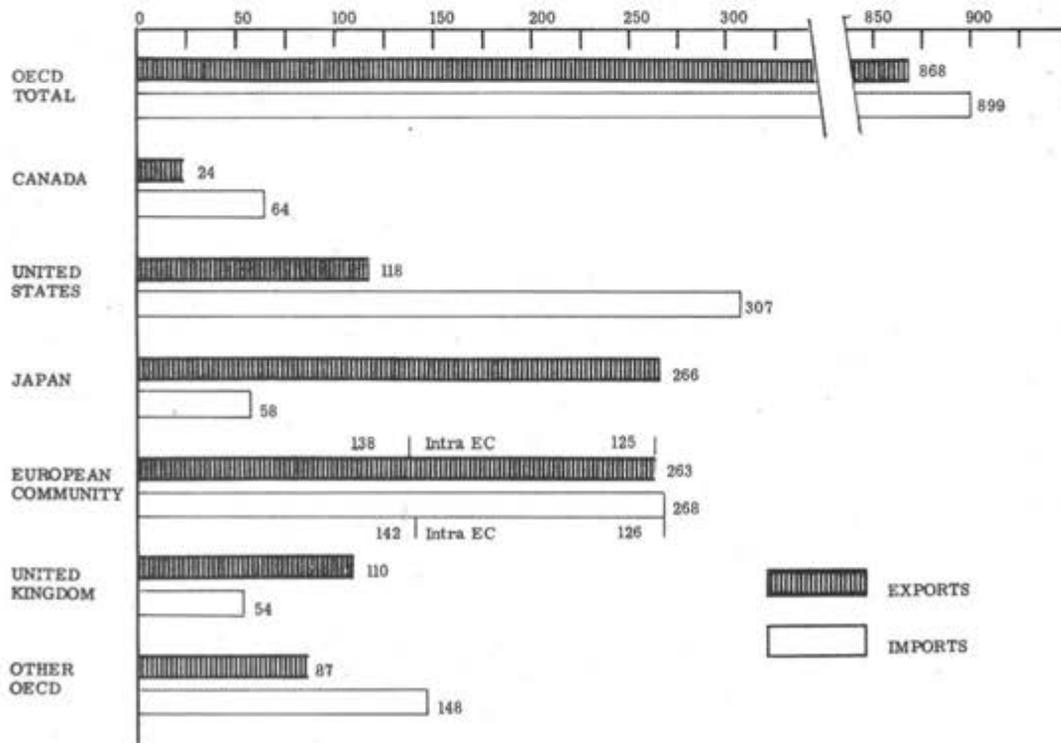
into the United Kingdom. Intra-European Community shipments are equal to 90 percent of Community imports from outside sources.

The United States and Canada have the most detailed MFN tariff schedules for toys and sporting goods with 85 and 54 tariff items, respectively, while Japan has the least with 12 tariff lines; the United Kingdom has 19 tariff lines and the European Community 14.

Trade importance

The toys and sporting goods sector is one of the less important in the industrial area, ranking 19th in OECD exports and 18th in imports. The sector accounts for less than 1 percent of OECD industrial exports and imports. For the United States, the sector is the 18th most important

Chart I-19-B. -- OECD trade in toys and sporting goods, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

in industrial exports. It ranked 17th in 1969 U.S. imports, but rose to 15th in 1970.

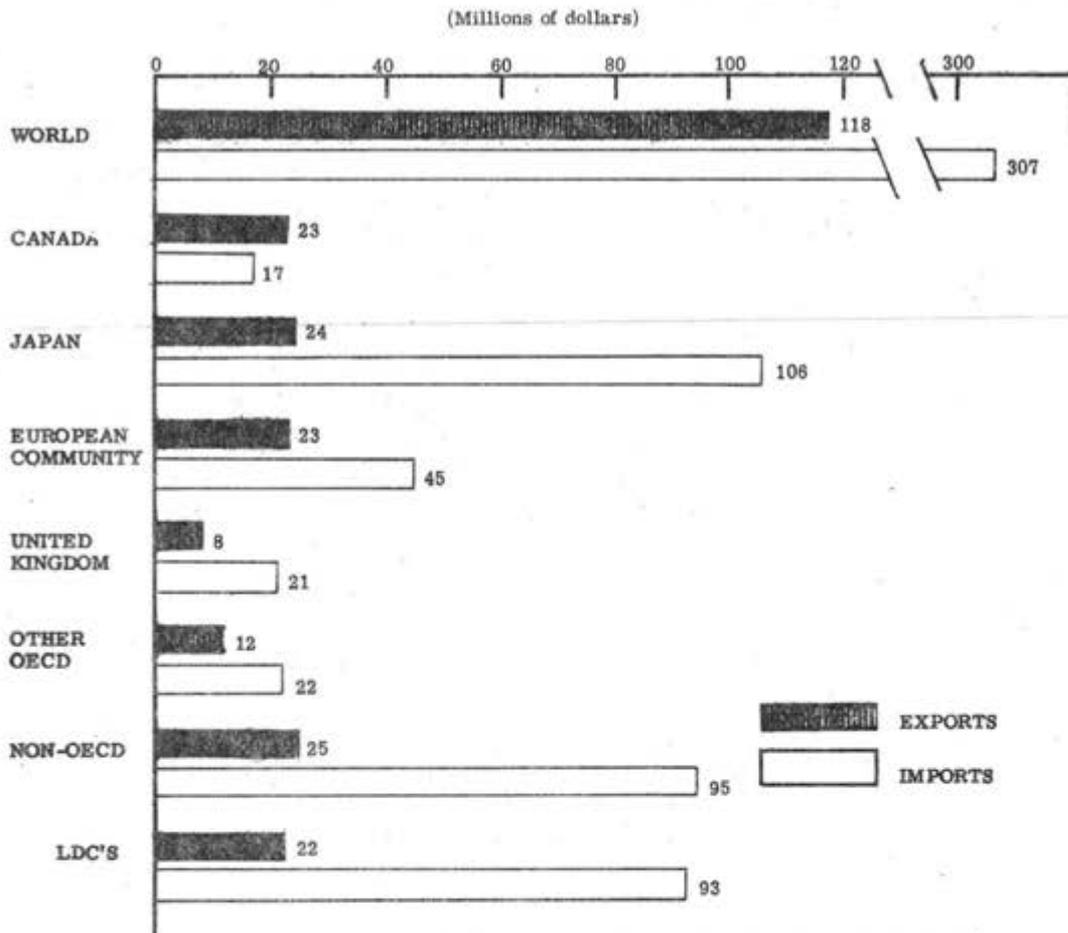
Imports by the GATT tariff study countries were valued at \$580 million in 1967 and \$960 million in 1970. Intra-European Community shipments were an additional \$82 million in 1967 and \$139 million in 1970. OECD 1969 imports were \$899 million (including \$126 million of intra-European Community shipments) and exports were \$868 million (see chart I-19-B). In 1970, OECD imports increased to \$1.1 billion, exports to \$1 billion.

Trade network

The five major countries account for almost 90 percent of OECD exports and over 80 percent of OECD imports. Over 70 percent of OECD exports go to the five major countries; most of the remainder is almost equally divided between "other" OECD countries and non-OECD countries, chiefly LDC'S. Nearly 68 percent of OECD imports are supplied by the five major countries (tables I-19-C and D).

Canada, Japan, the European Community, and the less developed countries collectively draw almost 80 percent of U.S. exports; individually each draws almost 20 percent (chart I-19-C). The United States takes nearly 80 percent of Canada's exports. Japan ships almost 60 percent of its exports to the United States, 13 percent to the European Community, and 12 percent to LDC's. Nearly half of the exports of the European Community are intra-European Community shipments. The United States takes over one-third of the European Community's outside exports.

Chart I-19-C. -- United States trade in toys and sporting goods, 1969



The United Kingdom ships roughly equal amounts (about 20 percent) of its exports to the United States, the European Community, "other" OECD countries, and non-OECD countries.

United States imports of toys were valued at \$211 million in 1967, \$307 million in 1969, and \$446 million in 1971. Japan supplies about one-third of U.S. imports; the European Community about 15 percent (table I-19-D). The United States is the source of 40 percent of Canada's

Table I-19-C.--OECD exports of toys and sporting goods, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	868	24	118	266	<u>1/</u> 263	110	87
OECD total-----	741	23	90	225	234	88	81
Canada-----	56	-	23	17	5	9	2
United States---	265	19	-	156	50	21	19
Japan-----	44	1	24	-	3	14	2
European Community-----	<u>1/</u> 231	X	23	34	125	22	27
United Kingdom--	24	1	8	5	4	-	6
Other OECD-----	121	2	12	13	47	22	25
Non-OECD total----	115	1	25	41	21	22	5
LDC's-----	86	X	22	31	18	11	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-19-D.--OECD imports of toys and sporting goods, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	899	64	307	58	<u>1/</u> 268	54	148
OECD total-----	699	55	211	53	231	27	122
Canada-----	21	-	17	2	X	2	X
United States---	93	25	-	28	22	8	10
Japan-----	174	13	106	-	33	5	17
European Community-----	<u>1/</u> 229	6	45	3	126	5	44
United Kingdom--	91	7	21	15	22	-	26
Other OECD-----	91	4	22	5	28	7	25
Non-OECD total----	192	9	95	5	34	27	22
LDC's-----	161	9	93	4	22	25	8

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

imports and nearly 50 percent of Japan's imports. About 23 percent of EC imports from external sources come from Japan; the United States, the United Kingdom, and the less developed countries each provide an addition 15 percent. Intra-Community shipments are almost as large as total Community imports from all outside sources. Almost half of the United Kingdom's imports come from LDC's, but the United States does provide 15 percent.

Trade composition

Toys account for slightly more than half of imports in this sector by the GATT tariff study countries. Athletic equipment is the next largest category, covering about 17 percent of imports (but about one-fourth for the United States), followed by equipment for parlor and table games.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for toys were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates in this sector were unilaterally reduced by 20 percent in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	55.3	13.9
European Community	22.2	12.8
United Kingdom	25.3	13.4
Japan	25.5	13.3
Canada	32.0	17.0

Concessions under the GATT have been made on all MFN provisions for toys in the tariff schedules of the United States, the European Community, Japan, and the United Kingdom. In the Canadian schedule, 96 percent of the tariff provisions, covering 98 percent of MFN imports are fully covered by GATT concessions.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on toys negotiated under the GATT. The number of such concessions totaled 59, of which 40 reflected rates higher than the autonomous rate established in the CXT, no concessions were at the CXT rate, and 19 were below the CXT rate.

Specific tariff concessions made by the five countries in the largest trade category of toys (BTN 97.03-toys other than dolls and wheeled toys to be ridden by children) can be seen in table I-19-E. Very substantial reductions have been made in the tariffs of both the United States and Japan; Canadian and United Kingdom tariffs have been reduced by half, and the rates of the Community by a smaller amount.

Table I-19-E.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on certain toys

(\$ = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	45%-70%	16%-41%	8%-28% ^{2/} (17.5%) ^{3/}	737.07-.15; 737.25-.50; 737.55-.60; 737.80-.90
Canada-----	40%	20%-30%	20% ^{4/}	62410-1; 62415-1; 62420-1; 62421-1; 62425-1
European Community--	24%	24%	16%-19%	97.03 A&B
United Kingdom-----	25%	25%	12.5%	97.03 (A)&(B)
Japan-----	40%	20%	10%	97.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} All but one of the tariff items were subject to concessions granted in the Kennedy Round. These concessions covered 96 percent of the import trade, in terms of 1970 imports.

^{3/} The ad valorem percent in parenthesis is the rate applicable to the principal import category (TSUS 737.90). Imports entering that category accounted for two-thirds of U.S. toy imports in 1970.

^{4/} Rate shown is the official MFN rate, presently superseded by a temporary rate of 15 percent. The temporary rate is subject to possible renewal in February, 1974.

Trade complaints

U.S. manufacturers and traders of toys and sporting goods submitted 49 complaints to the Tariff Commission concerning obstacles which they encounter in trade with 18 countries. Two-thirds of the complaints were against practices of developing countries. The four countries mentioned most frequently and the number of complaints against each were Japan (7), Hong Kong (7), Taiwan (7), and Korea (6). Other developed countries, besides Japan, which drew complaints were Canada, the United States, Australia, West Germany, Italy, and Iceland. The notifications to the Commission were fairly evenly scattered among 18 types of practices which the respondents felt constituted obstacles

to trade. Those most frequently mentioned were: (1) embargoes, quotas, and licensing practices; (2) border tax adjustments and other nontax charges on imports; and (3) customs valuation practices.

Of the 12 U.S. producers and traders of toys and sporting goods who indicated possible trade increases if the barriers were removed, 7 stated the increases would be small, 4 indicated moderate increases, and 1 a significant increase. Several of the respondents felt that removal of any of the individual barriers mentioned would result in an increase in trade, but about one-third of those indicating trade effects felt that more than one barrier would have to be removed for increases in trade to ensue. Ten producers and traders placed monetary values on their estimates of possible trade increases totaling \$5,750,000. The estimated increases in trade ranged from 1.2 to 34.4 percent of present shipments.

PHOTOGRAPHIC AND CINEMATOGRAPHIC SUPPLIES

Photographic and cinematographic supplies include: Unexposed and exposed and developed photographic film (including cinematograph film and sound track); plates and paper for all purposes; certain flash light materials; and developing chemicals. Excluded are cameras; enlargers; exposure meters; flash bulbs; photographic paste; gums, varnishes or similar products; film for mechanical sound recording; and waste or scrap materials. 1/

MFN tariffs

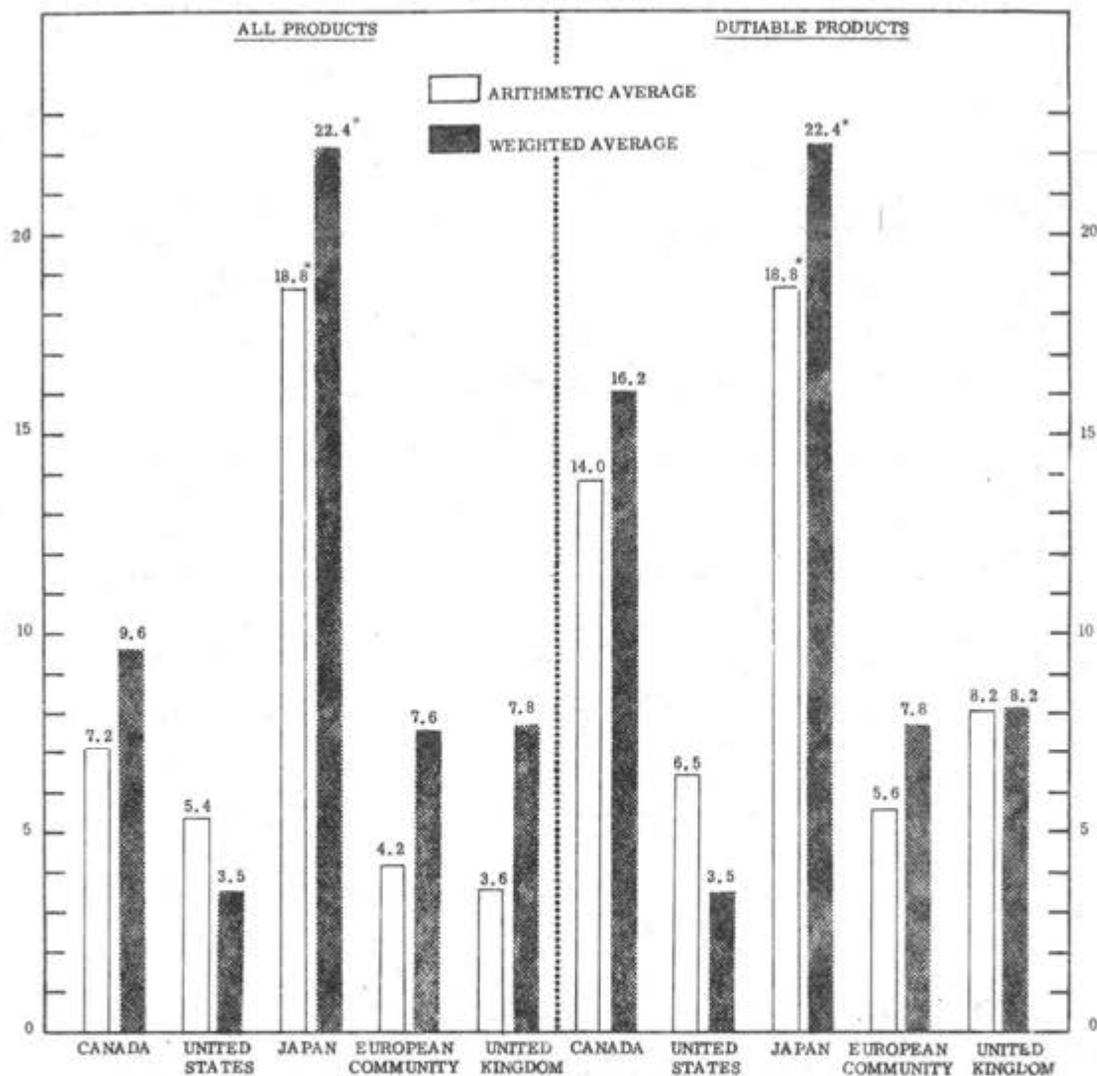
The arithmetic average MFN tariffs of the five major countries range from 3.6 to 18.8 percent ad valorem; the weighted averages from 3.5 to 22.4 percent (chart I-20-A). For all products (combined free and dutiable), the United Kingdom has the lowest arithmetic average tariff and Japan, the highest. The lowest weighted average is held by the United States and Japan again has the highest average. Most of the averages are clustered between 3.5 and 9.6 percent ad valorem.

For dutiable products only, the arithmetic averages of most countries are higher than those for all products. Canada's averages for dutiable products are significantly higher than those for all products (14 percent for the arithmetic average; 16.2 percent for the weighted average). Japan's averages remain the highest. The European Community has the lowest arithmetic average (5.6 percent) and the United States has the lowest weighted average (3.5 percent).

1/ For the specific coverage of this sector, see BTN chapter 37. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-20-A. -- Average MFN tariff rates on photographic and cinematographic supplies

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions made in 1972 on three-fourths of the Japanese rates in this sector; the remainder were reduced by amounts ranging from 25 percent to 50 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of MFN tariff provisions for photographic and cinematographic supplies, by duty level, is shown in table I-20-A. About half of the MFN rate provisions of Canada and the United Kingdom are duty free. The European Community and the United States also have a significant portion of duty-free provisions, but Japan has none.

Table 1-20-A.--Distribution, by duty level, of MFN tariff provisions for photographic and cinematographic supplies

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	48.8	16.7	-	25.0	56.3
0.1-5.0 percent---	-	47.2	5.0	31.3	12.5
5.1-10.0 percent---	11.6	25.0	10.0	43.8	31.3
10.1-15.0 percent--	25.6	8.3	47.5	-	-
15.1-20.0 percent--	14.0	2.8	10.0	-	-
20.1-25.0 percent--	-	-	2.5	-	-
25.1-30.0 percent--	-	-	15.0	-	-
30.1-40.0 percent--	-	-	7.5	-	-
40.1-50.0 percent--	-	-	2.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Nearly half of U.S. provisions are in the 0.1-5 percent ad valorem range, while about half of the Japanese provisions are in the 10.1-15 percent bracket. Nearly one-third of the EC provisions are in the 0.1-5 percent bracket and another 44 percent are found in the 5.1-10 percent bracket. One-fourth of U.S. provisions and about one-third of those of the United Kingdom are in the 5.1-10 percent range. Only Japan has provisions (nearly 28 percent) ranging above 20 percent ad valorem, with some extending into the 40.1-50 percent bracket.

Almost one-fourth of total imports into Canada and 7 percent of the entries into the United Kingdom are from sources which receive preferential treatment on dutiable products. EC imports from outside countries are equal to only about 80 percent of intra-EC shipments.

Virtually all MFN imports of photographic and cinematographic supplies by the United States enter at duty rates between 0.1 and 5 percent ad valorem; over 90 percent of EC entries and two-thirds of the United Kingdom imports pay duties between 5.1 and 10 percent ad valorem (table I-20-B). For Japan, one-third of its entries are assessed at

Table 1-20-B.--Distribution, by duty level, of MFN imports of photographic and cinematographic supplies

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	40.7	0.1	-	2.1	5.4
0.1-5.0 percent----	-	98.7	4.7	6.5	29.5
5.1-10.0 percent---	2.7	.7	8.5	91.4	65.1
10.1-15.0 percent--	19.6	-	33.9	-	-
15.1-20.0 percent--	36.9	.5	10.3	-	-
20.1-25.0 percent--	-	-	.2	-	-
25.1-30.0 percent--	-	-	26.0	-	-
30.1-40.0 percent--	-	-	16.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

rates from 10.1-15 percent and one-quarter at rates from 25.1-30 percent. Over two-fifths of Canadian imports enter duty free; another one-third are assessed rates between 15.1 and 20 percent ad valorem. None of the five major countries, except Canada, have significant duty-free imports. Over 40 percent of Japan's imports enter at rates higher than 20 percent ad valorem.

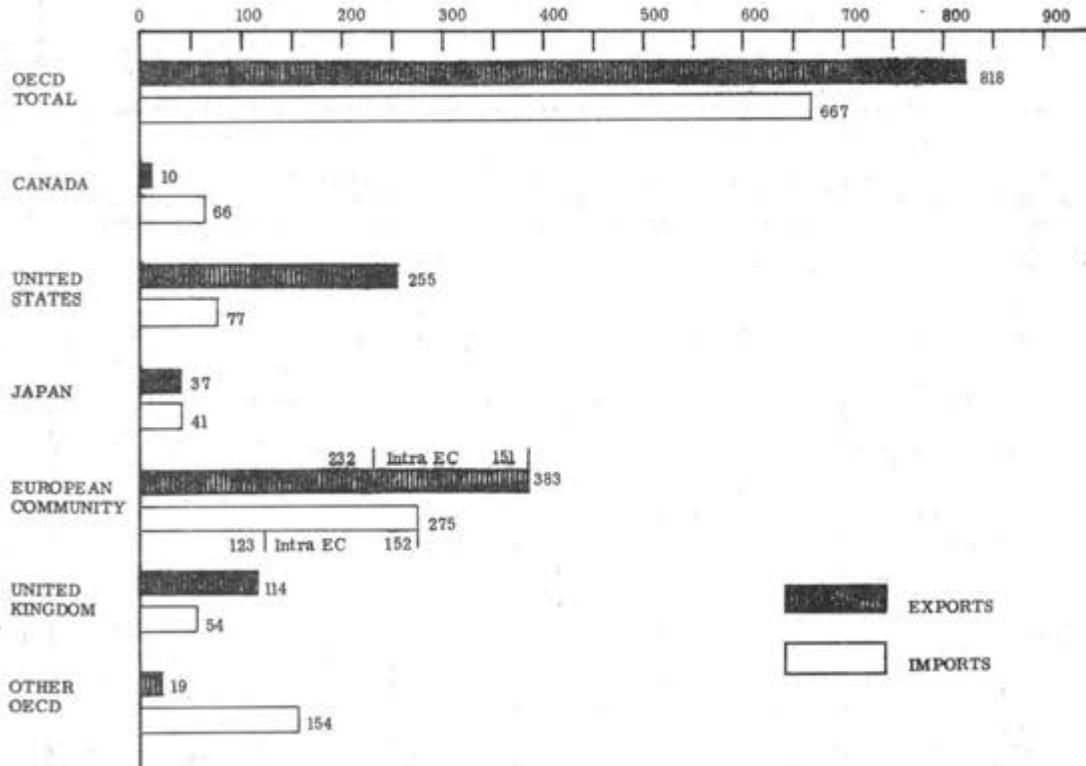
Japan has the most detailed tariff schedule for photographic and cinematographic supplies with 40 tariff lines, while the United Kingdom and the European Community have the least, with 17 lines each; the United States has 28 tariff lines, and Canada, 33 lines.

Trade importance

The photographic and cinematographic supplies sector ranks 20th both in OECD industrial exports and imports, and accounts for less than 1 percent of each. For the United States, the sector is the 16th most important in industrial exports. It ranked 22nd in imports in 1969, but rose to 21st in 1970.

Imports by the GATT tariff study countries were valued at \$370 million in 1967 and \$560 million in 1970. Intra-EC shipments were an additional \$122 million in 1967 and \$207 million in 1970. OECD 1969 imports were \$667 million (including \$152 million of intra-EC shipments) and exports were \$818 million (chart I-20-B). In 1970, OECD imports rose to \$783 million (including intra-EC shipments) and exports were \$961 million.

Chart I-20-B. -- OECD trade in photographic and cinematographic supplies, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for almost 98 percent of OECD exports and about 77 percent of OECD imports of photographic and cinematographic supplies (tables I-20-C and I-20-D).

Table I-20-C.--OECD exports of photographic and cinematographic supplies, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	818	10	255	37	<u>1/</u> 383	114	19
OECD total-----	511	9	144	17	270	59	12
Canada-----	38	-	22	1	4	10	1
United States---	70	8	-	10	40	9	3
Japan-----	32	X	26	-	5	1	X
European Community----	<u>1/</u> 224	X	52	4	151	12	5
United Kingdom--	29	X	10	1	18	-	X
Other OECD-----	118	1	34	1	52	27	3
Non-OECD total----	174	1	62	15	68	27	1
LDC's-----	133	X	48	14	53	16	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 19 percent of U.S. exports, 14 percent of Japan's exports, 12 percent of EC exports, and 25 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-20-D.--OECD imports of photographic and cinematographic supplies, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	667	66	77	41	<u>1/</u> 275	54	154
OECD total-----	550	48	69	33	233	41	126
Canada-----	9	-	6	X	1	2	X
United States---	168	28	-	26	59	16	39
Japan-----	16	1	9	-	4	1	1
European Community----	<u>1/</u> 277	6	42	5	152	22	50
United Kingdom--	69	13	11	1	13	-	31
Other OECD-----	11	X	1	1	4	X	5
Non-OECD total----	5	X	X	1	2	1	1
LDC's-----	1	X	X	X	1	X	X

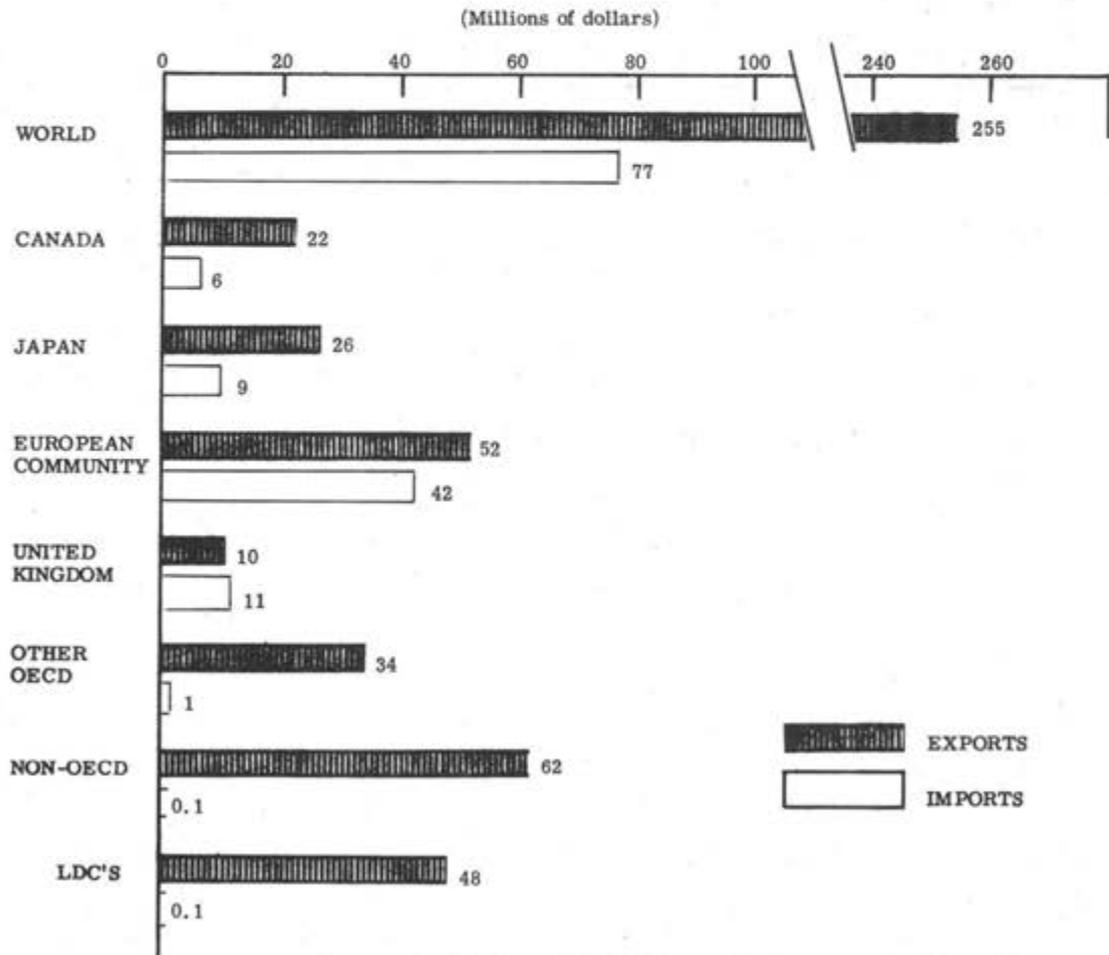
1/ Includes intra-EC shipments.

Note.--Country of origin data are not available for 27 percent of Canada's imports, 10 percent of U.S. imports, 17 percent of Japan's imports, 15 percent of EC imports, and 22 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

If intra-EC exports are excluded, the United States is the largest exporter of photographic and cinematographic supplies. Country of destination data are not available in OECD statistics for almost one-fifth of U.S. exports, 14 percent of Japan's exports, 12 percent of EC exports and one-fourth of United Kingdom exports in this sector. For the remainder of U.S. exports, the Community and the LDC's are the principal markets, receiving about one-fourth each; the "other" OECD countries take an additional 17 percent (chart I-20-C). The United States takes four-fifths of

Chart I-20-C. -- United States trade in photographic and cinematographic supplies, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Canada's small exports and over 30 percent of Japanese exports for which destinations are known. Japan also ships over 40 percent of its remaining exports to LDC's. Intra-EC exports are equal to about 45 percent of total EC exports for which destination information is available. The LDC's take over one-fourth of those EC outside exports which are accounted for; one-fifth go to the United States, and 10 percent go to the United Kingdom. The United Kingdom ships almost one-third of its exports, for which destinations are reported, to LDC's and the other non-OECD countries, one-third to "other" OECD countries, and 10-14 percent each to the European Community, the United States, and Canada.

The European Community is the principal importer of photographic and cinematographic supplies among the five major countries. Country of origin data for 15 percent of EC imports, 27 percent of Canada's imports, 10 percent of U.S. imports, 17 percent of Japan's imports, and 22 percent of United Kingdom imports are unavailable. Of imports into the European Community from outside sources for which origins are known, most come from the United States; intra-Community imports are equal to over half of total EC imports. The European Community supplies over three-fifths of those U.S. imports accounted for, the United Kingdom and Japan over one-eighth each and Canada around one-tenth. The United States is the source of over three-fourths of Japan's remaining imports for which origins are known, nearly 60 percent of Canadian imports for which origins are known, and 38 percent of known imports into the United Kingdom. The European Community is the largest known source of United Kingdom imports.

Trade composition

The photographic and cinematographic supplies sector is not divided into subsectors. The most important BTN heading is 37.02, unexposed film in rolls, with combined MFN imports by the GATT tariff study countries amounting to \$110 million in 1967. The major importers are the European Community (\$24 million) and the United States (\$22 million). By 1971, U.S. imports of unexposed film in rolls had risen to \$53 million.

BTN headings 37.01, unexposed photographic films and plates in the flat, and 37.03, undeveloped sensitized paper, paperboard and cloth, each have combined most-favored-nation imports of \$60-\$70 million. The European Community and the United States are again the main importers.

Trade-agreement concessions

Average tariff levels on January 1, 1972, for photographic and cinematographic supplies for all the five major countries were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Japan's tariff rates shown in the tabulation were further reduced unilaterally in 1972. Calculations based on Japan's new reduced rates would show a weighted average of roughly 17.9 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	25.2	3.5
European Community	17.7	7.6
United Kingdom	21.6	7.8
Japan	29.2	22.4
Canada	12.4	7.2

Concessions under the GATT have been made on all MFN provisions for photographic and cinematographic supplies in the tariff schedules of the United States, the European Community, and the United Kingdom. Forty-two percent of Canada's provisions, covering three-fourths of Canadian imports, are covered under the GATT. In the Japanese schedule, 85 percent of provisions, covering 67 percent of Japan's imports, are fully covered by GATT concessions; for 3 percent of provisions, covering 6 percent of MFN imports, only part of an item is covered.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on photographic and cinematographic supplies negotiated under the GATT. The number of such concessions totaled 99, of which 77 reflected rates higher than the autonomous rate established in the CXT, 6 were at the CXT rate, and 16 were below the CXT rate.

Specific tariff concessions made by the five major countries in the largest category of photographic and cinematographic supplies, BTN 37.02--unexposed film in rolls, can be seen in table I-20-E. Reductions from the pre-trade-agreement rates have been made in the tariffs of the United States, the European Community, and the United Kingdom. Canada has eliminated its duty on such goods.

Table I-20-E.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on unexposed film in rolls

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	25%; 9.6%-40% AVE	6.25%; 2.4%-10% AVE	5%; 1.2%-5% AVE ^{2/}	723.05, .15; 723.10
Canada-----	10%	Free	Free	46240-1
European Community---	20%	16%	12.8%	37.02
United Kingdom-----	25%	4.8%-7.9% AVE; ^{3/} 20%	9%; 16%	37.02 (A), (B)
Japan-----	10%; 30%	20%-40%	15%-40%	37.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} About 93 percent of U.S. imports (calculated on 1971 import values) were dutiable at 5 percent ad valorem or 5 percent ad valorem equivalent; range of ad valorem equivalents based on a specific rate of 0.05 cents per 16.5 square inches.

^{3/} Range of ad valorem equivalents of specific rate of 1/4 pence per linear foot for 35mm width, calculated on 1969 import values.

Trade complaints

The Tariff Commission received 179 complaints from traders and producers of photographic and cinematographic supplies. Thirty-eight percent of the complaints were against various forms of quantitative limitations (chiefly screen-time quotas) and licensing practices; 20 percent against subsidies and about 30 percent against various discriminatory and nondiscriminatory excise taxes, film taxes, and import duties. Two-thirds of the complaints were against less developed countries, with 31 nations specifically named in this group. Seventeen developed countries were named in the complaints. Spain drew the largest number of complaints against any single country. Complaints against developed countries dealt primarily with subsidies.

Subsidies.--The practice most criticized as a distortion of trade in photographic and cinematographic supplies was subsidies for national film production. Members of the European Community received a substantial number of complaints against government subsidization and aids to national film industries. The German National Film Institute subsidizes German film production with aid grants. In Belgium, the Ministry of Economic Affairs grants a subsidy to domestic film producers equal to 80 percent of the admission tax on domestic films, 25 percent on short subjects and 5 percent on newsreels. French films are subsidized through a special account which derives its income from film release taxes, special admission taxes, and repayment of loans and grants to producers. Interest-free loans are given to French producers based on the probable quality of the film. The Italian government subsidizes full-length feature Italian films, as well as giving cash awards to features and shorts based on merit.

Complaints against EFTA nations were also numerous. The Norwegian government makes loans for cultural films and gives grants to cover production costs of other films. Danish film producers receive a rebate of 15 percent of the admission tax. The Danish Film Foundation makes grants and loans to Danish producers based on quality criteria. The Swedish film industry receives subsidies in the form of direct grants; quality awards; funds for offsetting losses, meeting the expenses of the Swedish Film Institute, and public relations activities. The Swiss government awards prizes, grants production credits and allows deficit offsets designed to encourage local production. The Austrian government guarantees repayment of 80 percent of loans extended to film

producers by private banks. The Austrian Ministry of Education administers a fund of \$12 million for the promotion of Austrian films. In the United Kingdom, direct subsidies and low interest loans are readily available to the domestic film industry. Locally produced South African films are eligible for subsidization when gross earnings reach R20,000; after that point, government payments match gross earnings, and after earnings of R40,000, government payments are on a basis of R2 for each rand grossed. A fund of \$10 million is maintained by the Canadian government to subsidize private film production through grants, loans, and awards for outstanding films.

Among less developed countries, the Greek government refunds 6 percent of the admission tax collected on Greek films during the first five years of their exhibition. Spain subsidizes exhibitors of Spanish films. The Portugese National Motion Picture Foundation (part of the Portugese government) subsidizes local production. To encourage local film production, the Israeli government provides subsidies, endorses bank loans, and rebates a portion of the admission tax. The Indian government grants loans to film producers covering up to 75 percent of production costs. Egypt, Indonesia, and Pakistan also subsidize domestic film production. Several Latin American governments were reported to subsidize exports of films.

Quotas and licensing.--Most complaints in this category were against screen-time quotas. In Canada, 60 percent of total television time must be devoted to Canadian television films; no foreign country

is allowed more than 30 percent of the remaining time. Britain requires an 86 percent television screen-time quota for British television films. British Commonwealth practices were the target of several complaints by U.S. producers. It was mentioned that 20 percent of the total number of feature motion picture films shown in New Zealand must be British. Fifteen percent of all films shown in Australia must be British and 2 percent must be Australian. Presently in effect in Australia is a stipulation by the Postmaster General stating that, after a television station has been broadcasting for three years, 50 percent of the programs should be Australian in content.

Though Japan has no official screen-time quota, voluntary industry arrangements exist requiring that domestic films be shown 40 days per theater for a combined total of 1,280 days affecting 32 designated theaters. Pakistani regulations require that 15 percent of screen-time be allotted for domestic films in theaters that primarily show foreign films, while foreign films may be shown only 5 percent of the time in other theaters. A new Korean regulation requires that first-run theaters, playing only imported films in the past, must now show locally produced films three months of the year.

Argentine first-run theaters must show Argentine films for at least one week of each quarter of the year; other theaters must devote 33 percent of screen-time to Argentine films. Twelve percent of all films shown in Brazil must be Brazilian. In France, domestically produced feature films must be shown five weeks per quarter. Italy requires that domestic pictures must be shown 100 days per year; domestic short subjects 180 days per year. Spain requires one Spanish film be shown for every

four films which have had the Spanish language dubbed in. Also there are quotas on the number of imported films dubbed in Spanish. The amount of the quota depends on the country of origin.

Virtually all remaining complaints dealing with quotas, licensing, and other forms of specific limitations were against less developed countries. It was reported that India usually will negotiate with foreign film suppliers regarding the quantity of film imports permitted into India, only if the foreign supplier is willing to distribute Indian films abroad. In Mexico, once a local manufacturer is established, import licenses frequently are not granted. In Brazil, feature films may only be rented, not purchased. Ceylon has embargoes against films, considering them luxuries.

Discriminatory and restrictive government practices in granting import licenses were reported prevalent in Turkey, Ecuador, and Austria. In Korea, import licenses are required. Currently, there are only 15 authorized Korean importers of films. In Italy, internal authorization for distribution of films is refused to countries which restrict Italy's films. In West Germany, internal authorization is necessary to distribute foreign films. The Spanish regulations controlling the internal distribution of foreign films are not applicable to domestically produced films. Licenses are needed for foreign films taking part in Spanish film festivals.

Taxes and other nontariff charges.--The French film release tax was felt to be discriminatory since, due to bilateral agreements, many countries are exempt. The Italian admission tax rebate is contingent

on whether or not the film originated in the European Community. There is a charge on imports of color prints distributed in Spain by the Motion Picture Export Association of America; there is no charge on the same item if imported by independent Spanish distributors. The Spanish dubbing tax was alleged to be a release tax not paid by the domestic industry and paid at a higher rate by the United States than other foreign countries. In Argentina, the Netherlands, Denmark, Italy, and Turkey, the theater admission tax is higher for foreign films.

General complaints were received from U.S. film distributors against the admission taxes levied in Denmark, West Germany, France, and Spain.

Miscellaneous.--Hungary was reported to inflate the value basis to which an ad valorem tariff is applied by 100 percent. Objection was made against Japanese preferential tariff treatment for photographic products from developing countries in Asia, Africa, and Latin America. Australia and Canada have rates of duty that were criticized because they are assessed on the fair market (current domestic) value, rather than the declared value at the U.S. port of shipment. Elaborate certification programs with regard to industrial standards for photographic supplies were reported to exist in Germany and Japan. Brazil and South Africa require that all U.S. photographic products be labeled according to metric system specifications. Argentine foreign film importers must manufacture all black and white release prints in Argentina. Dubbing for all foreign films to be released in Spain and France must be done in those

countries. Egyptian exchange controls require that 40 percent of remittable sums from film revenues remain in Egypt.

Respondents in the Commission's survey of trade barriers were requested to give an assessment of the effect of the barriers reported on their trade (as significant, moderate, small or nil), and where possible, estimate the dollar value of the increase in trade which could be expected if the barriers were removed. No assessments were received with the complaints against trade barriers encountered by photographic and cinematographic supplies.

Industrial Sector I-21

WORKS OF ART AND COLLECTORS' PIECES

Works of art and collectors' pieces include: Paintings; drawings and pastels; original engravings; prints; lithographs; sculptures and statuary; postage, revenue, and similar stamps for collectors; and collectors' pieces of botanical, mineralogical, historical or archaeological interest; and antiques of an age exceeding 100 years. 1/

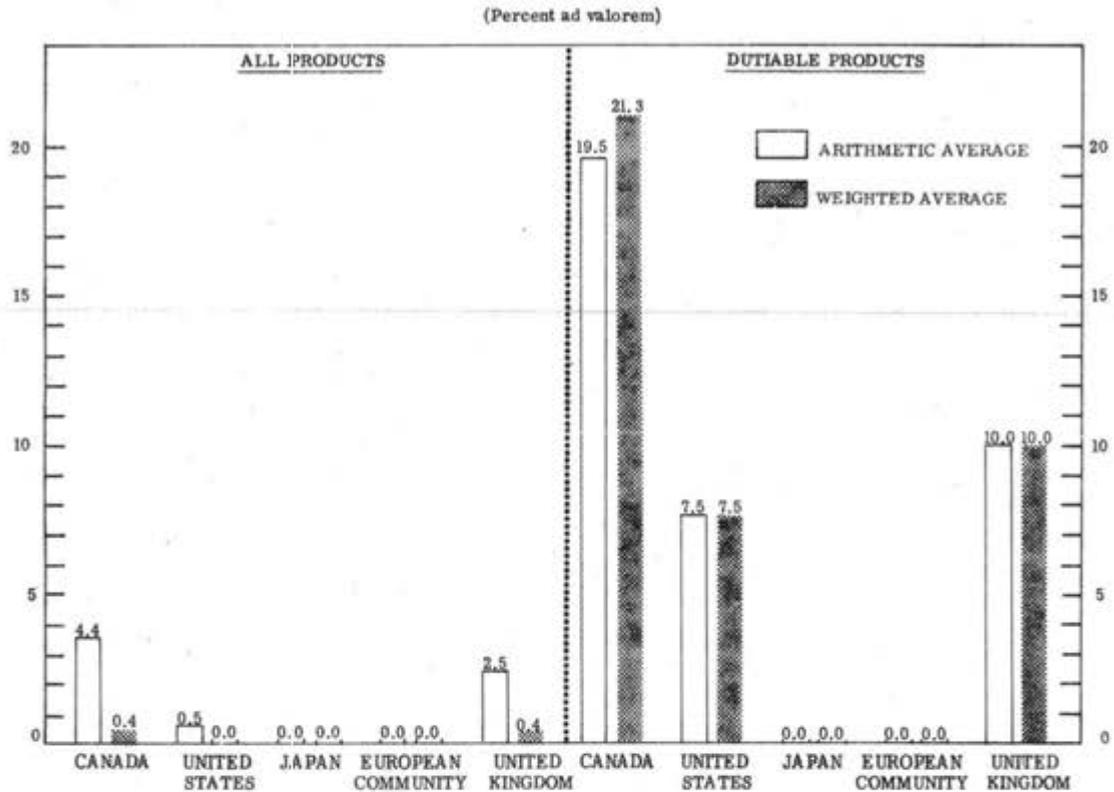
MFN tariffs

In most countries of the world, articles included in this sector are usually duty free. Consequently, for all works of art and collectors' pieces (combined dutiable and free), the arithmetic average tariffs of the five major countries range from zero to 4.4 percent ad valorem; the weighted averages from zero to 0.4 percent. Most of the tariff averages are zero or near zero; only the Canadian arithmetic average is relatively high (4.4 percent). Tariff averages on all products are significantly lower than averages on dutiable imports alone, due to the substantial MFN importation of duty-free works of art and collectors' pieces under numerous duty-free provisions. For dutiable products only, Canada has the highest arithmetic average (19.5 percent) and the highest weighted average (21.3 percent). The European Community and Japan have zero for both averages (chart I-21-A).

1/ For the specific coverage of this sector, see BTN chapter 99.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-21- A -- Average MFN tariff rates on works of art and collectors' pieces



Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of MFN tariff provisions for works of art and collectors' pieces, by duty level, is shown in table I-21-A. Virtually all MFN provisions are duty free. Roughly one-fourth of Canadian provisions

Table I-21-A.--Distribution, by duty level, of MFN tariff provisions for works of art and collectors' pieces

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	77.3	93.8	100.0	100.0	75.0
0.1-5.0 percent----	-	-	-	-	-
5.1-10.0 percent---	-	6.3	-	-	25.0
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	18.2	-	-	-	-
20.1-25.0 percent--	4.5	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

(concentrated in the range between 15.1 and 25 percent ad valorem), 6 percent of U.S. provisions (in the 5.1 - 10 percent bracket) and one-fourth of United Kingdom provisions (in the 5.1 - 10 percent range), are, however, subject to duty. Of the five major countries, only Canadian rates range above the 10 percent ad valorem level. Virtually all MFN imports of works of art and collectors' pieces are duty free (table I-21-B).

Table I-21-B.--Distribution, by duty level, of MFN imports of works of art and collectors' pieces

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	97.5	99.9	100.0	100.0	95.6
0.1-5.0 percent----	-	-	-	-	-
5.1-10.0 percent---	-	.1	-	-	4.4
10.1-15.0 percent--	-	-	-	-	-
15.1-20.0 percent--	.8	-	-	-	-
20.1-25.0 percent--	1.7	-	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

Imports of works of art and collectors' pieces receiving preferential tariff treatment are insignificant for the five major countries. Intra-European Community shipments equal 30 percent of Community imports from outside sources.

Canada and the United States have the most detailed MFN tariff schedules for works of art and collectors' pieces with 22 and 16 tariff lines, respectively, while Japan and the European Community have the least with 6 lines each. The United Kingdom has eight tariff lines.

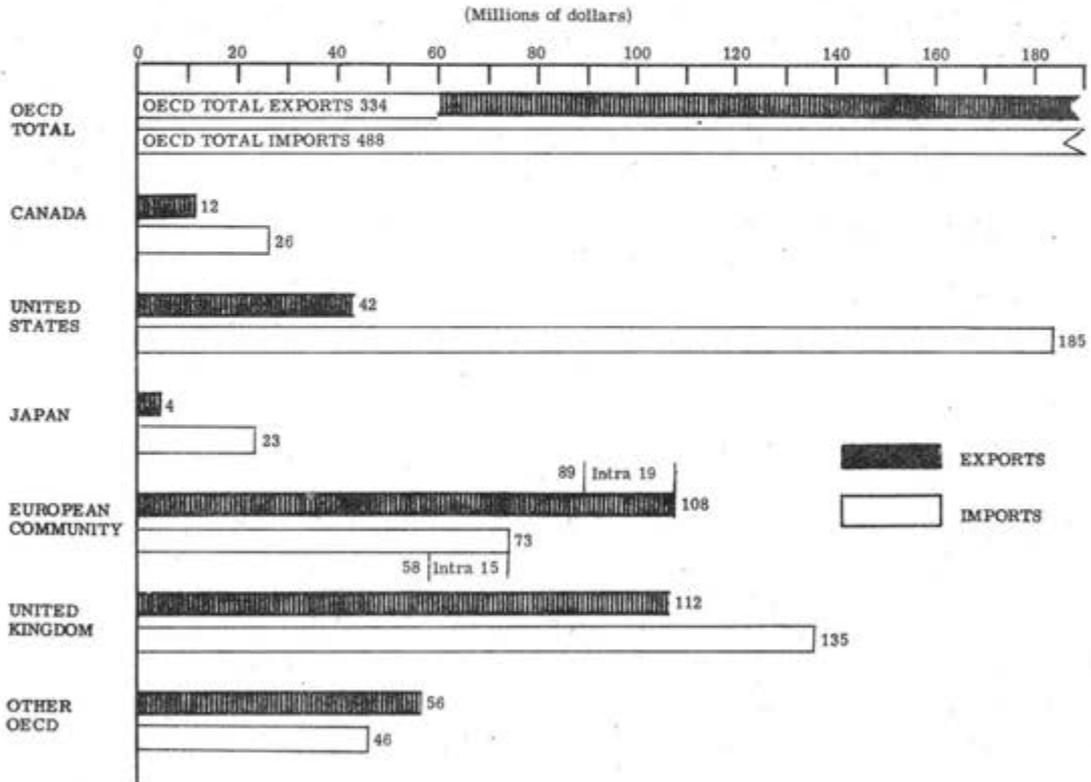
Trade importance

The works of art and collectors' pieces sector ranks 22nd among the 23 industrial sectors in OECD exports and 21st in imports. The sector

accounts for less than half of 1 percent of industrial exports and imports. For the United States, the sector also is 22nd in industrial exports. It ranked 20th in 1969 and 1970 U.S. imports.

Imports by the GATT tariff study countries were valued at \$316 million in 1967 and \$441 million in 1970. Intra-Community shipments were an additional \$19 million in 1969 and \$17 million in 1970. OECD 1969 imports were \$488 million (including \$15 million intra-EC shipments); exports were \$334 million (see chart I-21-B).

Chart I-21-B, -- OECD trade in works of art and collectors' pieces, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

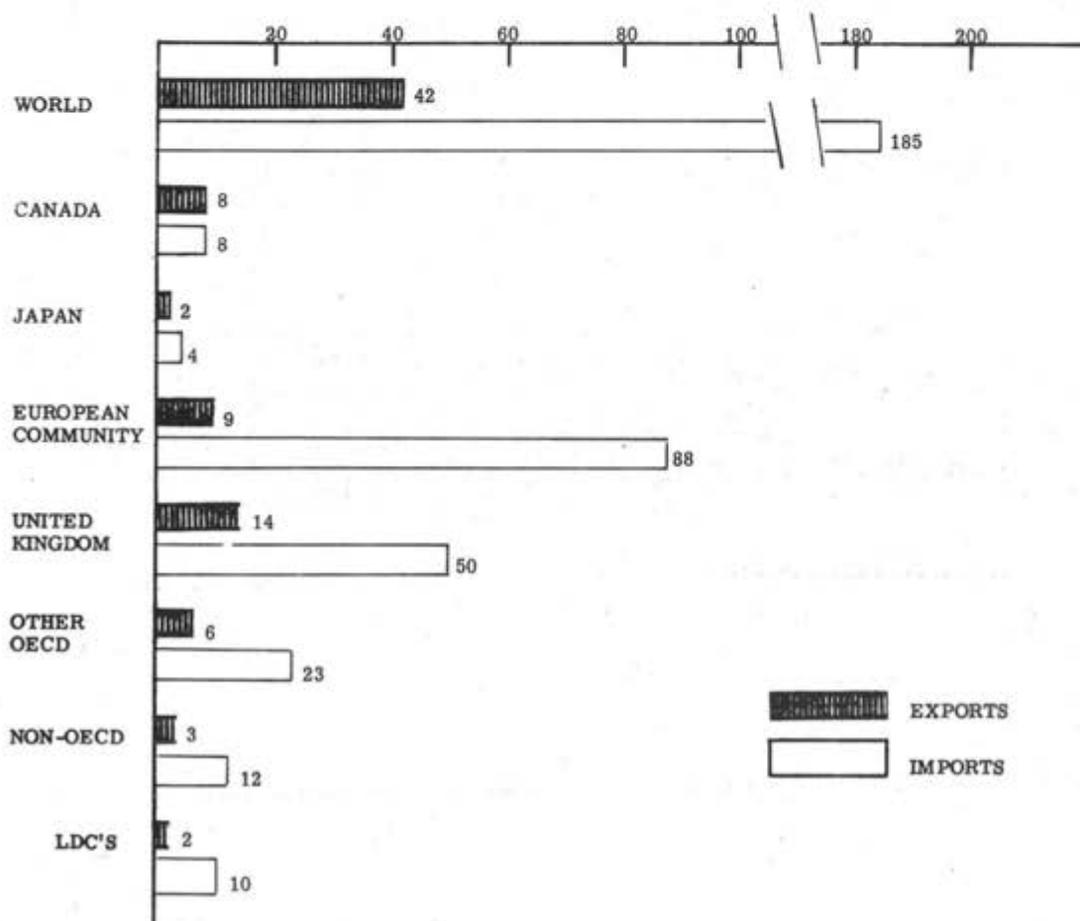
Trade network

The five major countries account for 83 percent of OECD exports and 91 percent of OECD imports. Eighty percent of OECD exports go to the five major countries, the United States alone accounting for nearly two-fifths. Over 70 percent of OECD imports are supplied by the five major countries; one-fifth by "other" OECD countries.

The United Kingdom, the European Community, and Canada, collectively, take three-fourths of U.S. exports (the United Kingdom alone accounting for one-third); the European Community and Canada take one-fifth each (chart I-21-C). The United Kingdom and the European Community are by

Chart I-21-C. -- United States trade in works of art and collectors' pieces, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

far the principal exporters, accounting for two-thirds of OECD exports, and the United States takes half of their exports. By comparison, the United States, Canada, and Japan are small exporters (table I-21-C).

Table I-21-C.-- OECD exports of works of art and collectors' pieces, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	334	12	42	4	<u>1/</u> 108	112	56
OECD total-----	319	11	39	4	104	107	54
Canada-----	16	-	8	X	3	5	X
United States---	128	7	-	3	45	57	16
Japan-----	15	X	2	-	4	9	X
European Community----	<u>1/</u> 71	2	9	X	19	17	24
United Kingdom--	38	2	14	X	11	-	11
Other OECD-----	51	X	6	1	22	19	3
Non-OECD total----	15	1	3	X	4	6	1
IDC's-----	10	X	2	X	3	3	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

U.S. imports of art and collectors' pieces were valued at \$137 million in 1967, \$185 million in 1969, and \$191 million in 1971. The United States is the largest importer. The European Community is the source of almost half of U.S. imports; the United Kingdom over one-fourth (table I-21-D). The United Kingdom is the second largest importer. EC imports from outside sources are equal to less than one-third of U.S. imports; imports by Canada and Japan are even smaller (table I-21-D).

Table I-21-D.--OECD imports of works of art and collectors' pieces, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	488	26	185	23	<u>1/</u> 73	135	46
OECD total-----	459	25	173	21	67	130	43
Canada-----	10	-	8	X	X	2	X
United States---	72	11	-	1	8	44	8
Japan-----	7	X	4	-	X	3	X
European Community-----	<u>1/</u> 178	6	88	8	15	42	19
United Kingdom--	91	6	50	6	17	-	12
Other OECD-----	101	2	23	6	27	39	4
Non-OECD total----	29	2	12	2	7	5	1
LDC's-----	19	1	10	1	3	3	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for works of art and collectors' pieces either remained duty free or were below levels existing on pre-trade-agreement base dates. The lower levels largely reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	0.0	0.0
European Community	0.0	0.0
United Kingdom	0.8	0.4
Japan	15.2	0.0
Canada	6.7	4.4

For the United States, Japan, the United Kingdom, and the European Community, concessions under the GATT have been made on all MFN provisions for works of art and collectors' pieces. Twenty-three percent of Canadian provisions covering 1 percent of imports are under the GATT. National tariffs of member states of the European Community prior to the adoption of the EC's Common External Tariff (CET) contained no GATT concessions on works of art and collectors' pieces.

Trade complaints

In trade in works of art, collectors' pieces and antiques, the usual elements of commercial competition are frequently present in only a modified form or degree and may be almost entirely absent. This unique aspect of the trade probably accounts for the fact that the Tariff Commission received only two complaints of trade barriers in this sector, even though transactions in these goods are usually subject to the same types of taxes, fees, and various regulations or controls that gave rise to numerous complaints in other product sectors. Many countries prohibit the export of articles included in this sector if they are considered to be national treasures.

The two complaints received by the Commission concerned licensing requirements and quotas maintained by two small countries as part of their mechanism for conserving scarce foreign exchange.

Industrial Sector I-22

OFFICE AND STATIONERY SUPPLIES

Office and stationery supplies include: Stylograph pencils and pens; fountain pens; pen holders; pen nibs and nib points; writing slates; date, sealing and similar stamps; typewriter ribbons; ink pads; sealing wax; filing cabinets, racks, etc. of base metal; and staples, paper clips, fittings for files, etc. of base metal. The sector excludes inks other than printing inks, eyebrow and other cosmetic pencils, and mathematical drawing pens. 1/

MFN tariffs

The arithmetic average MFN rates of duty of the five major countries for all office and stationery supplies (combined dutiable and free) range from 7.2 percent ad valorem to 16.1 percent. The weighted averages run from 9.2 percent to 17.2 percent. Canada has both of the highest averages and the European Community has both of the lowest averages (chart I-22-A). For dutiable products, only the averages of Canada change rising to 17 percent for the arithmetic average and 17.7 percent for the weighted average.

Table I-22-A illustrates the distribution of tariff provisions by duty level. For Japan and the European Community about three-fourths of their tariff provisions are within the 5.1 to 10 percent ad valorem bracket; for the United Kingdom over 90 percent; and for the United States 44 percent. Another one-fifth of U.S. provisions are in the 0.1-5 percent ad valorem range. The largest portion (three-fifths)

1/ For the specific coverage of this sector, see BTN headings 83.04-.05, and 98.03-.09.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart I-22-A. -- Average MFN tariff rates on office and stationery supplies

(Percent ad valorem)

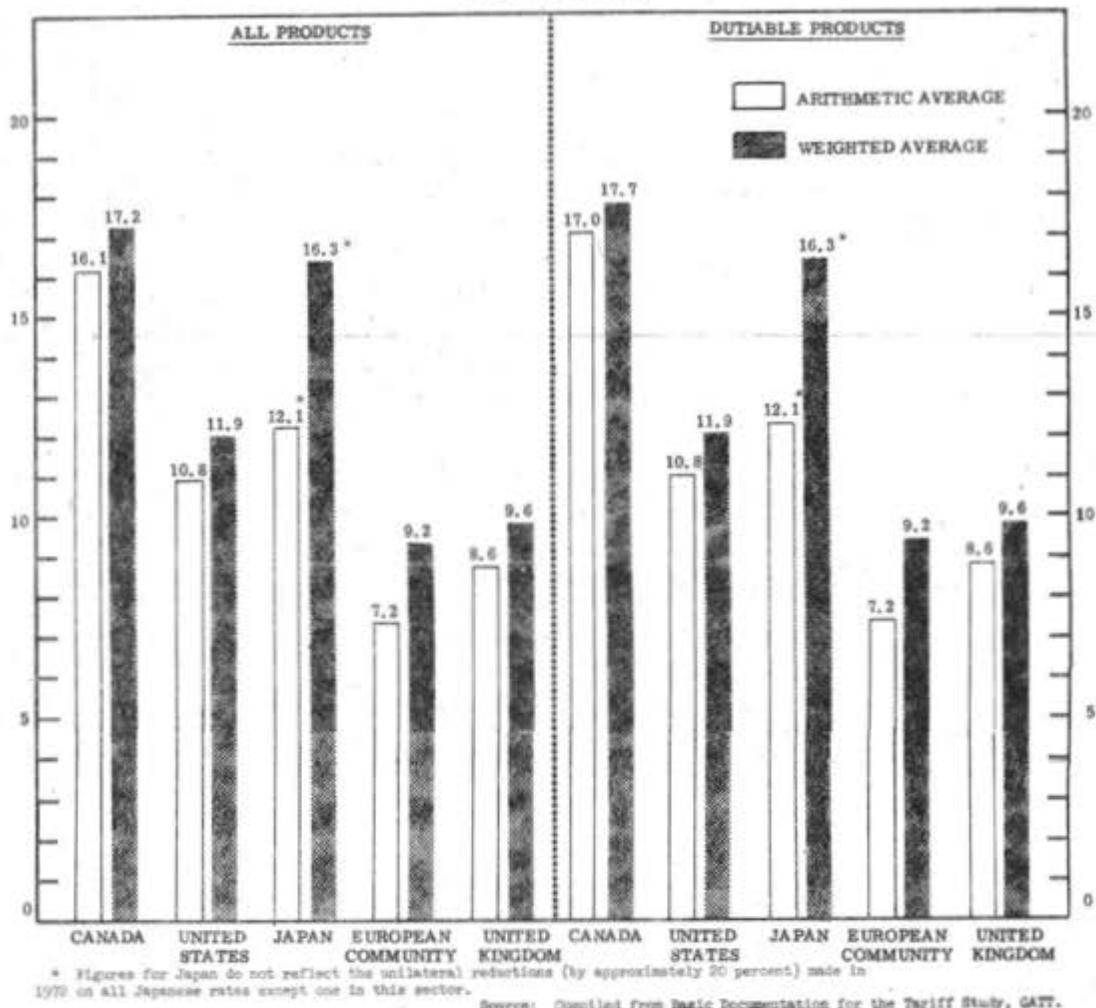


Table I-22-A.--Distribution, by duty level, of MFN tariff provisions for office and stationery supplies

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	5.4	-	-	-	-
0.1-5.0 percent----	5.4	22.2	-	18.8	8.3
5.1-10.0 percent----	5.4	44.4	73.7	75.0	91.7
10.1-15.0 percent----	10.8	13.9	-	6.3	-
15.1-20.0 percent----	59.5	8.3	26.3	-	-
20.1-25.0 percent----	13.5	2.8	-	-	-
25.1-30.0 percent----	-	5.6	-	-	-
30.1-40.0 percent----	-	2.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

of Canadian rate provisions are in the 15.1-20 percent bracket. Only Canada, among the five major countries, has MFN duty-free provisions. United States rates range into the 30.1-40 percent bracket; Canadian rates into the 20.1-25 percent bracket. Japan has no rates above 20 percent; the European Community has none above 15 percent; and the United Kingdom has none above 10 percent.

In 1970, none of the major countries, except the United Kingdom, entered imports of office and stationery supplies under preferential rates. About one-fourth of United Kingdom imports of office and stationery supplies are granted preferential treatment. EC imports from outside sources equal about 55 percent of intra-EC imports (which move duty free). The United States, Japan, the European Community, and the United Kingdom have no duty-free MFN imports; about 3 percent of Canadian entries are duty free (table I-22-B). Four-fifths of Canadian

Table I-22-B.--Distribution, by duty level, of MFN imports of office and stationery supplies

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	2.8	-	-	-	-
0.1-5.0 percent----	.1	35.4	-	1.4	2.5
5.1-10.0 percent---	2.2	12.3	33.3	67.0	97.5
10.1-15.0 percent--	9.3	9.5	-	31.7	-
15.1-20.0 percent--	81.6	35.0	66.7	-	-
20.1-25.0 percent--	4.1	7.1	-	-	-
25.1-30.0 percent--	-	.5	-	-	-
30.1-40.0 percent--	-	.4	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

imports and two-thirds of Japanese imports enter at rates between 15.1 and 20 percent ad valorem. The brackets of 0.1-5 percent and 15.1-20 percent ad valorem each contain over one-third of U.S. entries.

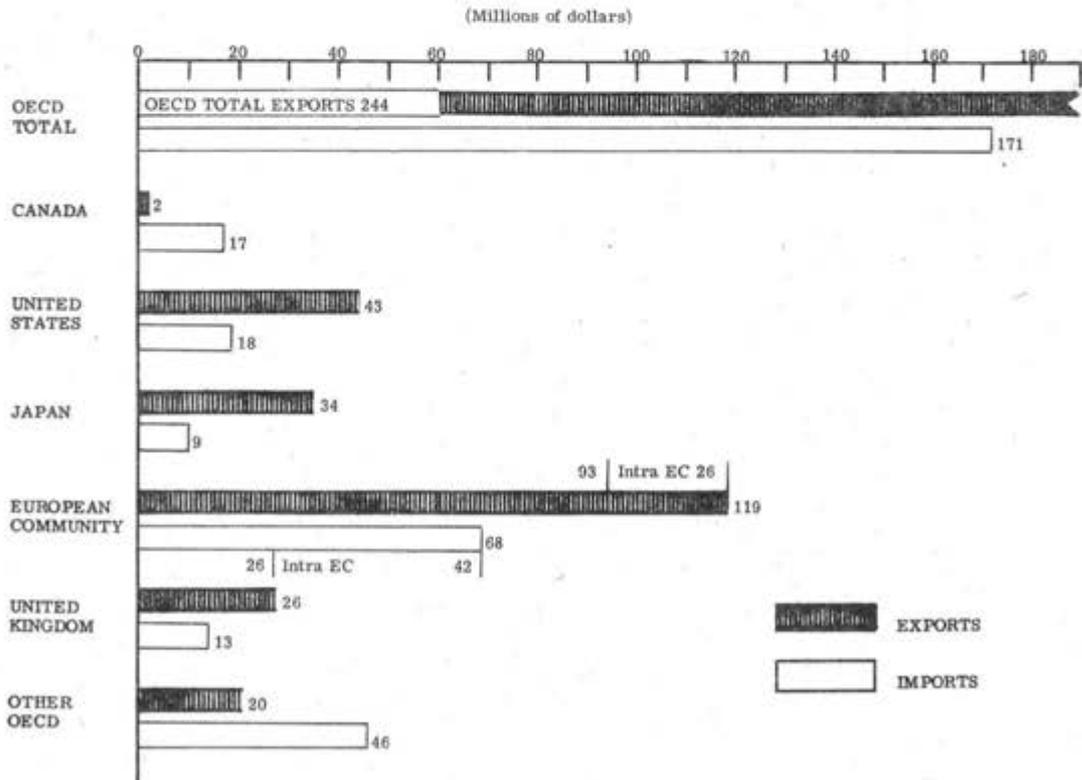
Almost 98 percent of the imports of the United Kingdom enter at rates in the 5.1-10 percent bracket, as do two-thirds of EC imports.

The Canadian and U.S. office and stationery supplies tariff schedules are the most detailed with 37 and 36 tariff lines, respectively; the United Kingdom's schedule is the least detailed with 12 tariff lines. Japan has 19 lines and the European Community has 16 lines.

Trade importance

The office and stationery supplies sector is the least important of the 23 industrial sectors for both OECD exports and imports. OECD 1969 imports were \$171 million (including \$42 million of intra-EC shipments) and exports were \$244 million (chart I-22-B). The sector

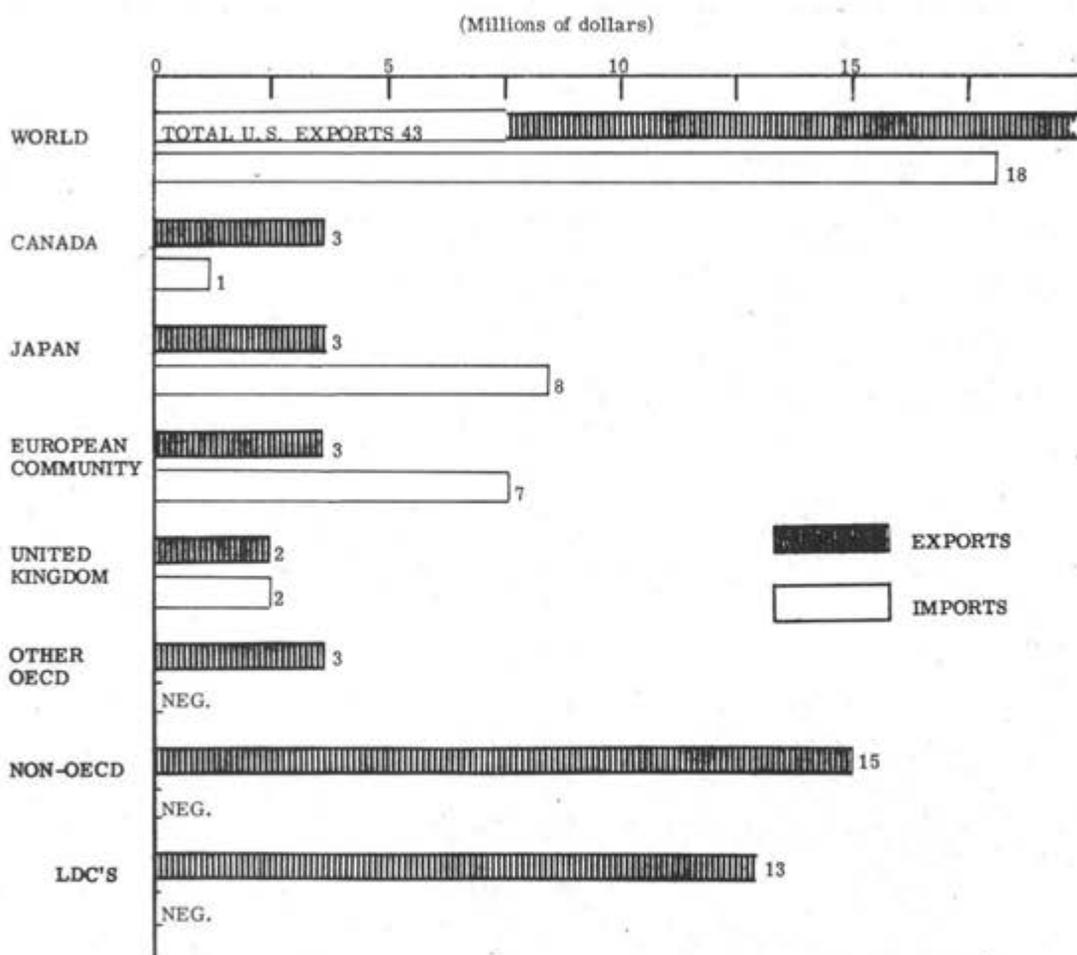
Chart I-22-B. -- OECD trade in office and stationery supplies, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

accounts for less than 1 percent of OECD industrial exports and imports. In 1969, the office supplies sector ranked 21st in U.S. exports and was the least important sector in U.S. imports, accounting for \$43 million in U.S. exports and \$18 million in U.S. imports (chart I-22-C).

Chart I-22-C. -- United States trade in office and stationery supplies, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Imports of office and stationery supplies by the GATT tariff study countries were valued at \$88 million in 1967 and \$123 million in 1970. Intra-EC shipments were an additional \$29 million in 1967 and \$45 million in 1970.

Trade network

The five major countries account for 92 percent of OECD exports of office and stationery supplies and 73 percent of imports. Nearly 30 percent of OECD exports go to the five major countries; 20 percent to less developed countries. About 90 percent of OECD imports are supplied by the five major countries.

Complete country of destination data are unavailable for the United States, the Community and the United Kingdom. Of the U.S. exports accounted for, 45 percent go to LDC's. Canada, the European Community, and Japan are the principal developed markets for U.S. products. Japan ships one-fourth of its exports to the United States; one-fifth to less developed countries. Of those EC exports that can be accounted for, about 36 percent are intra-EC exports, 45 percent go to LDC's and 30 percent go to "other" OECD countries. United Kingdom exports with known destinations go primarily to "other" OECD countries and non-OECD countries. Canada is an insignificant exporter (table I-22-C).

Japan supplies over 44 percent of U.S. imports; the European Community about 39 percent (table I-22-D). The United States is the source of virtually all Canadian imports, almost half of Japanese imports, and over one-fourth of European Community imports from outside sources. EC outside imports equal about three-fifths of intra-EC imports. The European Community and the United States are the chief sources of United Kingdom imports.

Table I-22-C.-- OECD exports of office and stationery supplies, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	244	2	43	34	<u>1/</u> 119	26	20
OECD total-----	94	1	14	19	49	6	5
Canada-----	5	-	3	1	1	X	X
United States---	12	1	-	8	3	X	X
Japan-----	6	X	3	-	3	X	X
European Community-----	<u>1/</u> 39	X	3	5	26	2	3
United Kingdom--	6	X	2	1	2	-	1
Other OECD-----	26	X	3	4	14	4	1
Non-OECD total----	55	1	15	9	24	4	2
LDC's-----	45	1	13	7	21	2	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are not available for 33 percent of U.S. exports, 39 percent of EC exports and 62 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-22-D. -- OECD imports of office and stationery supplies, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	171	17	18	9	<u>1/</u> 68	13	46
OECD total-----	167	17	18	8	68	12	44
Canada-----	1	-	1	X	X	X	X
United States---	32	13	-	4	7	4	4
Japan-----	21	2	8	-	7	1	3
European Community-----	<u>1/</u> 82	1	7	3	42	5	24
United Kingdom--	14	1	2	X	5	-	6
Other OECD-----	17	X	X	1	7	2	7
Non-OECD total----	4	X	X	1	1	1	1
LDC's-----	1	X	X	X	X	X	1

1/ Includes intra-EC shipments.

X = less than \$500,000

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

For all of the five major countries, average tariff levels on January 1, 1972, for office and stationery supplies were substantially below levels existing on pre-trade-agreement base dates. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the following tabulation, where weighted average duties are given for all countries except Canada; the Canadian figure is an arithmetic average. Most of Japan's tariff rates in this sector were unilaterally reduced in 1972. Calculations based on Japan's new reduced rates would show an average of about 13 percent ad valorem.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	32.7	11.9
European Community	18.7	9.2
United Kingdom	20.0	9.6
Japan	24.1	16.3
Canada	32.7	16.1

Concessions under the GATT have been made on all MFN provisions for office and stationery supplies in the tariff schedules of the United States, the United Kingdom and the European Community; on 89 percent of Canadian provisions covering 95 percent of Canadian imports; and on 95 percent of Japanese provisions covering 85 percent of Japanese imports.

The national tariffs of member states of the European Community prior to adoption of the Common External Tariff (CXT) contained 51 tariff concessions on office and stationery supplies negotiated under the GATT. Of these 51 GATT concessions, 33 were at rates higher than the autonomous rate established in the CXT; 2 were at the CXT rate, and 16 were below the CXT rate.

Some concessions by the five major countries in tariffs dealing with fountain pens, including stylographic pens, ball point pens and pencils, and combination pens and pencils are shown in table I-22-E. Reductions were made in all of the five major tariffs.

Table I-22-E.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on fountain pens, including stylographic pens and ball-point pens and ball-point pencils, and combination pens and pencils

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	72.4% AVE ^{2/}	48.6% AVE	24.3% AVE ^{3/}	760.05
Canada-----	27.5%	22.5%	20% ^{4/}	65500-1
European Community--	22%	18%	13%	98.03A
United Kingdom-----	20%	14%	10%	98.03
Japan-----	25%; 20%	25% ^{5/}	20% ^{5/}	98.03-1(2)A 98.03-1(2)B

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalent of compound rate of duty of 6 cents each plus 40 percent ad valorem, calculated on 1972 import values.

^{3/} Ad valorem equivalent of compound rate of duty of 2 cents each plus 13.5 percent ad valorem, calculated on 1972 import values.

^{4/} Rate shown is the official MFN rate, presently superseded by a temporary rate of 15 percent. The temporary rate is subject to possible renewal in February, 1974.

^{5/} For ball-point pens and pencils, the rate of duty is the greater of a specific rate or the ad valorem rate shown.

Trade complaints

In the office and stationery supplies sector, the Tariff Commission received 79 complaints against practices and policies which the respondents considered barriers to trade. Most of the complaints were submitted by, or on behalf of, manufacturers of writing instruments. Over 30 countries, almost all of which were Western Hemisphere developing nations, were named in the complaints. The eight countries mentioned most often and the number of times they were mentioned were: Argentina (7), Chile (5), Colombia (5), the Dominican Republic (4), Peru (4), Spain (4), Uruguay (4), and Paraguay (4).

The complaints were chiefly against a variety of nontariff charges on imports, licensing practices, exchange controls, and embargoes.

Nontariff charges.--Almost half of the complaints received concerned various taxes, fees, and deposits. Over 28 countries were mentioned in complaints dealing with various taxes or fees, among which were port taxes, statistical taxes, stamp taxes, and consular fees. For Chile, Colombia and Peru, the size of prior import deposits, which averaged 117 percent of c.i.f. value, was the object of complaint.

Embargoes, licensing practices and exchange controls.--Colombia is reported to maintain an embargo on assembled writing equipment. Mexico uses an embargo on foreign goods to encourage local manufacturers. Ceylon has designated imported writing equipment a luxury, which results in the prohibition of imports, and Ecuador similarly embargoes imports to conserve foreign exchange.

Eleven countries, eight of which were in South America, were cited for their licensing practices related to importation of writing instruments. One complaint stated that an import license is especially difficult to obtain in Chile, and after it is granted the merchandise must be shipped within 150 days from the license date or the importer will become subject to a fine of 100 percent of the c.i.f. value of the merchandise. A complaint lodged against Mexico stated that license approval often takes from 30 - 180 days.

Exchange controls maintained by eight Latin American countries and Spain also drew complaints. Complaints against Costa Rica and the Dominican Republic stemmed from the fact that exporters have had to wait a number of months for converted dollars to be remitted to them from the central banks.

Only two of the complaints were accompanied by an assessment of the significance or importance of the reported obstacles to trade. A respondent characterized as "small" the restrictive effect of Japanese payment arrangements which tie up capital for unusually long periods, but estimated a 25 percent increase in trade if the practice were changed. In another complaint, Mexican licensing practices were described as a "moderate" restriction on the respondent's shipments to Mexico, and a 44 percent increase in trade was estimated if the requirement were removed. The estimated trade increases in these two complaints totaled \$17,000.

**MANUFACTURED ARTICLES, NOT ELSEWHERE
SPECIFIED**

This sector covers all the miscellaneous industrial manufactured products which are not classified in industrial product sectors I-1 through I-22. Among specific products included here are: Candles; matches; caseins; albumins and their derivatives; glues; manufactures of straw or esparto and other plaiting materials; paper-based floor coverings with or without linoleum coating; head-bands and hat frames; umbrellas and walking sticks; artificial flowers; wigs, hairpieces and other articles of human hair; baby carriages and invalid carriages; parachutes; orthopedic appliances; brooms and brushes; buttons; smoking pipes; vacuum flasks and mechanical lighters. 1/

MFN tariffs

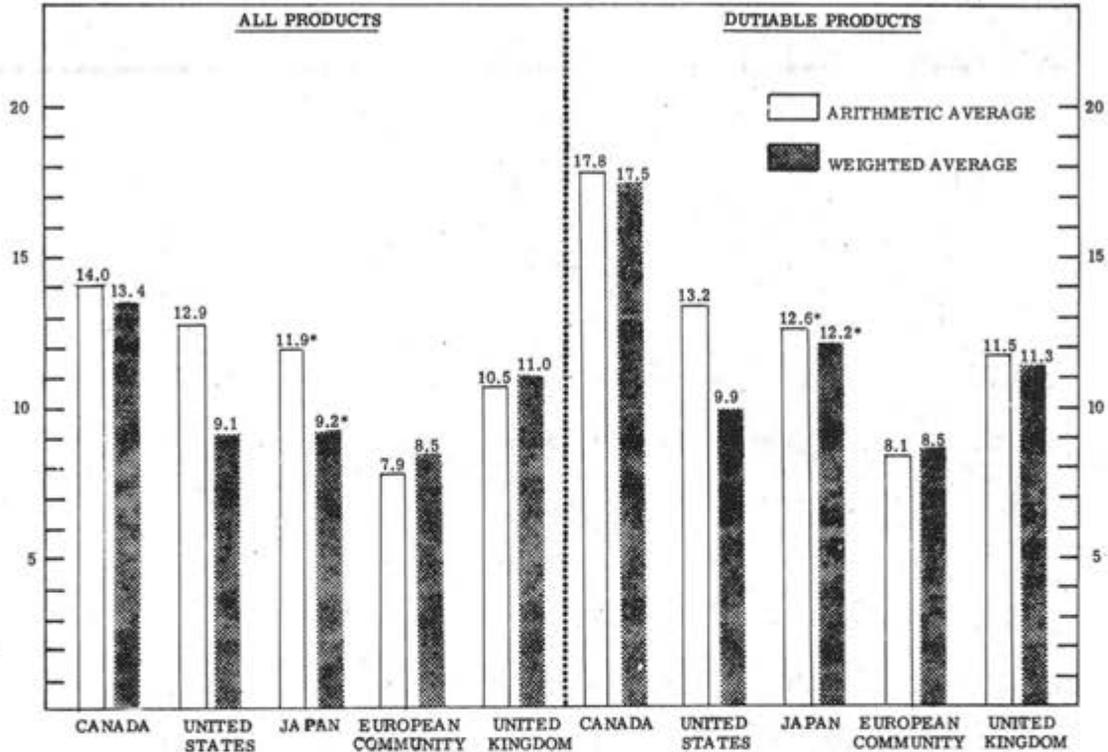
Arithmetic average MFN tariffs of the five major countries for all products (combined free and dutiable) in this miscellaneous sector range from 7.9 to 14 percent ad valorem; the weighted averages from 8.5 to 13.4 percent. The European Community has both the lowest arithmetic and weighted average tariffs and Canada has both of the highest. For dutiable products, only the Japanese and Canadian averages vary significantly from those for all products. Canada's averages rise to 17.8 percent for

1/ For the specific coverage of this sector, see BTN headings 27.17; 34.06; 35.01-.02; 35.05; 36.06; 36.08; 42.06; 46.01-.03; 48.12; 65.06-.07; 66.01-.03; 67.01-.05; 87.13; 88.04-.05; 90.19; 95.01-.08; 96.01-.06; 98.01-.02 and 98.10-.16.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

the arithmetic and 17.5 percent for the weighted. Japan's averages are 12.6 for the arithmetic and 12.2 for the weighted (chart I-23-A).

Chart I-23-A. --Average MFN tariff rates on manufactured articles not elsewhere specified
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions in 1972 on about 84 percent of the Japanese rates in this sector; several of the remaining rates were reduced by 29 percent or 47 percent.

Source: Compiled from Basic Documentation for the Tariff Study, GATT.

The distribution of MFN tariff provisions, by duty level, is shown in table I-23-A. Over half of the rate provisions of Japan and the Community are in the 5.1-10 percent ad valorem bracket, along with one-third of U.S. provisions and nearly half of United Kingdom provisions. Canada has 53.2 percent of its rate provisions in the 15.1-20 percent ad valorem bracket. The tariff schedules of all the five major countries contain MFN duty-free provisions for some articles

Table I-23-A.--Distribution, by duty level, of MFN tariff provisions for manufactured articles not elsewhere specified

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	21.8	2.5	5.3	2.0	9.2
0.1-5.0 percent----	.8	20.4	6.4	24.5	12.6
5.1-10.0 percent---	8.1	34.1	51.1	55.9	46.0
10.1-15.0 percent--	7.3	16.1	13.8	14.7	14.9
15.1-20.0 percent--	53.2	11.5	19.1	2.9	12.6
20.1-25.0 percent--	7.3	7.2	4.3	-	2.3
25.1-30.0 percent--	.8	4.3	-	-	1.1
30.1-40.0 percent--	.8	1.8	-	-	1.1
40.1-50.0 percent--	-	1.1	-	-	-
Over 50 percent----	-	1.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

in this miscellaneous sector. One-fifth of U.S. provisions, one-fourth of the Community's and 13 percent of United Kingdom provisions are in the 0.1-5 percent range. Canada, the United States, and the United Kingdom have rates over 25 percent ad valorem.

At least two-thirds of the MFN imports of the United States and the United Kingdom enter at duty rates of 5.1 to 10 percent ad valorem, as do one-fifth of Canada's imports, 45 percent of Japan's imports and one-half of EC imports (table I-23-B). For Canada, one-fourth of MFN entries

Table I-23-B.--Distribution, by duty level, of MFN imports of manufactured articles not elsewhere specified

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	23.8	7.3	24.5	0.8	3.0
0.1-5.0 percent----	3.0	5.5	1.7	25.8	4.1
5.1-10.0 percent---	21.9	65.1	44.7	49.9	70.3
10.1-15.0 percent--	.8	6.9	16.3	18.1	3.3
15.1-20.0 percent--	24.4	7.3	12.6	5.4	10.3
20.1-25.0 percent--	25.9	4.2	.3	-	5.5
25.1-30.0 percent--	.1	1.7	-	-	2.0
30.1-40.0 percent--	-	.2	-	-	1.3
40.1-50.0 percent--	-	.6	-	-	-
Over 50 percent----	-	.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Note.--Due to rounding, figures may not add to 100 percent.

are free; one-fourth in the 15.1-20 percent ad valorem range and another fourth in the 20.1-25 percent range. One-fourth of Japan's imports are free; one-fourth of EC imports are in the 0.1-5 percent bracket.

Imports of miscellaneous manufactured articles receiving preferential tariff treatment were insignificant for all of the five major countries except the United Kingdom, where preferential treatment was accorded 60 percent of total United Kingdom imports.

The United States has the most detailed tariff schedule for the miscellaneous manufactured articles in this sector, with 280 tariff lines, while the United Kingdom has the least with 87 tariff lines; the European Community has 102 tariff lines; Canada, 124; and Japan, 94. The multiple dispersion of U.S. and Canadian tariff lines into the BTN format overstates the detail of the tariff schedules of these two countries. An adjustment for this problem yields a more accurate item count of 221 items for the United States and 90 items for Canada.

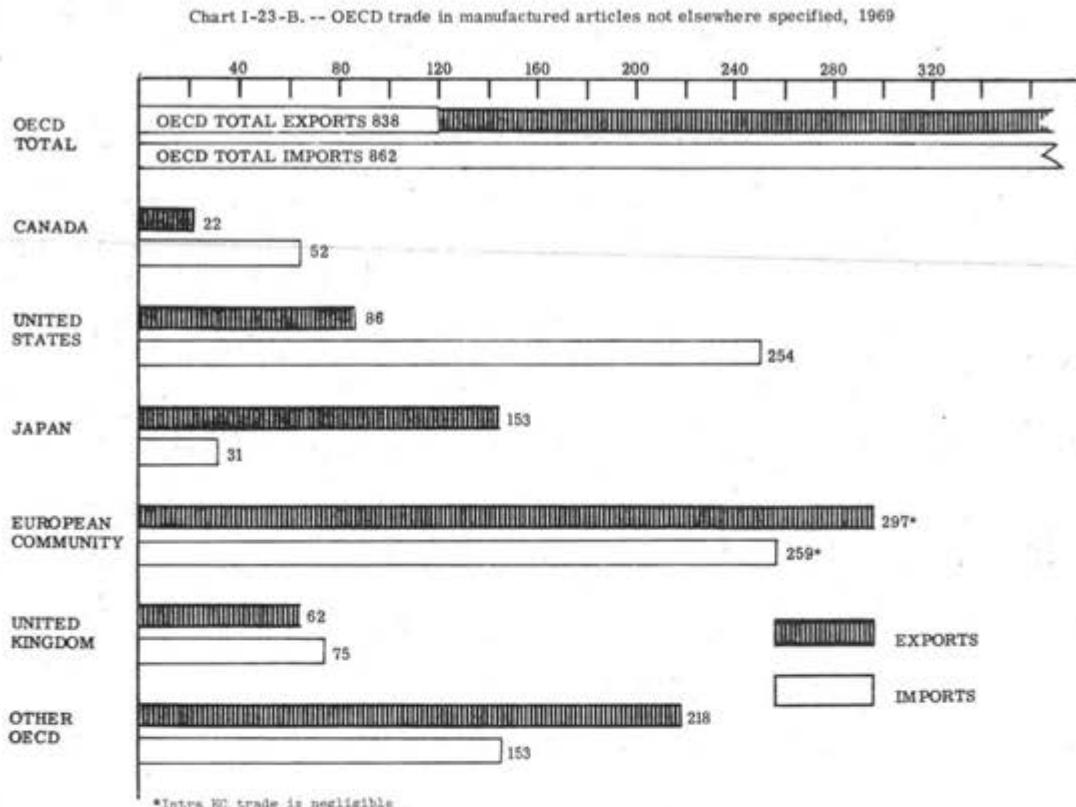
Trade importance

The miscellaneous manufactured articles sector is one of the least important of the industrial sectors, ranking 21st in OECD exports and 19th in imports. The sector accounts for less than half of 1 percent of OECD industrial exports and imports. For the United States, the sector is the 19th most important in industrial exports. It ranked 18th in 1969 U.S. imports, but rose to 16th in 1970.

Imports by the GATT tariff study countries were valued at \$652 million in 1967 and \$1 billion in 1970. Intra-European Community shipments were an additional \$115 million in 1967 and \$188 million in 1970. OECD

1969 imports were \$862 million and exports \$838 million (chart I-23-B).

In 1970, OECD imports increased to \$1.1 billion, exports to \$968 million.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

The five major countries account for approximately three-fourths of OECD exports and imports. The United States and the European Community are both major importers of the manufactured articles in this sector; the European Community and Japan are the most substantial exporters (table I-23-C and I-23-D). United States imports were valued at \$248 million in 1967, \$254 million in 1969 and \$298 million in 1971. Because of the miscellaneous character of products in this sector, complete country of origin and destination statistics are not compiled by the OECD on

Table I-23-C.--OECD exports of manufactured articles not elsewhere specified, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	838	22	86	153	<u>1/</u> 297	62	218
OECD total-----	146	17	NA	NA	26	X	103
Canada-----	NA	NA	NA	NA	NA	NA	NA
United States---	17	17	NA	NA	NA	NA	NA
Japan-----	NA	NA	NA	NA	NA	NA	NA
European Community-----	<u>1/</u> 79	NA	NA	NA	8	NA	71
United Kingdom--	4	NA	NA	NA	4	NA	NA
Other OECD-----	46	NA	NA	NA	14	NA	32
Non-OECD total----	1	NA	NA	NA	X	NA	1
LDC's-----	1	NA	NA	NA	X	NA	1

1/ Includes intra-EC shipments.

X= Less than \$500,000

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table I-23-D.--OECD imports of manufactured articles not elsewhere specified, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	862	52	254	31	<u>1/</u> 259	75	191
OECD total-----	72	8	NA	NA	25	3	38
Canada-----	NA	NA	NA	NA	NA	NA	NA
United States---	8	8	NA	NA	NA	NA	NA
Japan-----	NA	NA	NA	NA	NA	NA	NA
European Community-----	<u>1/</u> 7	NA	NA	NA	2	3	2
United Kingdom--	NA	NA	NA	NA	NA	NA	NA
Other OECD-----	57	NA	NA	NA	23	NA	34
Non-OECD total----	1	NA	NA	NA	X	NA	1
LDC's-----	X	NA	NA	NA	X	NA	X

1/ Includes intra-EC shipments.

X= Less than \$500,000

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

trade flows in these items. Consequently, no further comments on trade flows can be made.

Trade-agreement concessions

For the five major countries, average tariff levels on January 1, 1972, for miscellaneous manufactured articles were below levels existing on pre-trade-agreement base dates. The greatest reduction occurred in the U.S. tariff, which fell by over 20 percentage points. The lower levels, for the most part, reflect concessions granted in reciprocal negotiations. The tariff levels are compared in the tabulation below, where for all countries, except Canada, the figures given are weighted average duties; the Canadian figure is an arithmetic average. Most Japanese tariff rates in this sector were unilaterally reduced in 1972. ^{1/} Calculations based on Japan's new reduced rates would show an average level of about 7.4 percent.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	29.2	9.1
European Community	12.0	8.5
United Kingdom	17.0	11.0
Japan	10.2	9.2
Canada	21.4	14.0

In the U.S. tariff schedule, 97 percent of the tariff provisions, covering all MFN imports, are fully covered by GATT concessions; for the European Community, 95 percent of provisions, covering 94 percent of imports; for Canada 78 percent of provisions, covering 91 percent of

^{1/} BTN headings 35.05, 65.06, 65.07, 98.01, 63.031, 96.022(3), 98.101, and 98.110 were totally exempt from the 20 percent reductions.

imports; for the United Kingdom, 92 percent of provisions, covering 80 percent of imports; and for Japan, 90 percent of provisions, covering 48 percent of imports.

The national tariffs of all member states of the European Community prior to adoption of the EC's Common External Tariff (CXT) contained tariff concessions on miscellaneous manufactured articles in this sector negotiated under the GATT. The number of such concessions totaled 240, of which 154 reflected rates higher than the autonomous rate established in the CXT, 16 were at the CXT rate, and 70 were below the CXT rate.

Actual changes which have occurred since pre-trade-agreement base dates in major country tariffs dealing with wigs and toupees; umbrellas; artificial flowers, foliage and fruit; and baskets and bags of willow are shown in tables I-23-E, I-23-F, I-23-G and I-23-H.

Table I-23-E.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on wigs, toupees, chignons and similar articles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	14%	7%	790.70
Canada-----	55%	27.5%	25%	53305-1
European Community--	19%	15%	7.5%	67.04
United Kingdom-----	20%	20%	10%	67.04
Japan-----	20%	20%	10%	67.04

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Table I-23-F.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on umbrellas

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%	20%	20%	751.05
Canada-----	35%	25%	20%	62900-1
European Community--	20%	16%	16%	66.01
United Kingdom-----	43.5 ^{2/} ; 20%	35% ^{2/} ; 20%	17% ^{2/} ; 20%	66.01
Japan-----	30%; 20%	20%	10%	66.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Applicable to umbrellas with covers containing silk or manmade fibers.

Table I-23-G.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on artificial flowers, trees, foliage, fruit, etc., wholly
or almost wholly of plastic

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	60%	28%	21%	748.20
Canada-----	27.5%	22.5%	20%	63400-1
European Community--	21%	21%	15%	67.02AII
United Kingdom-----	30%	25%	12.5%	67.02(B)
Japan-----	40%	35%	25%	67.02(pt.)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Table I-23-H.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on baskets and bags of unspun fibrous vegetable materials,
whether lined or not lined

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	50%	8.5-34%	8.5-25%	222.40, .41, .42, .44
Canada-----	40%	22.5%	20%	62200-1; 62200-2; 62300-1
	40%	17.5%; 12.5%	17.5%; 12.5%	62200-3; 62305-1
European Community--	18%	14%	10%	46.03
United Kingdom-----	30%; 20%; 10%	30%; 15%; 10%	30%; 10%	46.03(A), (B), (C)
Japan-----	20%	15%	15%	46.03-2

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

Trade complaints

U.S. producers and traders of the miscellaneous manufactured articles contained in this basket sector submitted 108 complaints to the Tariff Commission concerning policies or practices which they considered barriers to trade. Over forty countries were named in the complaints. Two-thirds of the complaints were against practices in developed countries. The eight countries mentioned most often and the number of times they were mentioned were Japan (13), the United States (8), France (8), the United Kingdom (7), Sweden (6), West Germany (5), the Philippines (4), and Egypt (4).

As would be expected in a basket category containing a large number of unrelated products, the complaints named most of the practices which are looked upon as distortions to trade. There was only one area of noticeable concentration. About one-third of the complaints concerned

various forms of specific limitations in trade. A large number of the numerous products which fall in this miscellaneous sector were reported to be under quotas, licensing requirements, or outright embargoes in several developing countries. Complaints of this type against the major developed countries were relatively few. Importers of brooms objected to the U.S. tariff quotas on brooms, stating that the over-quota rate was actually prohibitive of imports. Importers of umbrellas complained against Japan's voluntary limitations on umbrella exports to the United States.

Several of the products in the sector, but matches in particular, are found in state trading or government monopolies in both developed and developing countries.

Only nine respondents submitted their estimates of the increase in trade that would occur if the indicated barrier were removed. Six of these responses indicated "moderate" increases in trade, two indicated a "significant" increase, and one a "small" increase. None of the respondents gave a dollar estimate of the expected trade increase.

UNITED STATES TARIFF COMMISSION

TRADE BARRIERS

Report to the

COMMITTEE ON FINANCE
of the
United States Senate

and its

SUBCOMMITTEE ON INTERNATIONAL TRADE

on Investigations 332-66 and 332-67
Under Section 332 of the Tariff Act of 1930

VOLUME 11 OF 11

PART III. PRODUCT SECTORS: TARIFFS AND OTHER
TRADE BARRIERS

CHAPTER XV. AGRICULTURAL PRODUCT SECTORS

- A-1. Foodstuffs
- A-2. Grains
- A-3. Animals and products thereof
- A-4. Oil seeds, fats and oils, and their products
- A-5. Beverages and spirits
- A-6. Dairy products
- A-7. Fish, shellfish, and products
- A-8. Tobacco
- A-9. Miscellaneous agricultural and forestry products



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C O N T E N T S

Volume 11

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Chapter XV

AGRICULTURAL PRODUCT SECTORS

Introduction

Agricultural products are defined in this report as all products provided for in chapters 1 through 24 of the Brussels Tariff Nomenclature. ^{1/} The agricultural products have been grouped into 9 sectors for discussing in detail the applicable tariffs, nontariff trade barriers, and the direction of major trade flows.

The format followed for the presentation of each sector includes an examination of MFN tariffs of the United States, Canada, Japan, the European Community (of six) and the United Kingdom, the sector's trade importance and trade network, the trade composition, trade-agreement concessions which have taken place and a summary of the trade complaints submitted to the Commission concerning trade barriers affecting products in the sector. Tariff and trade data for the most significant subsectors in each sector are also discussed in the same manner.

The agricultural sectors are numbered in the order of their importance in 1969 total agricultural export trade of the OECD countries, as follows:

- A-1. Foodstuffs
- A-2. Grains
- A-3. Animals and products thereof
- A-4. Oil seeds, fats and oils, and their products
- A-5. Beverages and spirits
- A-6. Dairy products
- A-7. Fish, shellfish and products
- A-8. Tobacco
- A-9. Miscellaneous agricultural and forestry products

A comparison of tariffs among sectors is found in chapter IV. Some general observations on the interpretation of the data presented in the sectors is found in chapter XIII.

^{1/} See the appendix to chapter XIII.

Agricultural Sector A-1

FOODSTUFFS

Foodstuffs include: Edible vegetables, fruits and nuts; cereal flours and meals; coffee, tea, spices, sugar, and cocoa; preparations of or substitutes for some of the foregoing products; and miscellaneous food preparations and components. ^{1/}

MFN tariffs

Among the five major countries under study, MFN average tariffs on foodstuffs vary considerably. The arithmetic averages for all foodstuffs (free and dutiable combined) range from 7.5 to 21.8 percent ad valorem and the weighted averages from 3.8 to 54.3 percent. For dutiable products alone, the MFN arithmetic averages range from 8.8 to 24 percent ad valorem, the weighted averages from 7.4 to 61.4 percent (see chart A-1-A).

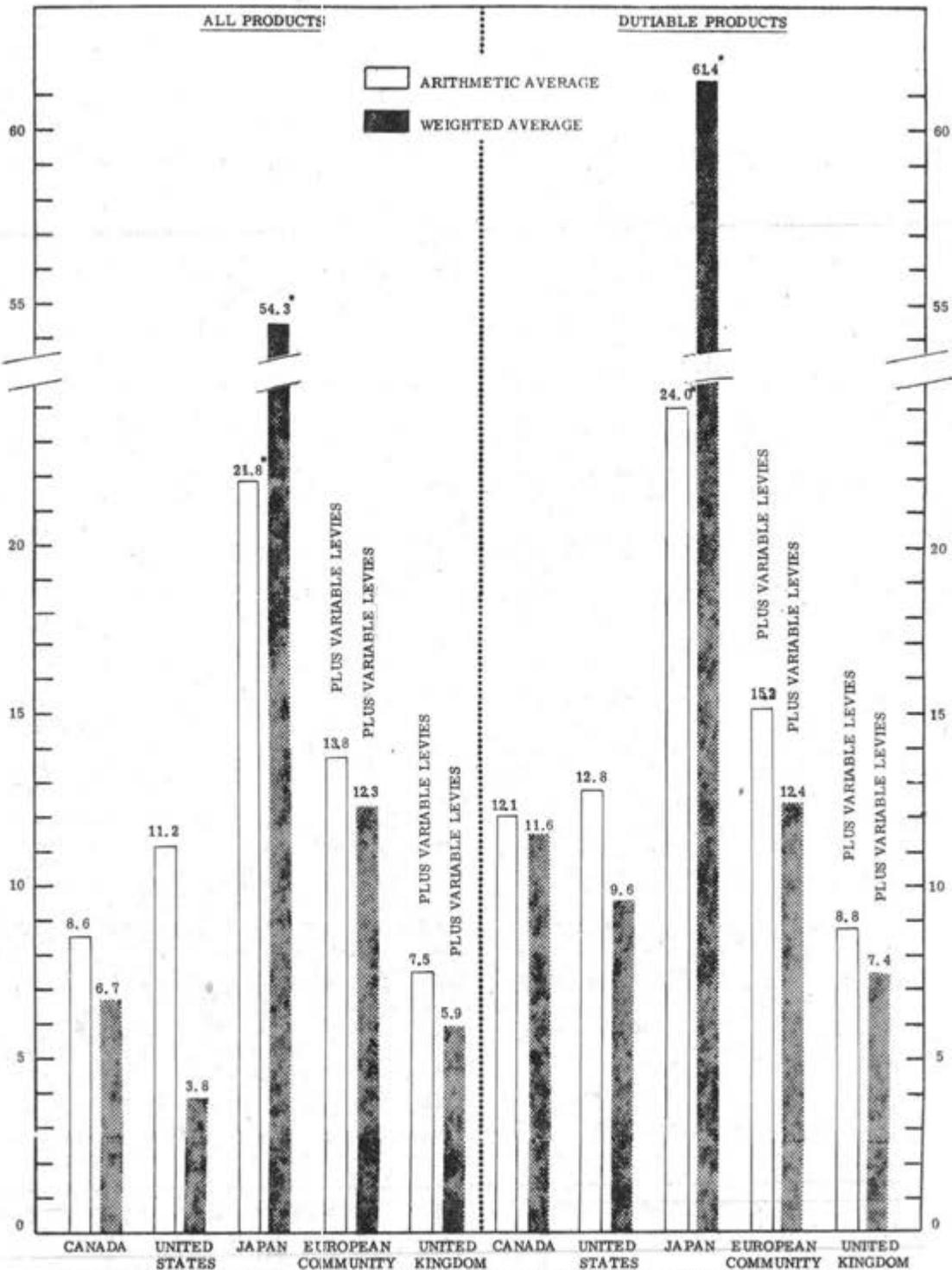
Variable import levies used by the European Community and the United Kingdom are not included in the calculations of the average MFN duties discussed here. The European Community applies variable levies for 358 of its 596 tariff lines for foodstuffs; however, less than 8 percent of EC imports enter under these

^{1/} For the specific coverage of this sector, see BTN headings 04.05-.06; 07.01-.06; 08.01-.13; 09.01-.10; 11.01-.09; 17.01-.05; 18.01; 18.03-.06; 19.01-.08; 20.01-.06; 21.01-.07; 22.10.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart A-1-A.--Average MFN tariff rates on foodstuffs

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging between 10 percent and 100 percent made in 1972 on almost one-fifth of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

variable levy provisions. 1/ Thus, the European Community arithmetic average tariffs are probably understated to a considerable degree and weighted average tariffs are probably understated to a lesser degree. 2/ The United Kingdom has variable levies for 5 of its 284 tariff lines for foodstuffs, covering less than 0.4 percent of United Kingdom imports in 1970. 3/

Japan has the highest arithmetic and weighted average MFN tariffs both for all products and for dutiable products considered alone. The United Kingdom (considering only fixed rates) has both the lowest average rates for dutiable foodstuffs and also the lowest arithmetic average MFN rate on all products, but the United States has the lowest weighted average duty for all foodstuffs. Canadian duties are slightly below those of the United States in the arithmetic averages and

1/ Variable levies are import charges imposed chiefly on agricultural imports. The charge is equal to the difference between an official minimum import price and the actual c.i.f. price of the imported product. The levies are calculated at frequent intervals in response to changes in world prices in order to guard the internal market against the effects of low outside prices.

Ninety-eight percent of EC tariff provisions for foodstuffs under variable levies are in 5 of the 10 foodstuffs subsectors: Prepared or preserved fruit; cocoa and cocoa preparations; sugar and confectionery; products of the milling industry, preparations of cereals; and "other" foodstuffs.

For 19 of the 238 EC provisions which are subject to fixed duties, a countervailing fee may be collected in addition to the duty under certain conditions.

2/ The range of relative heights of the variable levies for this sector is quite wide. For example, the ad valorem equivalent of the levy on white undenatured sugar is 196 percent and for raw undenatured sugar, 133 percent, while for dried whole eggs without the shell the levy equals about 82 percent (including the supplementary levy), 66 percent for fresh or preserved eggs, 61 percent for lactose, 51 percent for wheat flour and 50 percent for wheat groats and meal.

3/ The five United Kingdom provisions with variable levies are all in the subsector for products of the milling industry and preparations of cereals.

above the U.S. rates in the weighted averages. The rates of the European Community (even exclusive of variable levies) are above both the U.S. and Canadian rates in all four averages.

The distribution, by duty level, of MFN tariff provisions for foodstuffs is shown in table A-1-A. Each of the five major countries has duty-free provisions, ranging from 9 percent of Japanese

Table A-1-A.--Distribution, by duty level, of MFN tariff provisions for foodstuffs

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	28.8	13.2	9.0	8.8	14.0
0.1-5.0 percent----	13.3	19.4	6.1	6.3	25.4
5.1-10.0 percent---	17.1	27.9	14.6	19.4	43.0
10.1-15.0 percent--	17.4	12.8	7.1	23.9	12.9
15.1-20.0 percent--	19.7	15.2	17.9	24.0	1.8
20.1-25.0 percent--	2.4	2.9	21.7	9.6	2.5
25.1-30.0 percent--	-	1.3	7.1	3.4	0.4
30.1-40.0 percent--	1.3	5.6	12.7	4.6	-
40.1-50.0 percent--	-	.3	1.9	-	-
Over 50 percent----	-	1.4	1.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 60 percent of EC provisions, covering 8 percent of EC imports in this sector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 2 percent of United Kingdom provisions, covering 0.4 percent of United Kingdom imports in this sector in 1970.

provisions to 29 percent of Canadian provisions. The United Kingdom has one-fourth of its provisions in the range of 0.1-5 percent ad valorem, 43 percent in the 5.1-10 percent bracket, while most of the remainder are either duty free or dutiable in the 10.1-15 percent range. Provisions of the other four countries are more widely dispersed. Japan and the United States are the only two countries with rates above 40 percent ad valorem and each has provisions in all of the duty ranges shown in the table. Three-fifths

of U.S. provisions, however, are not higher than 10 percent ad valorem, whereas 70 percent of Japanese provisions are above 10 percent. The largest portion of U.S. provisions (28 percent) is in the 5.1-10 percent duty range. Nearly one-fourth of EC MFN fixed tariff provisions have rates in each of the rate brackets between the 10.1-20 percent ad valorem range, and one-fifth fall in the 5.1-10 percent range. Canadian dutiable provisions fall chiefly in the three brackets ranging from 5.1-20 percent ad valorem.

Four of the five countries accord preferential tariff treatment to a significant part of their imports. Preferential duties are applied to about 7 percent of U.S. imports, 14 percent of Canadian imports, one-fourth of EC imports from outside sources, and 39 percent of imports by the United Kingdom.

Less than one percent of EC MFN imports are duty free; over half are dutiable at rates between 5.1 and 10 percent ad valorem, and the remainder fall chiefly between 10.1 and 20 percent ad valorem. Nearly 12 percent of Japanese imports, one-fifth of United Kingdom imports, nearly half of Canadian imports, and over 60 percent of U.S. imports enter duty free. Japan has 38 percent of its imports dutiable at rates above 50 percent ad valorem; 18 percent of Japan's imports pay duties of 25.1 to 30 percent ad valorem. The United Kingdom has two-fifths of its imports dutiable between 0.1 and 5 percent ad valorem, and a quarter pay rates in the 5.1-10 percent range. Canada and the United States (each of which has a large portion of duty-free imports) have about one-fifth of imports dutiable between 5.1 and 10 percent ad valorem (see table A-1-B).

Table A-1-B.---Distribution, by duty level, of MFN imports of foodstuffs

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	47.0	61.1	11.5	0.6	21.0
0.1-5.0 percent----	12.1	6.8	3.1	5.5	41.2
5.1-10.0 percent---	20.5	22.8	7.8	51.0	24.0
10.1-15.0 percent--	7.4	6.1	4.1	16.3	8.8
15.1-20.0 percent--	8.1	2.0	2.5	20.1	2.9
20.1-25.0 percent--	.4	.2	9.1	5.6	1.4
25.1-30.0 percent--	-	.4	18.4	.9	.7
30.1-40.0 percent--	-	.6	2.9	-	-
40.1-50.0 percent--	4.5	-	2.3	-	-
Over 50 percent----	-	-	38.3	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 60 percent of EC provisions, covering 8 percent of EC imports in this sector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 2 percent of United Kingdom provisions, covering 0.4 percent of United Kingdom imports in this sector in 1970.

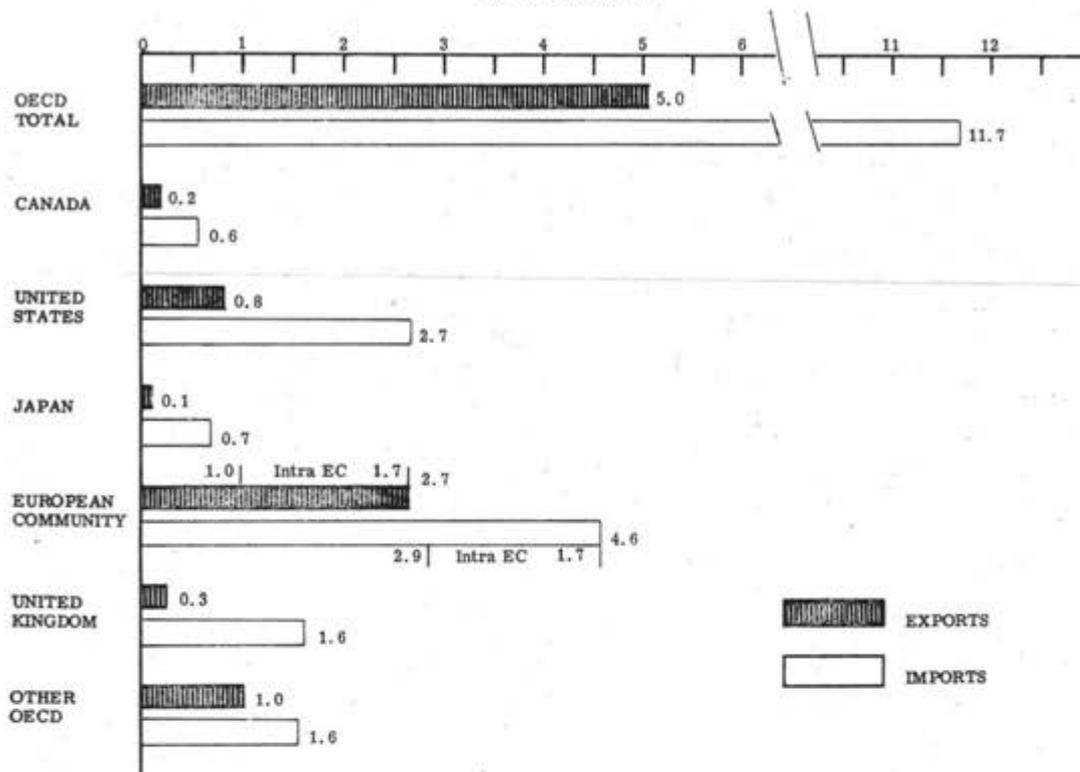
The United States and the European Community have the most detailed tariff schedules for foodstuffs, with 767 and 596 lines, respectively. The number of lines for Canada, the United Kingdom, and Japan range between 200 and 300.

Trade importance

The most important of the nine agricultural sectors is foodstuffs, which ranks first in both OECD exports and imports. OECD exports amounted to \$5 billion in 1969 and \$5.6 billion in 1970; imports totaled \$11.7 billion in 1969 and \$13.2 billion in 1970 (see chart A-1-B). In 1970, the foodstuffs sector accounted for 22 percent of OECD agricultural exports and 36 percent of imports. For the United States, the sector ranks third in agricultural exports and first in imports. U.S. exports of foodstuffs accounted for about 13 percent of total U.S. agricultural exports in 1970.

Chart A-1-B.--OECD trade in foodstuffs, 1969

(Billions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Imports of foodstuffs by the 13 GATT tariff study countries ^{1/} were valued at \$11 billion in 1970. Intra-European Community imports were an additional \$1.9 billion. The ratio of foodstuffs imports to exports is about 3 to 1 for the United States and Canada and about 6 to 1 for Japan and the United Kingdom. Imports by the Community are about 1 1/2 times as large as exports (about three times as large if intra-EC shipments are excluded).

^{1/} The thirteen "countries" are the United States, Canada, Japan, the United Kingdom, Denmark, Norway, Austria, Finland, Sweden, Switzerland, Australia, New Zealand and the six nations of the European Community (considered as one unit).

Trade network

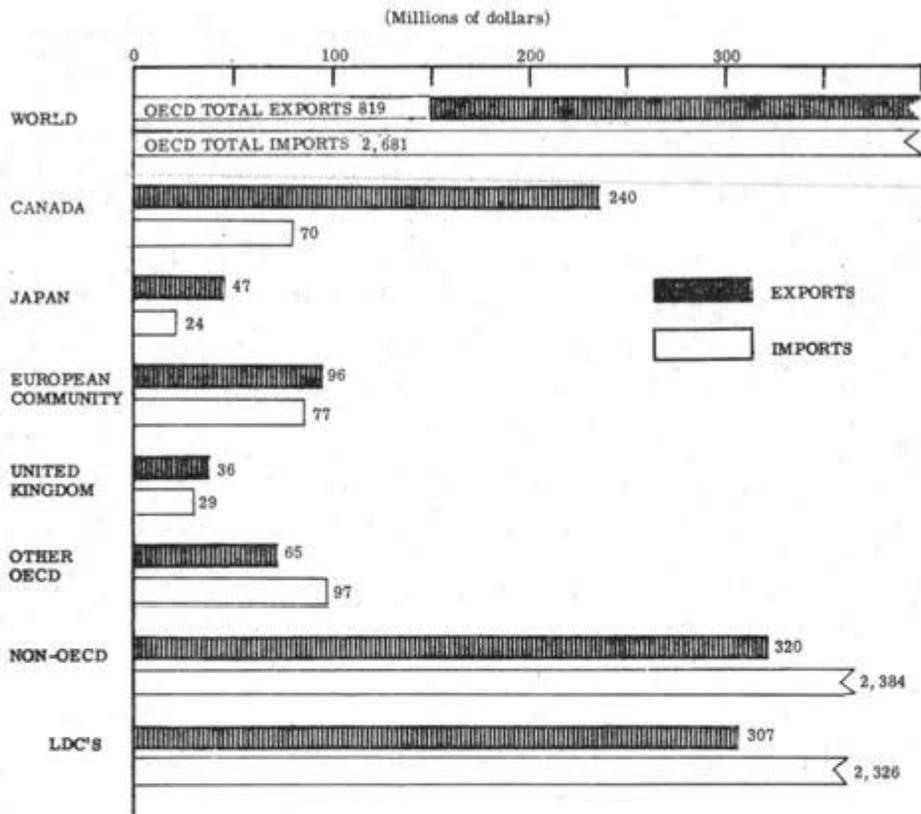
Almost 80 percent of OECD exports of foodstuffs go to other OECD countries, whereas almost two-thirds of imports (which are more than double the value of exports) come from non-OECD sources, principally the less developed countries. This large difference between import and export trade patterns illustrates the variety of products included in the foodstuffs sector.

The principal suppliers of foodstuffs to world markets are Brazil (reflecting the importance of coffee), the European Community, and the United States. Colombia, Mexico, and Spain are of moderate importance. The leading sources of U.S. imports are Brazil, the Philippines, and Colombia; those for the European Community are Brazil, Spain, Ivory Coast, and Morocco; and those for the United Kingdom are the European Community, the Republic of South Africa, Spain, and Australia. The United States supplies nearly half of Canadian imports of foodstuffs and is the fourth leading supplier of Japanese imports, behind Taiwan, the Ryuku Islands, and Cuba.

The European Community is the largest exporter among the five major countries, shipping \$967 million in foodstuffs to countries outside the Community and an additional \$1.7 billion to Community destinations, followed by the United States, with \$819 million; the two together account for 70 percent of total OECD exports. The United States has an important market in less developed

countries (37 percent of exports), but over half of U.S. exports go to the countries under study, with Canada receiving nearly 30 percent of U.S. foodstuffs exports (see chart A-1-C). The largest markets

Chart A-1-C. --United States trade in foodstuffs, 1969



for EC external exports are non-OECD countries (mostly less developed countries), the smaller ("other") OECD countries, and the United Kingdom.

The other three major countries also send important percentages of their relatively small exports to less developed countries (table A-1-C).

Table A-1-C.--OECD exports of foodstuffs, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,020	184	819	108	<u>1/</u> 2,648	262	999
OECD total-----	3,918	115	484	52	2,276	165	826
Canada-----	295	-	240	5	17	20	13
United States---	304	76	-	25	80	30	93
Japan-----	89	2	47	-	26	7	7
European Community-----	<u>1/</u> 1,838	3	96	8	1,681	35	15
United Kingdom--	395	29	36	10	162	-	158
Other OECD-----	997	5	65	4	310	73	540
Non-OECD total----	1,056	69	320	56	349	96	166
LDC's-----	860	65	307	50	268	85	85

1/ Includes intra-EC shipments.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Developing countries supply almost 90 percent of U.S. imports of foodstuffs, 70 percent of EC entries from outside sources, almost half of United Kingdom imports, and one-third of Canada's imports (table A-1-D).

Of the 11 percent of U.S. imports which come from OECD countries, about half are supplied in almost equal proportion by the European Community and Canada. "Other" OECD countries supply the bulk of EC imports

Table A-1-D.--OECD imports of foodstuffs, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	11,659	588	2,681	686	1/ 4,545	1,606	1,553
OECD total-----	4,247	330	297	110	2,272	537	701
Canada-----	122	-	70	2	4	38	8
United States---	524	270	-	54	88	40	72
Japan-----	54	3	24	-	9	12	6
European Community-----	1/ 2,353	17	77	34	1,688	207	330
United Kingdom--	184	25	29	13	34	-	83
Other OECD-----	1,010	15	97	7	449	240	202
Non-OECD total----	7,393	253	2,384	574	2,267	1,065	850
LDC's-----	6,495	200	2,326	451	2,009	779	730

1/ Includes intra-EC shipments.

Note.--Complete country of origin data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

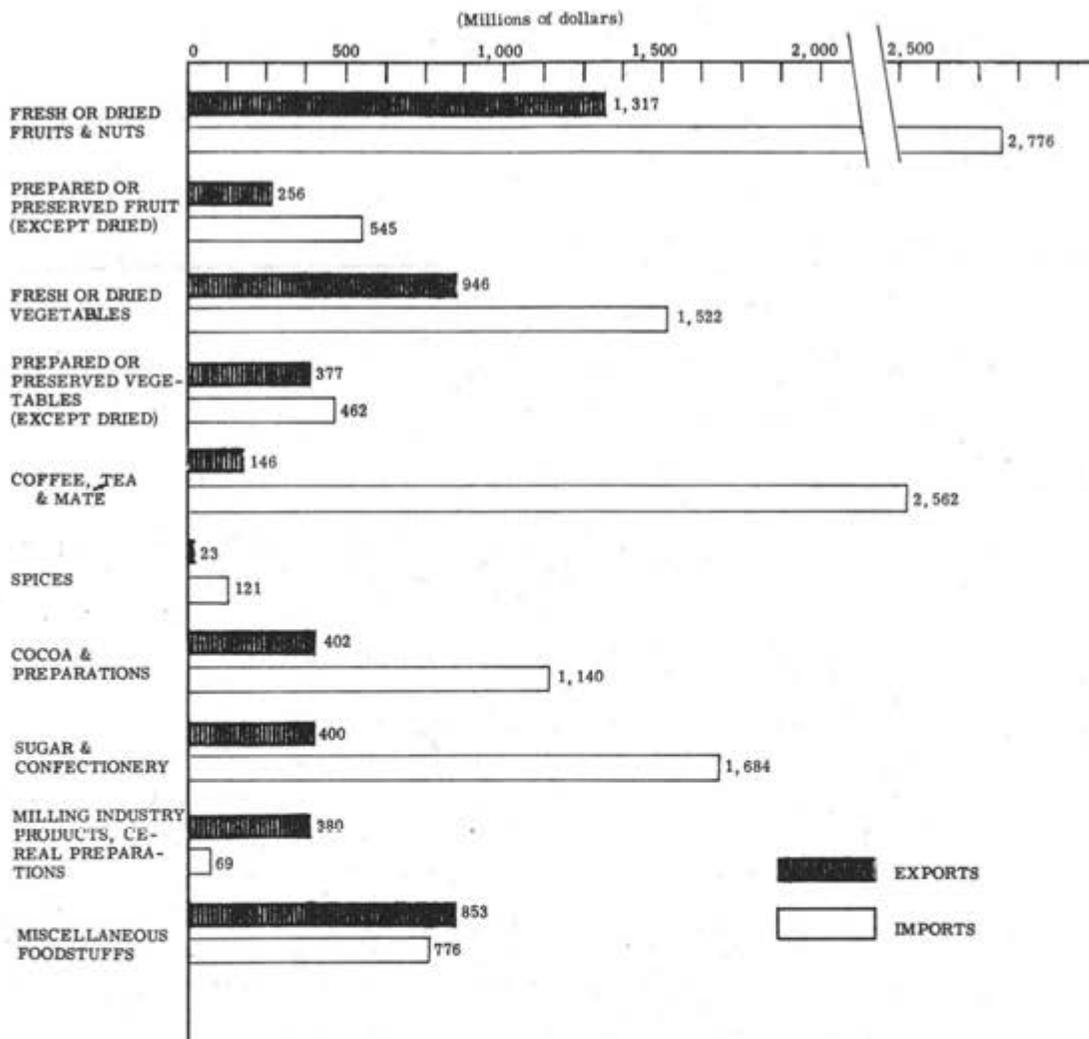
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

from outside sources which do not originate in LDC's. Canada imports the bulk of its OECD foodstuffs and nearly half of its total imports of foodstuffs from the United States. Thirty-nine percent of United Kingdom OECD imports of foodstuffs come from the European Community, and a slightly larger amount from "other" OECD countries.

Trade composition

There are 10 subdivisions in the foodstuffs sector; their relative importance is shown in chart A-1-D. Fresh or dried fruit and edible nuts make up the most important subsector in OECD trade, accounting for almost one-fourth of OECD foodstuffs imports and more than one-fourth of exports. Coffee, tea,

Chart A-1-D. -- OECD trade in foodstuffs, by type, 1969



Source: Compiled from national tariffs and trade statistics.

and maté comprise the second most important subsector, with little importance in OECD exports, but accounting for more than one-fifth of OECD foodstuffs imports and nearly 16 percent of combined exports and imports. The other subsectors, ranked by total OECD trade (exports plus imports) are: Fresh or dried vegetables; sugar and confectionery; "miscellaneous" foodstuffs;

cocoa and preparations; prepared or preserved vegetables (except dried); prepared or preserved fruit (except dried); milling industry products and cereal preparations; and spices.

Trade-agreement concessions

As shown in the tabulation below, each of the five major countries has had a reduction in its arithmetic average MFN tariff from levels existing on pre-trade-agreement base dates, ranging from the Canadian reduction of over 60 percent to the Japanese reduction of 13.5 percent. The January 1, 1972, average for Japan does not reflect 1972 unilateral reductions of 14 to 100 percent, made on nearly one-fifth of Japanese tariff provisions for foodstuffs.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	22.1	11.2
European Community	<u>1/</u> 21.0	<u>1/</u> 13.8) Plus vari-
United Kingdom	13.5	<u>2/</u> 7.5) able levies
Japan	25.2	21.8
Canada	22.2	8.6

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 40 percent of EC tariff lines which continue to be subject to fixed duties alone; it does not include any tariff lines (60 percent of total EC provisions) subject to a variable levy.

2/ For the United Kingdom, the January 1, 1972, figure is an arithmetic average of rates of duty in all tariff lines subject to fixed rates only, excluding lines covered by variable levies. Variable levies are used by the United Kingdom in 5 of its 284 tariff lines for this sector.

Prior to the adoption of the Common External Tariff (CXT) by the European Community, the national tariff schedules of each of the members of the Community contained tariff concessions negotiated under the GATT. Of the 741 total concessions, 364 were above the CXT rate; 71 were at the CXT rate; and 306 were below the CXT rate.

Each of the five major countries has made GATT concessions on some of its tariff provisions for foodstuffs. About 17 percent of Canadian tariff lines, about 60 percent of EC lines, nearly two-thirds of Japanese lines, and about 90 percent of U.S. lines are covered by GATT concessions. About 36 percent of United Kingdom lines are fully covered by GATT concessions and an additional one-fifth are covered in part.

Trade complaints

In the Tariff Commission's survey, more than 200 complaints were received from manufacturers and traders of foodstuffs against policies and practices which they considered to be barriers to trade. About two-thirds of the complaints applied to developed nations; most of the remainder applied to countries of Latin America. Almost all developed countries were named in the complaints, but the United States and Japan were the individual countries drawing the most complaints (28 and 25, respectively); however, the European Community countries as a group received more complaints than either the United States or Japan. The United Kingdom and Mexico each drew 11 complaints; Canada drew 5. Twenty-four developing countries were named.

The various forms of quantitative trade limitations and licensing practices were the subject of the largest number of complaints. Other practices on which several complaints were received were health and sanitation standards, labelling and container regulations, variable levies, and import duties.

The complaints are summarized under major topic headings in the paragraphs below.

Quantitative limitations and licensing.--Complaints regarding quantitative limitations, embargoes, and licensing requirements were the most numerous (more than 50) of any complaint category. Import quotas were the subject of more than half of these complaints and were directed almost entirely at the United States, Japan, and the European Community, notably France.

In a few responses concerning the U.S. Sugar Act, a U.S. importer and a foreign trade association were critical of the quotas allocated under the Act, while a producers trade association supported the quotas. In other complaints against the United States, quotas on chocolate crumb, confectionery, certain syrup and molasses, ice cream, milk powder, and wheat flour were cited; a tariff quota on potatoes was said to act as a barrier when prices were low. Trade increases that would result from removal of U.S. quotas on sugar were described as significant; the increase which would result from removal of the Section 22 quota on ice cream was estimated in excess of \$3 million.

Quantitative restrictions charged against Japan involved citrus fruits, apples, leguminous vegetables, cereal flours, tea, cranberry sauce, and relishes. An importers trade association pointed out, however, that progress had been made in the liberalization of quantitative restrictions by Japan on fresh and prepared oranges, fruit puree and pastes, pineapple fruit pulp, ketchup and tomato sauce, beans, peas, cereal flours, malt, ice cream powder, and grape, milk, and malt sugars.

General complaints leveled against the European Community in regard to quotas pertained to fresh and preserved fruit, canned tomatoes and tomato concentrates, and licorice extract. Complaints of quota limitations made by France applied to fresh, frozen, and preserved fruit and vegetables, and to dried prunes where the latter were packaged in units of less than 50 kilograms. In a single complaint, a U.S. industry committee, commenting on trade restrictions regarding foodstuffs as well as products of other industries, gave the opinion that quantitative restraints by European countries on imports from Japan cause Japanese exporters to concentrate their marketing efforts on the United States.

Embargoes were the subject of two complaints against Italy--one concerning canned pineapple containing corn syrup and one concerning tomatoes, eggplant, and capsicum. In other complaints concerning embargoes, a trade association for fruit and vegetable producers reported that Mexico had arbitrarily terminated imports of certain food items; a large U.S. producer of canned and frozen vegetables reported that

Jamaica had placed several food items on "ban," "restricted," or "prohibited" lists. Kuwait was cited for an embargo on flour and Guyana for banning instant coffee, except that made from beans produced in CARIFTA countries.

Strict import licensing requirements by many countries have the effect of quantitative restrictions in many instances. Japan was the country most frequently named in licensing complaints which concerned imports of dried and freeze-dried fruits, pulses, sugar, and syrups. The complaints referred to the restrictive effect of the licensing and the uncertainty of receiving requested import certificates. France was named in two complaints concerning trade in fresh, frozen, and preserved fruit and vegetables; one complaint reported import licenses difficult to obtain. Other developed countries named in general complaints against licensing requirements were Canada, Sweden, Norway, Denmark, and Finland; products involved included fruits and vegetables in various forms, cereal products, glucose, and malt extract. Registration and licensing procedures required by most Latin American countries were also a source of dissatisfaction to two U.S. trade associations.

Standards.--Complaints on standards were the second most numerous (more than 40) of the various types of trade complaints on foodstuffs. Standards concerning health and sanitation, labelling and containers, and product content were those most frequently mentioned in complaints. Trade increases which would result from elimination of these requirements were generally estimated to be significant or moderate.

Japan, the United States, European Community countries, and Latin American countries were those mentioned frequently in complaints regarding standards. Japanese quarantine regulations were described as overly strict; fresh fruit entering Japan must be entered in the green state and allowed to ripen under Japanese supervision; and only approved additives are permitted for use as food flavors, colors, or preservatives. One complainant noted that the importation of dried prunes into Japan was banned because ascorbic acid was included as a preservative and another respondent reported that fruit cake also was barred because it contained 0.1 percent benzoate of soda solution. In a labelling complaint, a U.S. trade association objected to the requirement by Japan that the name of the importer, the date of importation, and the net weight in metric units be printed on container labels.

U.S. quarantine, sanitation, and labelling requirements were the object of criticism in several complaints. In one instance, a complaint was directed at New York State for requiring the name and address of the importer on food labels. In two complaints regarding product content, the requirement by California that flour be enriched with niacin was described as impractical, while in a third complaint a foreign trade association objected to the fact that the milk solids to milk fat ratio required for U.S. milk chocolate was different from the ratio found in whole milk. U.S. marketing order requirements under which certain fruits and vegetables imported into the United States must meet the same grade, size, quality, and maturity standards that are

applied to domestic produce were criticized. Similarly, U.S. sanitation and labelling requirements were subject to considerable criticism by importers, although the requirements apply equally to domestic output.

Complaints on product content requirements directed at European Community members and other European countries included an objection to a restriction against the adding of color to Florida oranges as well as to a West German regulation controlling the minimum and maximum content of certain additives to imports of honey. West German and United Kingdom requirements were reported to preclude the use of certain antioxidants necessary to maintain stability in shelled walnuts; West German, Italian, and Austrian imports of fruit treated with the fungicide diphenyl ether are prohibited or must be labelled as unfit for human consumption. West German container requirements, as mentioned in one complaint, prohibit the use of containers other than in mandatory sizes; French regulations require, as stated in another complaint, that the country of origin of canned goods be marked on (usually embossed on) the end of the can. Canada was named in one U.S. complaint for banning U.S. imports of fruits and vegetables that do not meet U.S. marketing order requirements for size and quality, yet permitting the entry from other countries of imports not meeting U.S. marketing order standards. At least a half dozen other complaints were directed against the larger South and Central American countries for requiring extensive label detail on imported goods as well as discriminatory administrative procedures related to sanitary regulations.

Variable levies.--Several complaints were registered against the European Community for its use of variable levies in connection with imported foodstuffs. The Community applies variable levies to preserved fruit, containing added sugar above specified levels, as well as to such products as sugar, molasses, eggs, chocolate, cereal flours and meals, and preparations of flour, starch, or malt. Some respondents complained specifically about levies applied to sugar and to canned fruits with sugar added. Others complained that levies raised the price of imports to the target price for domestic products, thereby eliminating price competition; they further objected to the frequent changes in levies and the failure of the importing country to publish new rates promptly. Denmark, Norway, and Sweden were targets of complaints that higher levies on apples were applied in fall and winter months. A variable surcharge on sugar imported into the United Kingdom is used to subsidize the domestic production of beet sugar.

Import duties.--One respondent complained of the discriminatory effect of preferential rates existing among Commonwealth and European Community countries in respect to imports of fresh oranges. Most other complaints pertained to the high rates of duty levied on foodstuffs entering certain countries. Among the latter instances were complaints against West Germany in regard to citrus fruit products, the United Kingdom for fruits and vegetables in general, Austria for canned fruit cocktail, and Mexico for both fresh and canned fruits and vegetables. Two other complainants were concerned about an increase in duties on

fruits and vegetables, particularly peas, by the United Kingdom and Denmark as a result of their entry into the European Community.

Subsidies and other governmental participation in trade.--Charges of subsidizing exports were leveled against the European Community and Japan by a few complainants, including a trade association. The latter organization cited EC subsidies on exports of canned fruit to all destinations and on canned tomatoes and tomato concentrates to countries other than the United States. Italy was also reported to subsidize exports of tomato preserves.

Among other complaints concerning government policies and practices affecting trade, one U.S. importer was critical of the "buy American" policy for its discrimination against foreign foodstuffs, while another complaint regarded state monopolistic practices by Austria in connection with salt and wheat flour. Other complaints concerning state trading practices in connection with wheat flour were lodged against Canada, Switzerland, Norway, Spain, and Portugal.

Customs valuation and customs administrative procedures.--Complaints under this heading were limited in number and applied to the United States, Mexico, Norway, and the Arab Republic of Egypt. A British trade association complained of the complexity of U.S. valuation methods which at different times involved foreign, export, and U.S. value. U.S. trade associations objected to the Mexican practice of assessing duty on the higher of the invoice value, or an official value for the goods, noting that the official value is sometimes unreasonable. One of the same U.S. trade associations was critical of Norway for levying duties

on a quantity rather than a value basis. The complaint against the Arab Republic of Egypt was directed at customs documentation requirements.

Miscellaneous practices.--A number of other trade barriers each drew responses from one or two complainants. The barriers described included restrictive business practices, shipping practices, minimum and maximum price controls, exchange controls, investment controls, prior import deposits, and border, port, excise, sales, and other taxes. Specific complaints reported included the following: (1) Australian fruit (peach) canners, in 1971, started a two price system setting lower prices for exported goods; (2) high port and inland freight charges in the United States add substantially to the cost of U.S. exports; (3) the European Community stipulates a minimum price for imports of canned tomatoes and tomato concentrate into the Community; (4) it is practically impossible for American firms to establish and freely operate offices in Japan; and (5) prior import deposits are required by most Latin American countries. Many of the foregoing miscellaneous barriers related to trade in foodstuffs are discussed in greater detail in connection with other commodity groups.

In the Commission's survey, respondents were asked to give their assessment of the restrictive trade effect of the barriers they reported by indicating whether trade in the affected foodstuffs would show a "small," "moderate," or "significant" increase if the barrier was removed and, if possible, to estimate a dollar value for the increase.

About 25 percent of the respondents gave an assessment of the effect in terms of the three broad categories, but less than 10 percent assigned dollar values to the trade differential. The potential trade increase was described as "significant" in 60 percent of the assessed responses, as "moderate" in 23 percent, and as "small" in 17 percent. Dollar estimates of potential trade increases were too few to present a meaningful indicator for the commodity group; the individual estimates which were received ranged from \$2,000 to \$20 million, and totaled \$28 million. The percent increase in the respondents' trade was consistently estimated at about 50 percent, but rose as high as 500 percent with one complaint.

Fruits and Edible Nuts, Fresh or Dried

All fresh or dried edible fruits and nuts, other than those nuts chiefly used for the extraction of oil, are covered in this sub-sector of the foodstuffs sector. 1/

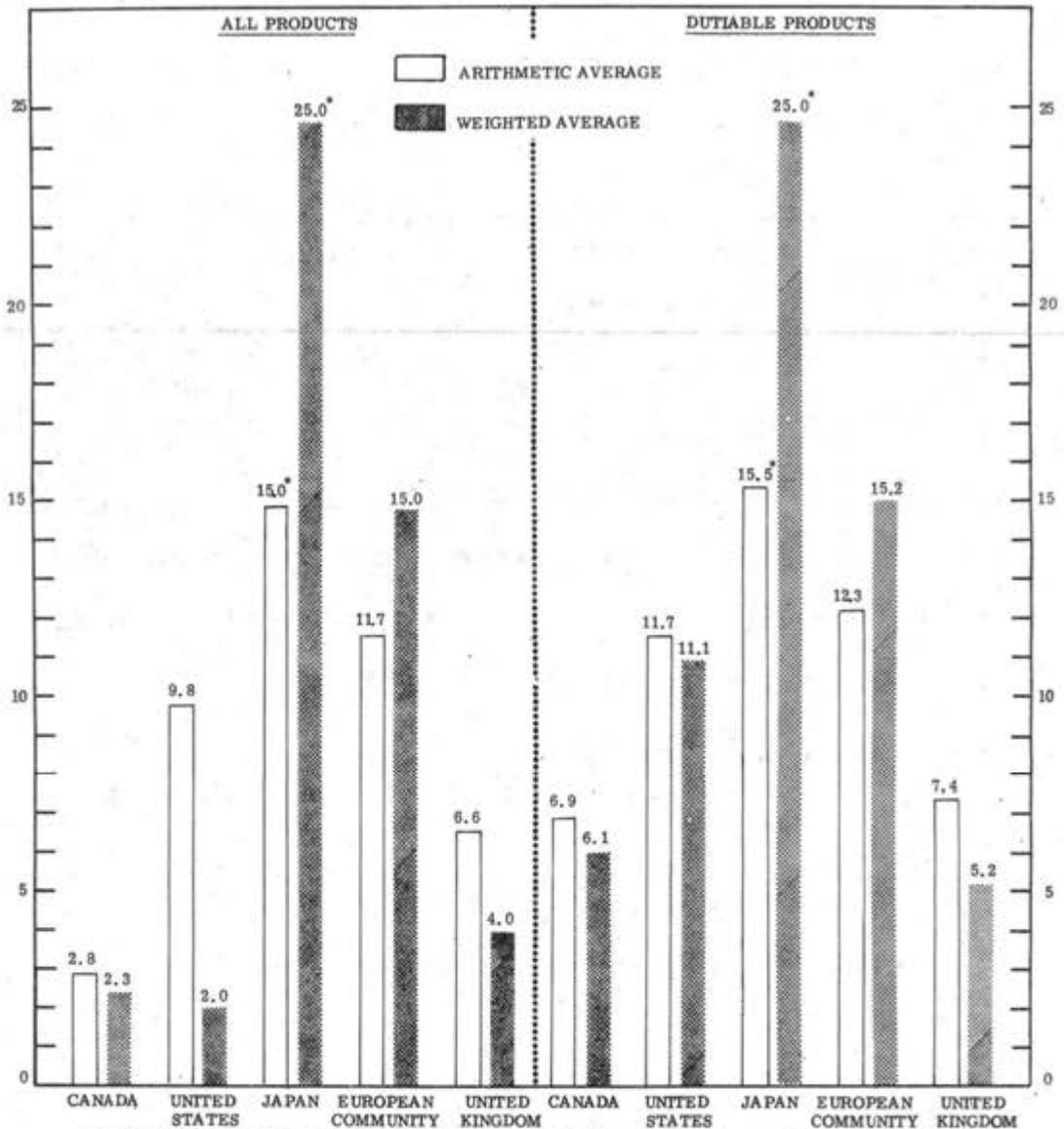
MFN tariffs

As shown in chart A-1-E, fruits and edible nuts face arithmetic average MFN tariffs in the five major countries ranging from 2.8 to 15 percent ad valorem for all products (combined free and dutiable) and weighted average duties ranging from 2 to 25 percent. Canada has the lowest arithmetic average, while the United States has the lowest weighted average. The highest arithmetic and weighted averages belong to Japan. Averages for dutiable products only do not differ significantly from the all products averages for Japan, the European Community, and the United Kingdom. Canada's dutiable products averages are about four percentage points above the all products average. The U.S. weighted average for dutiable products is 9 percentage points above the corresponding all products average.

Sixty percent of Canada's MFN tariff provisions for edible fruits and nuts are duty free and none of its provisions are dutiable above 15 percent ad valorem (see table A-1-E). Over 28 percent of U.S. provisions are dutiable between 0.1 and 5 percent ad valorem, about 24 percent are between 5.1 and 10 percent ad valorem, and 16 percent

1/ For the specific coverage of this subsector, see BTN headings 08.01-.09; 08.12.

Chart A-1-E. -- Average MFN tariff rates on fruits and edible nuts, fresh or dried
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 50 percent or 100 percent made in 1972 on several of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

are duty free. The two rate brackets between 0.1 and 10 percent each have about two-fifths of United Kingdom provisions.

Japanese provisions also are concentrated in two rate ranges, 5.1-10 percent (44 percent of provisions) and 15.1-20 percent (one-third

of provisions). About two-fifths of the Community's provisions pay duties in the 5.1-10 percent ad valorem range, one-fifth

Table A-1-E ---Distribution, by duty level, of MFN tariff provisions for fresh or dried fruit and edible nuts

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	59.5	15.9	2.9	4.9	11.3
0.1-5.0 percent----	14.3	28.3	5.9	9.9	39.6
5.1-10.0 percent----	19.1	23.9	44.1	37.7	37.8
10.1-15.0 percent--	7.1	8.0	5.9	19.6	7.5
15.1-20.0 percent--	-	11.5	32.4	16.4	1.9
20.1-25.0 percent--	-	2.7	-	8.2	1.9
25.1-30.0 percent--	-	.9	5.9	-	-
30.1-40.0 percent--	-	7.9	2.9	3.3	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

are in the 10.1-15 percent range, and 16 percent in the 15.1-20 percent bracket. All EC provisions in this subsector are subject to fixed duties and none to variable levies. ^{1/}

Except for Japan, each of the major countries accords preferential tariff treatment to some imports. In 1970, preferential treatment was given to about 3 percent of imports by the United States and Canada, about 30 percent of EC imports from outside countries, and nearly 40 percent of United Kingdom imports of fresh or dried fruits and edible nuts.

Over 80 percent of U.S. imports and nearly two-thirds of Canadian imports of fruits and edible nuts enter free of duty (see table A-1-F).

^{1/} For 17 of the 61 EC tariff provisions in this subsector, a countervailing fee may be collected in addition to the duty under certain conditions.

Table A-1-F.--Distribution, by duty level, of MFN imports of fresh or dried fruit and edible nuts

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	63.0	81.8	-	1.2	23.7
0.1-5.0 percent----	6.4	9.1	4.5	7.0	61.6
5.1-10.0 percent---	28.2	1.3	16.7	21.5	10.0
10.1-15.0 percent--	2.4	3.4	.1	26.2	4.7
15.1-20.0 percent--	-	1.4	4.7	40.3	-
20.1-25.0 percent--	-	.4	-	3.8	-
25.1-30.0 percent--	-	-	74.0	-	-
30.1-40.0 percent--	-	2.6	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

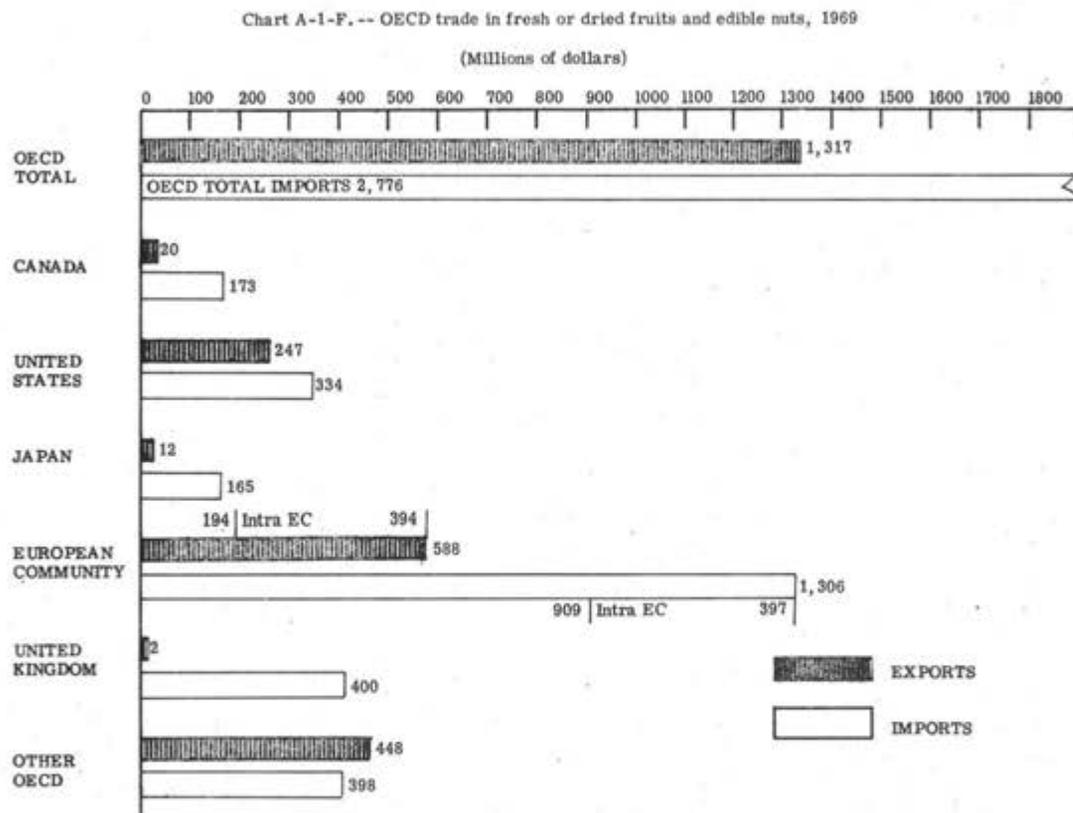
The United Kingdom, with nearly one-fourth of its imports duty free, has over 60 percent of imports dutiable between 0.1 and 5 percent ad valorem. About 40 percent of EC imports are dutiable between 15.1 and 20 percent ad valorem, with most of the rest dutiable in the two brackets between 5.1 and 15 percent. Nearly three-fourths of Japanese imports pay rates between 25.1 and 30 percent ad valorem.

The United States has the largest number of tariff lines in this subsector (113) and Japan, with 34 lines, has the fewest. The European Community has 61 lines; the United Kingdom has 53 lines; and Canada has 42.

Trade importance

Fresh or dried fruits and edible nuts is one of the most important agricultural subsectors, ranking fourth in 1969 OECD exports and imports among the 28 agricultural subsectors. Products in this subsector accounted for over 6 percent of total OECD agricultural exports and nearly 9 percent of imports in 1969. For the United States, the subsector was the fourth most important of

the 28 subsectors in 1969 exports and the sixth most important in imports. Combined OECD imports were about twice as large as exports; each of the five major countries had more imports than exports in 1969 (see chart A-1-F).



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, combined imports by the 13 GATT tariff study countries were valued at \$2.4 billion, accounting for over one-fifth of foodstuffs imports. Intra-EC shipments were an additional \$385 million, compared to \$909 million of EC imports from outside the Community.

Trade network

The five major countries account for two-thirds of OECD exports and over 85 percent of OECD imports of fresh or dried fruits and edible nuts. More than 86 percent of OECD exports go to other OECD countries, but over half of imports come from non-OECD sources, mostly from less developed nations.

The European Community is the largest OECD exporter, shipping \$588 million in 1969, \$394 million of which was traded within the Community. U.S. exports of \$247 million are greater than EC external shipments of \$194 million. The other three countries have very small exports, as shown in table A-1-G. The largest markets for the

Table A-1-G.--OECD exports of fresh or dried fruits and edible nuts, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,317	20	247	12	<u>1/</u> 588	2	448
OECD total-----	1,137	18	209	4	533	2	371
Canada-----	111	-	105	4	X	X	2
United States---	28	15	-	X	3	X	10
Japan-----	25	X	24	-	X	-	1
European Community----	<u>1/</u> 693	X	44	X	394	X	255
United Kingdom--	103	2	8	X	40	-	53
Other OECD-----	177	1	29	X	99	2	46
Non-OECD total----	179	1	37	8	54	X	79
LDC's-----	77	1	34	7	16	X	19

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

United States and Canada (taking over two-fifths of U.S. shipments) and the European Community. Most EC external exports go to "other" OECD countries and non-OECD destinations, one-fifth are shipped to the United Kingdom.

About 44 percent of total OECD imports come from less developed countries (table A-1-H). The European Community receives about half

Table A-1-H.--OECD imports of fresh or dried fruits and edible nuts, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,776	173	334	165	<u>1/</u> 1,306	400	398
OECD total-----	1,308	112	27	34	755	158	222
Canada-----	17	-	12	-	X	4	1
United States---	224	108	-	33	40	11	32
Japan-----	3	2	X	-	X	X	1
European Community-----	<u>1/</u> 560	X	3	X	397	55	105
United Kingdom--	3	X	X	X	1	-	2
Other OECD-----	501	2	12	1	317	88	81
Non-OECD total----	1,468	60	307	132	551	241	177
IDC's-----	1,217	46	302	122	470	135	142

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of its outside imports from less developed countries, and the United States receives over 90 percent from these sources. Non-OECD sources supply 60 percent of United Kingdom entries and over half of this portion is from less developed countries. Most

Japanese imports also come from the developing nations, while Canada imports over 60 percent of its fresh or dried fruits and edible nuts from the United States.

Trade-agreement concessions

In the tabulation below, the arithmetic average of MFN tariff rates on fresh or dried fruits and edible nuts for each of the five major countries on pre-trade-agreement base dates are compared with January 1, 1972, average tariffs. The Japanese 1972 average does not reflect unilateral reductions of 50 or 100 percent made in 1972 on several Japanese provisions in this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	16.2	9.8
European Community	11.9	11.7
United Kingdom	10.8	6.6
Japan	20.0	15.0
Canada	11.0	2.8

Each of the members of the European Community had negotiated national tariff concessions on fresh or dried fruits and edible nuts prior to establishment of the EC's Common External Tariff. These concessions totaled 189, of which 93 were above the CXT rate, 18 were at the CXT rate, and 78 were below the CXT rate.

GATT concessions cover some of the tariff lines of each of the five major countries for this subsector. Less than 10 percent of Canadian provisions, about 60 percent of EC and Japanese provisions, and over two-thirds of U.S. provisions are covered by

GATT concessions. Nearly half of United Kingdom lines are fully covered, and an additional fifth are partially covered by GATT concessions.

Actual rate changes which have occurred for fresh or dried grapes since pre-trade-agreement base dates are shown in table A-1-I.

Table A-1-I.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on fresh or dried grapes

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	5.4-31.2% AVE ^{2/}	1.7-15.6% AVE ^{3/}	Free-15.6 AVE ^{4/}	147.60-.75
Canada-----	Free-25%	Free-10%	Free-10%	9401-1; 9402-1; 9910-1
European Community--	9-22%	8-22%	6-22%	08.04
United Kingdom-----	1.6-10% AVE ^{5/}	1.6-20% AVE ^{6/}	1.6-20% AVE ^{6/}	08.04
Japan-----	20%	20%	5-20%	08.04

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percents are ad valorem equivalents, calculated on 1971 import values, representing specific rates of 2-2.5 cents per pound and 25 cents per cubic foot.

^{3/} Percents are ad valorem equivalents, calculated on 1971 import values, representing specific rates of 1-2.5 cents per pound and 5.25-12.5 cents per cubic foot.

^{4/} Range includes ad valorem equivalents of from 1.7-15.6 percent, calculated on 1971 import values, representing specific rates of 1-2.5 cents per pound and 5.25-6 cents per cubic foot. About 40 percent of the imports of fresh or dried grapes entered free of duty in 1972.

^{5/} Range includes ad valorem equivalents, calculated on 1971 import values, representing specific rates of from 2s. to 10s. 6d. per hundred weight.

^{6/} Range includes ad valorem equivalents, calculated on 1971 import values, representing specific rates of from 2s. to 14s. per hundred weight.

For the European Community, although there was no change from the autonomous rate on fresh grapes, there was a decrease in duties on dried grapes in the Kennedy Round. For the United Kingdom, the range of ad valorem equivalents does not show a reduction in tariffs, but there were reductions of about 50 percent in specific-rate duties

on two of seven tariff provisions for fresh and dried grapes in the Kennedy Round. In the Canadian tariff schedule, fresh grapes are either duty free or have relatively low duties. Canada made GATT concessions on dried grapes in 1948, but there were no further reductions in the Kennedy Round. U.S. duties on fresh or dried grapes were substantially reduced from the pre-trade-agreement levels before the beginning of the Kennedy Round, and there were further reductions in the Kennedy Round. Japan has had some reductions in duties on dried grapes.

Fruit, Prepared or Preserved (Except Dried)

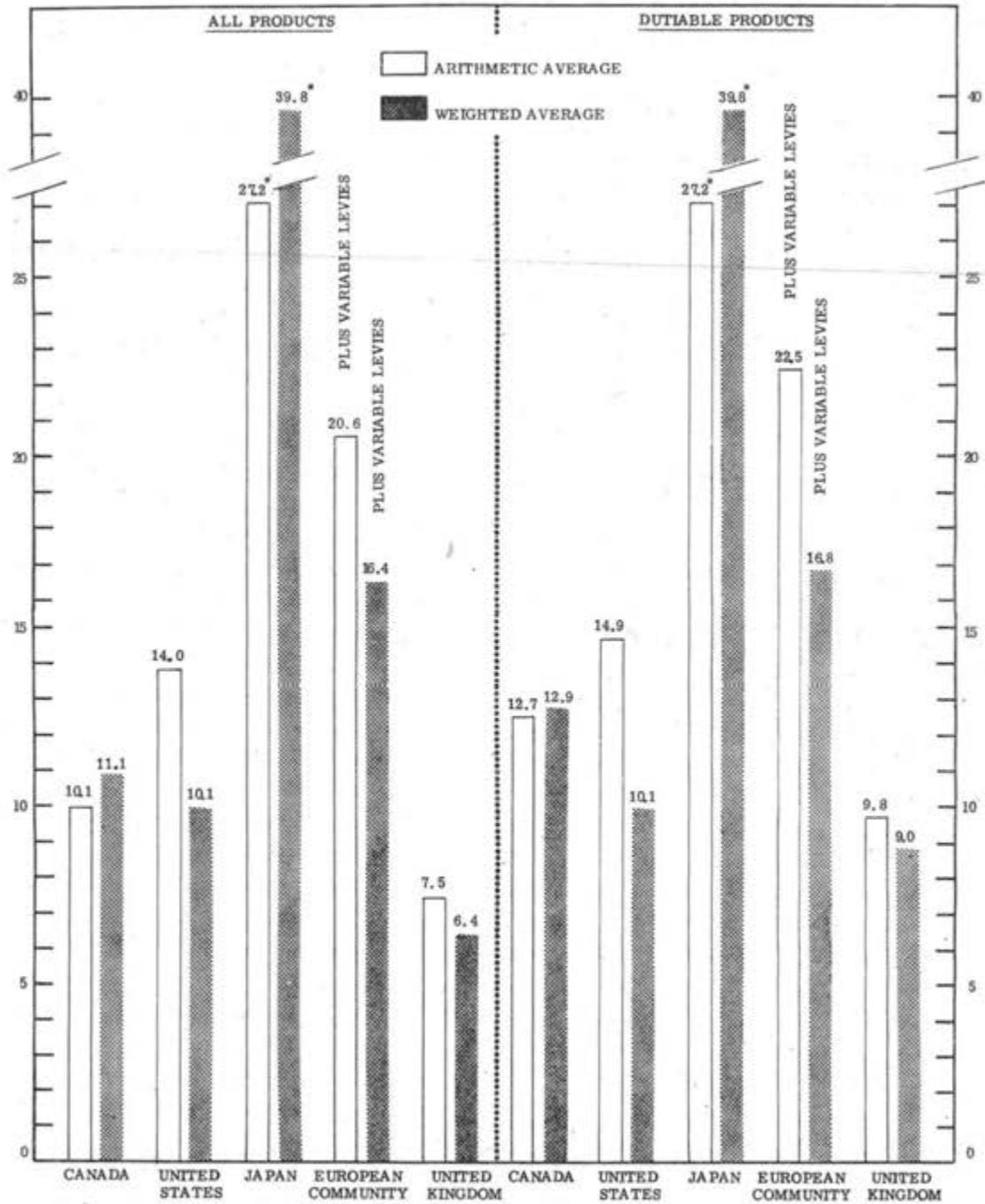
Prepared or preserved fruit (except dried) includes fruit and fruit peel, preserved by freezing, provisionally preserved in brine or preserved in airtight containers in sugar syrup, juice or water. This subsector also includes jams, marmalades, fruit jellies, fruit purees and pastes; fruit and nuts otherwise prepared or preserved; and flours of certain fruits. This subsector does not include fruit juices. 1/

MFN tariffs

Excluding the Japanese weighted averages, the five major countries have higher average MFN tariffs in this subsector than their individual averages on foodstuffs as a whole. The United Kingdom's 7.5 percent ad valorem arithmetic average on all products is the lowest of the arithmetic averages of the five countries, and equal to its average for foodstuffs as a whole, but the other arithmetic averages for the subsector are generally several percentage points higher than for foodstuffs as a whole. Excluding Japan, weighted averages for the individual countries also are several percentage points higher than for weighted averages for foodstuffs as a whole. Averages for all products and for dutiable items only do not differ significantly in this subsector. Japan has the highest weighted and arithmetic averages, with arithmetic averages of 27.2 percent and weighted averages of 39.8 percent ad valorem (chart A-1-G). Calculated from fixed duties only,

1/ For the specific coverage of this subsector, see BTN headings 08.10; 08.11; 08.13; 11.04; 20.03-20.06.

Chart A-1-G.-- Average MFN tariff rates on prepared or preserved fruit (except dried)
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 20 percent made in 1972 on two of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

the European Community has the second highest average MFN tariffs. ^{1/} The European Community applies variable levies on 40 of its 75 tariff lines, covering one-fourth of EC imports in 1970. These levies are not included in the calculation of average MFN tariffs discussed here. The U.S. arithmetic averages are between 14 and 15 percent, while the weighted averages are both 10.1 percent ad valorem.

About one-fifth of Canadian provisions and about one-fourth of United Kingdom provisions for prepared or preserved fruit are duty free (table A-1-J). Japan has no duty-free provisions, and

Table A-1-J .--Distribution, by duty level, of MFN tariff provisions for prepared or preserved fruit (except dried)

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	20.6	5.5	-	8.6	23.6
0.1-5.0 percent----	2.9	18.2	3.4	2.8	18.2
5.1-10.0 percent---	17.7	32.2	3.5	2.9	27.3
10.1-15.0 percent--	38.2	9.8	-	8.6	29.1
15.1-20.0 percent--	20.6	19.0	27.6	22.8	1.8
20.1-25.0 percent--	-	.9	27.6	20.0	-
25.1-30.0 percent--	-	.8	6.9	11.4	-
30.1-40.0 percent--	-	10.2	20.7	22.9	-
40.1-50.0 percent--	-	-	10.3	-	-
Over 50 percent----	-	3.4	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 53 percent of EC provisions, covering 25 percent of EC imports in this subsector in 1970.

the European Community and the United States each have less than 10 percent of their provisions duty free. Almost 60 percent of

^{1/} The effect of variable levies in this subsector can be illustrated with regard to EC imports of canned peaches and fruit cocktail. The duties alone on these products are 24.4 and 23.2 percent ad valorem. With the additional effect of the levies (which are charged on the amount of sugar added to these canned fruits), the total charge of duties and levies has been equal to about 29 and 28 percent, respectively.

United Kingdom provisions are about evenly divided between the two rate brackets between 5.1 and 15 percent ad valorem. Canada has one-fifth of provisions dutiable between 15.1 and 20 percent, 38 percent of provisions between 10.1 and 15 percent, and the rest of provisions between 0.1 and 10 percent. The United States, with a broader range of duties than the other countries (exceeding 50 percent ad valorem for a few provisions), has nearly one-third of provisions dutiable between 5.1 and 10 percent ad valorem and nearly one-fifth of provisions dutiable between 15.1 and 20 percent ad valorem. Both Japan and the European Community have more than one-fifth of provisions in each of the ranges 15.1-20 percent ad valorem, 20.1-25 percent, and 30.1-40 percent.

Except for Japan, imports receiving preferential tariff treatment are significant for each of the five major countries. In 1970 preferential treatment was given to 56 percent of imports by the United Kingdom, 15 percent of U.S. imports, 12 percent of Canadian imports, and about 8 percent of European Community imports from outside sources.

Only the United Kingdom and Canada have large percentages of imports entering duty free (one-fourth of Canadian imports and about 30 percent of United Kingdom imports) (table A-1-K). Most U.S. imports are dutiable at rates no higher than 15 percent ad valorem. The two rate ranges between 0.1 and 10 percent each cover nearly 30 percent of U.S. imports and the range of 10.1-15 percent covers one-fourth of U.S. imports. Similarly, the United Kingdom has a high concentration of imports in these duty ranges and

Table A-1-K .---Distribution, by duty level, of MFN imports of prepared or preserved fruit (except dried)

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	24.9	0.4	-	2.5	29.0
0.1-5.0 percent----	.2	29.8	0.1	5.6	15.7
5.1-10.0 percent----	9.3	29.7	-	-	31.9
10.1-15.0 percent--	42.5	25.4	-	21.3	22.3
15.1-20.0 percent--	23.1	7.8	8.3	50.3	1.1
20.1-25.0 percent--	-	.1	12.4	18.5	-
25.1-30.0 percent--	-	.8	2.1	1.8	-
30.1-40.0 percent--	-	4.7	3.9	-	-
40.1-50.0 percent--	-	-	73.2	-	-
Over 50 percent----	-	1.3	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are fixed tariff rates only and do not reflect variable levies which apply to 53 percent of EC provisions, covering 25 percent of EC imports in this subsector in 1970.

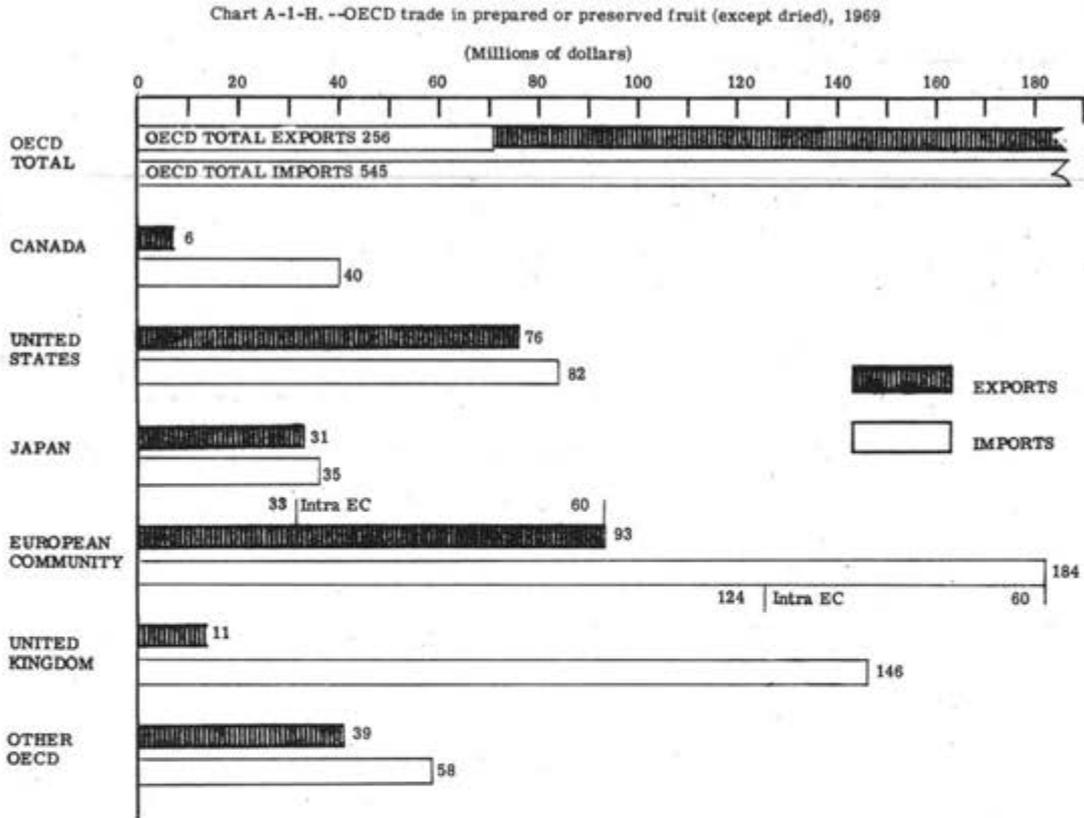
only about 1 percent of imports dutiable at higher rates. Canadian dutiable imports are concentrated in the 10.1-15 percent ad valorem range (43 percent of imports) and the 15.1-20 percent range (23 percent of imports). The European Community has half of its imports dutiable between 15.1 and 20 percent ad valorem, 19 percent dutiable between 20.1 and 25 percent and 21 percent between 10.1 and 15 percent. Japan has nearly three-fourths of imports dutiable at rates ranging from 40.1 to 50 percent ad valorem.

The United States has the most detailed tariff schedule for prepared or preserved fruit, with 236 lines. The European Community is second, with 75 lines; and the United Kingdom is third, with 55 lines. Canada and Japan have 34 and 29 lines, respectively.

Trade importance

Prepared or preserved fruit is one of the less important of the 28 agricultural subsectors, ranking 24th in 1969 OECD exports and 18th in imports. The subsector is also one of the smaller subdivisions of foodstuffs. OECD imports (\$545 million in 1969) are

about twice as large as exports, and for each of the five major countries imports were larger than exports in 1969 (see chart A-1-H).



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Among the 28 agricultural subsectors, prepared or preserved fruit ranked 13th in U.S. exports and 18th in U.S. imports in 1969, accounting for slightly over one percent of total U.S. agricultural exports.

In 1970, imports by the 13 GATT tariff study countries were valued at \$502 million. Intra-EC shipments were an additional \$73 million.

Trade network

The United States exported \$76 million in prepared or preserved fruits in 1969, about one-third of which went to the European Community and one-fourth to Canada. The European Community shipped \$33 million to outside countries (intra-EC exports were an additional \$60 million). Japan's exports were valued at \$31 million, over 40 percent of which went to the United States. Canada and the United Kingdom shipped small amounts (table A-1-L).

Table A-1-L.--OECD exports of prepared or preserved fruit (except dried), 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	256	6	76	31	<u>1/</u> 93	11	39
OECD total-----	236	6	68	30	88	7	37
Canada-----	25	-	20	1	2	1	1
United States---	25	4	-	13	4	2	2
Japan-----	7	-	6	0	1	X	-
European Community----	<u>1/</u> 110	X	25	6	60	2	17
United Kingdom--	38	1	5	8	13	-	11
Other OECD-----	31	1	12	2	8	2	6
Non-OECD total----	21	-	8	1	5	4	3
LDC's-----	15	-	7	1	3	3	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Non-OECD sources (largely LDC's) supply two-thirds of U.S. imports of prepared or preserved fruit, 60 percent of EC entries from outside sources, almost three-fourths of United Kingdom imports, and 80 percent of Japan's entries (table A-1-M). Almost half

Table A-1-M.---OECD imports of prepared or preserved fruit (except dried), 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	545	40	82	35	1/ 184	146	58
OECD total-----	242	24	26	6	112	41	33
Canada-----	6	-	4	-	X	2	X
United States---	63	19	-	5	22	2	15
Japan-----	34	1	14	-	8	10	1
European Community-----	1/ 91	3	5	1	60	14	8
United Kingdom--	8	1	2	X	2	-	3
Other OECD-----	40	X	1	X	20	13	6
Non-OECD total----	303	16	56	28	73	104	26
IDC's-----	165	9	53	25	42	27	9

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

of Canada's imports come from the United States and 40 percent from non-OECD countries. The United States imports considerable quantities of prepared or preserved fruits from Mexico, the Philippines, Japan, and Taiwan; the European Community from the Communist countries, Spain, and South Africa; the United Kingdom from South Africa, Australia, and Spain; and Japan from the Ryukyu Islands.

Trade-agreement concessions

Arithmetic average MFN tariffs for prepared or preserved fruits on pre-trade-agreement base dates are compared with January 1, 1972, average MFN rates in the tabulation below for each of the five major countries. The 1972 average for the European Community does not reflect tariff provisions under variable levies (over half of EC

provisions); and the 1972 Japanese average does not reflect unilateral reductions of 20 percent made on 2 of the 29 Japanese provisions.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	32.4	14.0
European Community	<u>1/</u> 24.9	<u>1/</u> 20.6 (plus variable levies)
United Kingdom	34.8	7.5
Japan	27.5	27.2
Canada	32.0	10.1

Each of the members of the European Community had negotiated GATT tariff concessions on prepared or preserved fruits prior to the adoption of the EC's Common External Tariff. The total number of these concessions was 93, of which 45 were above the CXT rate; 43 were below the CXT rate; and 5 were at the CXT rate.

Each of the five major countries has a substantial portion of its tariff provisions for prepared or preserved fruit covered by GATT concessions. Over 35 percent of Canadian provisions, about 60 percent of EC provisions, over 80 percent of Japanese provisions, and over 95 percent of U.S. provisions for the sub-sector are covered by GATT concessions. About 50 percent of United Kingdom provisions are fully covered by GATT concessions and another 38 percent are covered in part.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 47 percent of EC tariff lines which continue to be subject to fixed duties alone; it does not include any tariff lines (53 percent of the total) subject to a variable levy.

Canned pineapple accounts for a substantial part of the preserved fruit imported by the five countries. U.S. imports of this commodity in 1970 were valued at more than \$28 million and accounted for about a third of the value of imported preserved fruit. Imports of canned pineapple in 1970 by the United Kingdom and Japan were each valued at nearly \$20 million and represented about three-fourths of Japan's imports in this subsector, but a much smaller portion of United Kingdom imports.

Table A-1-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on canned pineapple

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	17.7% AVE ^{2/}	6.7% AVE ^{3/}	6.7% AVE ^{3/}	148.9820
Canada-----	35.0% AVE ^{4/}	14.0% AVE ^{5/}	Free	10605-1
European Community--	23-25%	23-25% ^{6/}	22-24% ^{6/}	20.06 B II a,b
United Kingdom-----	1.2% AVE ^{7/}	3.8% AVE ^{8/}	3.7% AVE ^{9/}	20.06 (M)
Japan-----	35%	53.3% AVE ^{10/}	53.3% AVE ^{10/}	20.06-1 (1)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values; does not take into account preferential rates on products of the Philippines.

^{3/} Ad valorem equivalent of specific rate of duty (0.75 cents per pound), calculated on 1971 import values; does not take into account preferential rates on products of the Philippines.

^{4/} Ad valorem equivalent of specific rate of duty (5 cents per pound), calculated on 1971 import values.

^{5/} Ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values.

^{6/} In addition to the rates shown, there are additional levies based on sugar content.

^{7/} Ad valorem equivalent of specific rate of duty (1 s. 6.5 d. per cwt), calculated on 1971 import values.

^{8/} Ad valorem equivalent of specific rate of duty (5 s. 7d. per cwt), calculated on 1971 import values.

^{9/} Ad valorem equivalent of specific rate of duty (5 s. 6d. per cwt), calculated on 1971 import values.

^{10/} Ad valorem equivalent of specific rate of duty (72 yen per kg.), calculated on 1970 import values.

Pre-trade-agreement tariff rates for canned pineapple are compared with January 1, 1972 rates, for the five major countries in table A-1-N. Rates of duty on canned pineapple did not change appreciably over the Kennedy Round for four of the five countries, but the rate for Canada was reduced from 2 cents per pound (14 percent ad valorem equivalent) to duty free. The European Community and the United Kingdom had slight reductions in duties during the Kennedy Round.

Viewed over a longer period of time, rate changes were more substantial. For the United States, the pre-Kennedy Round specific rate was less than half the rate on the pre-trade-agreement base date. For Canada, tariff rates decreased by more than 50 percent prior to the Kennedy Round. On the other hand, both Japan and the United Kingdom had substantial increases in their rates from their respective pre-trade-agreement base dates.

Tariffs on frozen strawberries containing added sugar on January 1, 1972, are compared with pre-trade-agreement base date rates in table A-1-O. None of the five countries had any reductions in the Kennedy Round. For Japan and the European Community, there has been no change from the pre-trade-agreement base date tariffs. (The European Community also has an additional duty on added sugar which varies.) The U.S. tariff, equal to the Japanese tariff on the pre-trade-agreement base date, decreased by 60 percent before the beginning of the Kennedy Round. The Canadian duty decreased by one-third from the pre-trade-agreement base date level.

Table A-1-0.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on frozen strawberries, containing added sugar

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%	14%	14%	146.7520
Canada-----	17.8% AVE ^{2/}	11.9% AVE ^{3/}	11.9% AVE ^{3/}	10704-1
European Community--	26%	26% ^{4/}	26% ^{4/}	20.03
United Kingdom-----	5.5% AVE ^{5/}	9.8% AVE; ^{6/} 15%	9.8% AVE; ^{6/} 15%	20.03
Japan-----	35%	35%	35%	20.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Rate is ad valorem equivalent of specific rate of duty (3 cents per pound), calculated on 1971 import values.

^{3/} Rate is ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values.

^{4/} Imports with a sugar content exceeding 13 percent by weight are subject to a variable levy in addition to duty.

^{5/} Rate is ad valorem equivalent of specific rate of duty (9 s. per cwt), calculated on 1971 import values. (The tariff is not clear on whether an additional duty would have been charged for added sugar).

^{6/} Rate is ad valorem equivalent of specific rate of duty (16 s. per cwt), calculated on 1971 import values. (The tariff is not clear on whether an additional duty would have been charged for added sugar).

By the beginning of the Kennedy Round, there was an increase in the specific rates and ad valorem equivalents of the United Kingdom. On January 1, 1972, ad valorem rates and ad valorem equivalents ranged from 11.9 percent for Canada to 35 percent for Japan.

Fresh or Dried Vegetables

The fresh or dried vegetables subsector covers all of the common vegetables cultivated for food, such as potatoes, tomatoes, beans, peas, lentils, other leguminous vegetables, roots and tubers, cucumbers, squash, pumpkins, eggplant, and, in addition, mushrooms, olives, parsley, tarragon, horseradish, and garlic. 1/

MFN tariffs

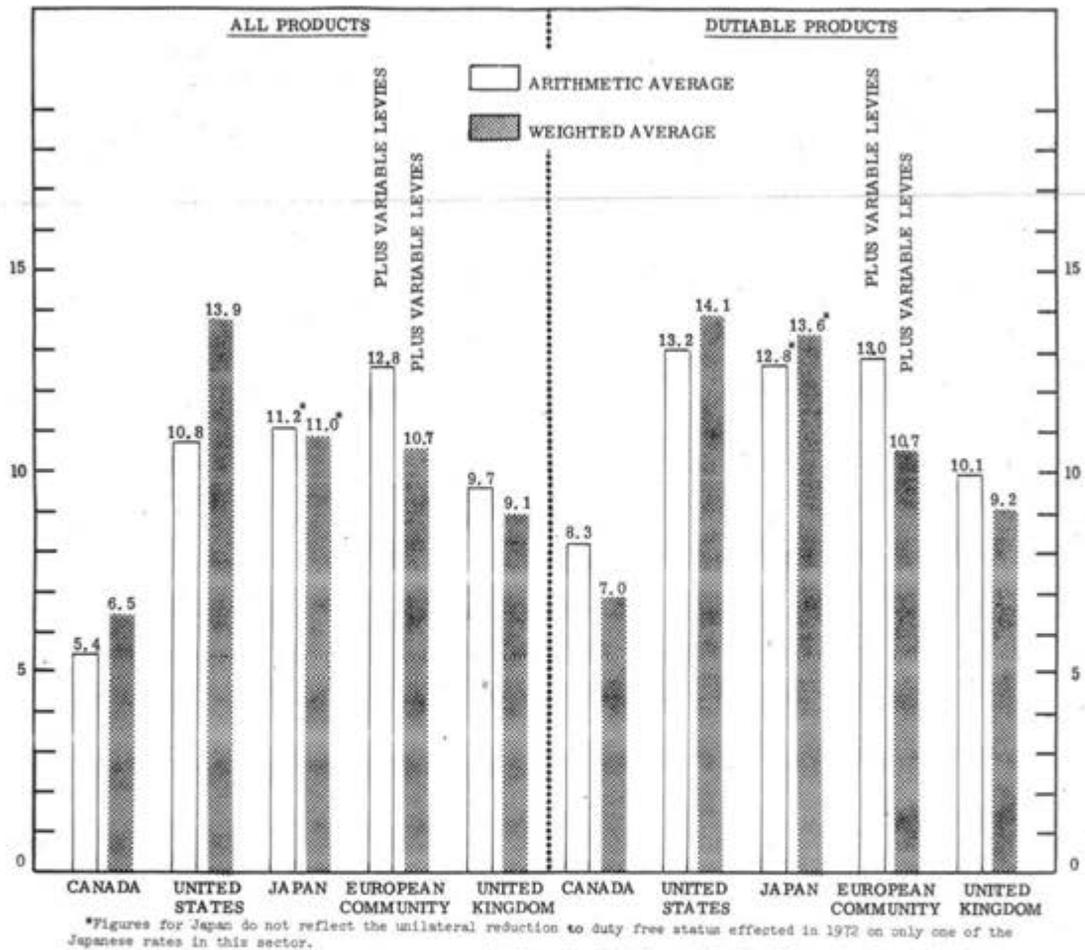
For the five major countries, average MFN tariffs on all fresh or dried vegetables (free and dutiable combined) do not differ significantly from averages for dutiable products only. The arithmetic and weighted averages for the European Community (fixed duties only), the United States, and Japan all lie between 10.7 and 14.1 percent ad valorem. The EC average does not take into consideration variable levies applicable to 2 of its 49 tariff lines, accounting for nearly one-fourth of EC imports, for the subsector. 2/ The Canadian averages are the lowest, all falling between 5.4 and 8.3 percent ad valorem. United Kingdom averages lie between 9.1 and 10.1 percent (see chart A-1-I).

Duty-free status applies to 35 percent of Canada's MFN tariff provisions, 18 percent of U.S. provisions, and 12.5 percent of Japan's (table A-1-P). Forty-two percent of U.S. provisions are equally divided between the 5.1-10 percent ad valorem range and the 10.1-15 percent range.

1/ For the specific coverage of this subsector, see BTN headings 07.01; 07.04; 07.05; and 07.06.

2/ For 2 of the remaining 47 tariff lines a countervailing fee may be collected in addition to the duty under certain conditions.

Chart A-1-1. --Average MFN tariff rates on fresh or dried vegetables
(Percent ad valorem)



Almost two-thirds of Japan's provisions also fall in these brackets. Two-thirds of the EC fixed duty provisions are divided between the two brackets ranging from 10.1 to 20 percent ad valorem. The United Kingdom has one-fifth of its provisions in the 0.1-5 percent range and half in the 5.1-10 percent ad valorem bracket.

Table A-1-P.-- Distribution, by duty level, of MFN tariff provisions for fresh or dried vegetables

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	35.4	17.9	12.5	2.1	3.5
0.1-5.0 percent---	22.9	16.8	12.5	6.4	21.1
5.1-10.0 percent---	20.9	21.1	37.5	21.3	49.1
10.1-15.0 percent--	10.4	21.0	25.0	36.2	15.8
15.1-20.0 percent--	10.4	7.4	-	31.9	1.7
20.1-25.0 percent--	-	5.3	12.5	2.1	7.0
25.1-30.0 percent--	-	3.1	-	-	1.8
30.1-40.0 percent--	-	6.3	-	-	-
40.1-50.0 percent--	-	1.1	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are fixed tariff rates only and do not reflect variable levies which apply to 4 percent of EC provisions, covering 24 percent of EC imports in this subsector in 1970.

Three of the five countries accord preferential tariff treatment to some imports of fresh or dried vegetables. In 1970, preferences were given to one-fifth of United Kingdom imports, about 9 percent of EC imports from outside sources, and less than 1 percent of Canadian imports.

Almost one-fifth of Japan's imports enter duty free and 45 percent pay rates ranging from 5.1 to 10 percent ad valorem. Half of U.S. imports fall in the duty range of 10.1 to 15 percent ad valorem and almost one-third in the 5.1-10 percent bracket. Canada, Japan, and the United Kingdom have considerably over half of their imports in duty ranges no higher than 10 percent ad valorem, while the United States and the European Community have considerably more than half of their imports in ranges above 10 percent ad valorem. Two-fifths of EC imports which pay fixed duties are in the 10.1 to 15 percent bracket and one-fourth between 15.1 and 20 percent. Nearly three-quarters of

United Kingdom entries and 80 percent of Canadian imports fall in the two brackets between 0.1 and 10 percent ad valorem (table A-1-Q).

Table A-1-Q.--Distribution, by duty level, of MFN imports of fresh or dried vegetables

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	7.0	1.4	18.9	-	0.9
0.1-5.0 percent----	38.0	2.7	5.9	23.7	29.7
5.1-10.0 percent---	42.6	31.0	45.0	8.5	44.5
10.1-15.0 percent--	3.6	49.2	13.1	41.3	16.8
15.1-20.0 percent--	8.8	5.2	-	25.4	-
20.1-25.0 percent--	-	1.6	17.1	1.1	5.3
25.1-30.0 percent--	-	6.2	-	-	2.8
30.1-40.0 percent--	-	2.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

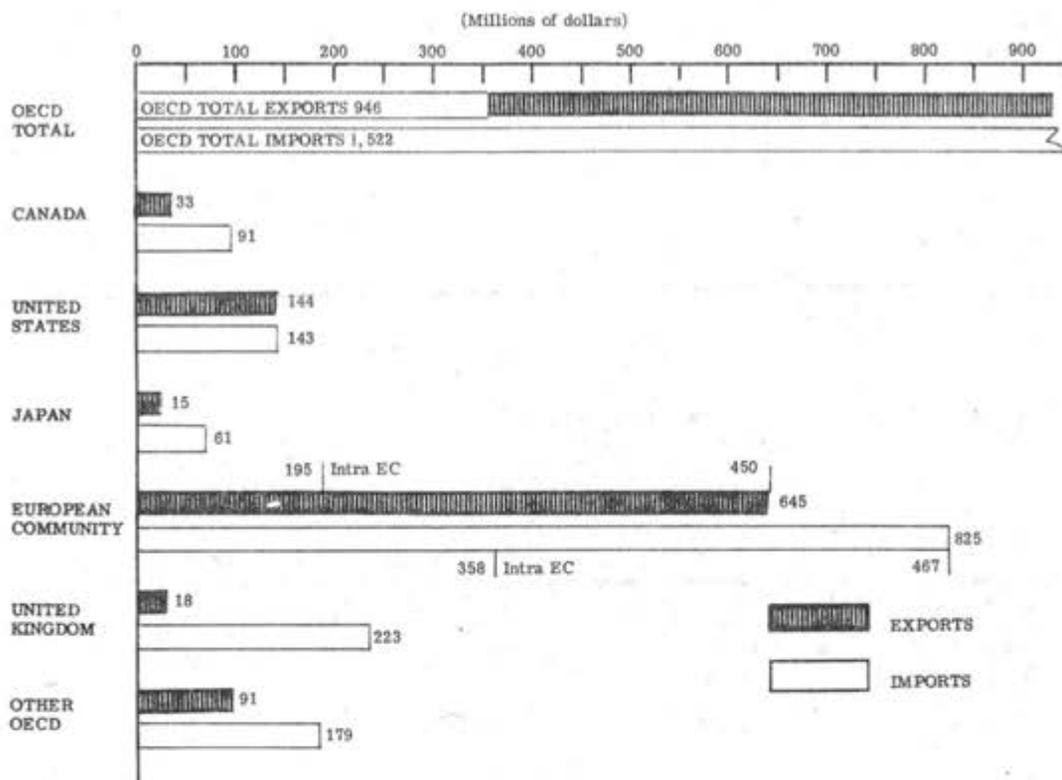
^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 4 percent of EC provisions, covering 24 percent of EC imports in this subsector in 1970.

The U.S. tariff schedule for this subsector contains 95 lines. The Japanese schedule has only 8 lines. Canada, the European Community, and the United Kingdom each have about 50 lines.

Trade importance

The fresh or dried vegetables subsector is one of the more important of the agricultural subsectors, ranking seventh in exports and eighth in imports among the 28 agricultural subsectors in 1969 OECD trade. Of the 10 subsectors of foodstuffs, this is the second largest in exports and the fourth in imports. As shown in chart A-1-J, OECD imports are considerably larger than

Chart A-1-J.-- OECD trade in fresh or dried vegetables, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exports for OECD countries as a whole and for each of the five major countries, except the United States. In U.S. 1969 trade, this subsector ranked 10th in exports and 11th in imports among the 28 agricultural subsectors, accounting for nearly 18 percent of U.S. foodstuffs exports and nearly 3 percent of U.S. total agricultural exports.

Imports of fresh or dried vegetables by the 13 GATT tariff study countries were valued at \$1.1 billion in 1970. Intra-EC shipments were an additional \$490 million, a figure about one-third larger than EC imports from external sources. OECD 1969 imports totaled \$1.5 billion; exports were \$946 million.

Trade network

Of the five countries, the European Community is the largest exporter, shipping \$195 million to outside destinations in 1969 and \$450 million to EC members. About 30 percent of EC external exports go to the United Kingdom and 42 percent to "other" OECD countries. The United States is the second largest exporter, shipping \$144 million in 1969, with \$64 million going to Canada and \$28 million to LDC's (table A-1-R).

Table A-1-R.-- OECD exports of fresh or dried vegetables, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	946	33	144	15	<u>1/</u> 645	18	91
OECD total-----	832	26	106	1	601	16	82
Canada-----	65	-	64	X	1	X	-
United States---	24	12	-	X	9	X	3
Japan-----	9	X	7	-	2	X	-
European Community-----	<u>1/</u> 513	1	13	X	450	8	41
United Kingdom--	110	11	16	X	57	-	26
Other OECD-----	111	2	6	X	82	8	12
Non-OECD total----	104	8	31	4	45	4	12
LDC's-----	82	7	28	4	31	3	9

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 5 percent of U.S. exports and 67 percent of Japanese exports; country of destination figures therefore do not add to total exports to the world. In some cases figures will not add to totals due to rounding.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Over one-third of OECD imports come from non-OECD countries, mostly from less developed nations. The European Community imported \$358 million from outside sources in 1969; the United Kingdom,

\$223 million; and the United States, \$143 million. Over three-fourths of imports by the United States and Japan and external imports by the Community come from non-OECD nations, including the LDC's. Eighty-five percent of Canadian imports come from the United States. The United Kingdom's imports have diverse origins, but "other" OECD countries and the European Community each supply about 30 percent (table A-1-S).

Table A-1-S.-- OECD imports of fresh or dried vegetables, 1969.

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,522	91	143	61	<u>1/</u> 825	223	179
OECD total-----	957	82	25	8	538	166	138
Canada-----	30	-	13	X	1	14	2
United States---	123	77	-	6	13	19	8
Japan-----	X	X	X	-	X	X	-
European Community-----	<u>1/</u> 635	1	9	2	467	65	91
United Kingdom--	16	X	X	X	8	-	8
Other OECD-----	153	4	3	X	49	68	29
Non-OECD total----	535	12	110	47	276	55	35
LDC's-----	422	12	110	37	203	44	16

1/ Includes intra-EC shipments.

X = Less than \$500,000

Note.--Complete country of origin data are not available for 6 percent of U.S. imports and 10 percent of Japanese imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

In the tabulation below, for each of the five major countries arithmetic average MFN tariffs for fresh or dried vegetables on

January 1, 1972, are compared with levels existing on pre-trade-agreement base dates. The 1972 average for the European Community does not include about 4 percent of EC tariff lines which are covered by variable levies, nor does the Japanese average reflect unilateral action taken in 1972 changing one of the eight Japanese provisions to duty-free status.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	24.4	10.8
European Community	<u>1/</u> 13.6	<u>1/</u> 12.8 (plus variable levies)
United Kingdom	10.5	9.7
Japan	15.7	11.2
Canada	19.4	5.4

Before adoption of the EC's Common External Tariff, each of the members of the European Community had negotiated national tariff concessions under the GATT. Of the total 144 such concessions, 87 were above the CXT rate, 48 were below the CXT rate, and 9 were at the CXT rate. GATT concessions cover about 6 percent of Canadian tariff lines, nearly 39 percent of EC lines, over three-fourths of U.S. lines, and nearly 88 percent of Japanese lines. Over one-fifth of United Kingdom lines are fully covered by GATT concessions and another 18 percent are covered in part.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, some of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average of the 47 EC tariff lines which continue to be subject to fixed duties alone; it does not include two tariff lines subject to a variable levy.

Tariffs of the five countries for fresh or chilled tomatoes are shown in table A-1-T. Only Japan and the United Kingdom had tariff reductions for these products during the Kennedy Round. Japan's tariff decreased by 50 percent, while the United Kingdom reduced rates on tomatoes imported between November and March from 10 percent to 8 percent ad valorem. Rates of the European Community and Canada were unchanged in

Table A-1-T.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on fresh or chilled tomatoes
(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	20.0-22.4% AVE ^{2/}	10.0-14.0% AVE ^{2/}	10.0-14.0% AVE ^{2/}	137.60, .62, .63
Canada-----	Free-10.7% ^{3/}	Free-10.7% ^{3/}	Free-10.7% ^{3/}	8724-1
European Community--	11%; 18% ^{4/}	11%; 18% ^{4/}	11%; 18% ^{4/}	07.01 M
United Kingdom-----	4.2-10% ^{2/}	10-26.7% ^{5/}	8-26.7% ^{5/}	07.01 (K)
Japan-----	10%	10%	5%	07.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Rates included are ad valorem equivalents of specific rates of duty, calculated on 1971 import values. Rates vary according to seasonal considerations.

^{3/} Range includes an ad valorem rate of 10%; the ad valorem equivalent (10.7%) of a specific rate of duty was calculated on 1971 import values. Rates vary according to seasonal considerations.

^{4/} The 11 percent rate is applicable from November 1 to May 14; the 18 percent rate from May 15 to October 31. Under the EC's Common Agricultural Policy instituted after the Common External Tariff (pre-trade-agreement rate) was established, a countervailing fee in addition to the Customs duty is applicable.

^{5/} Range includes ad valorem rates and ad valorem equivalents of specific rates, calculated on 1971 import values. Rates vary according to seasonal considerations.

1972 from their pre-trade-agreement rates, while the range of the United Kingdom rates and ad valorem equivalents, both before and after the Kennedy Round, was considerably higher than the pre-trade-agreement range of tariffs on fresh or chilled tomatoes. The Japanese tariff is the lowest of the five.

Prepared or Preserved Vegetables (Except Dried)

Prepared or preserved vegetables (except dried) include vegetables which are frozen, in temporary preservative, preserved by acetic acid or vinegar, or otherwise preserved or prepared. 1/

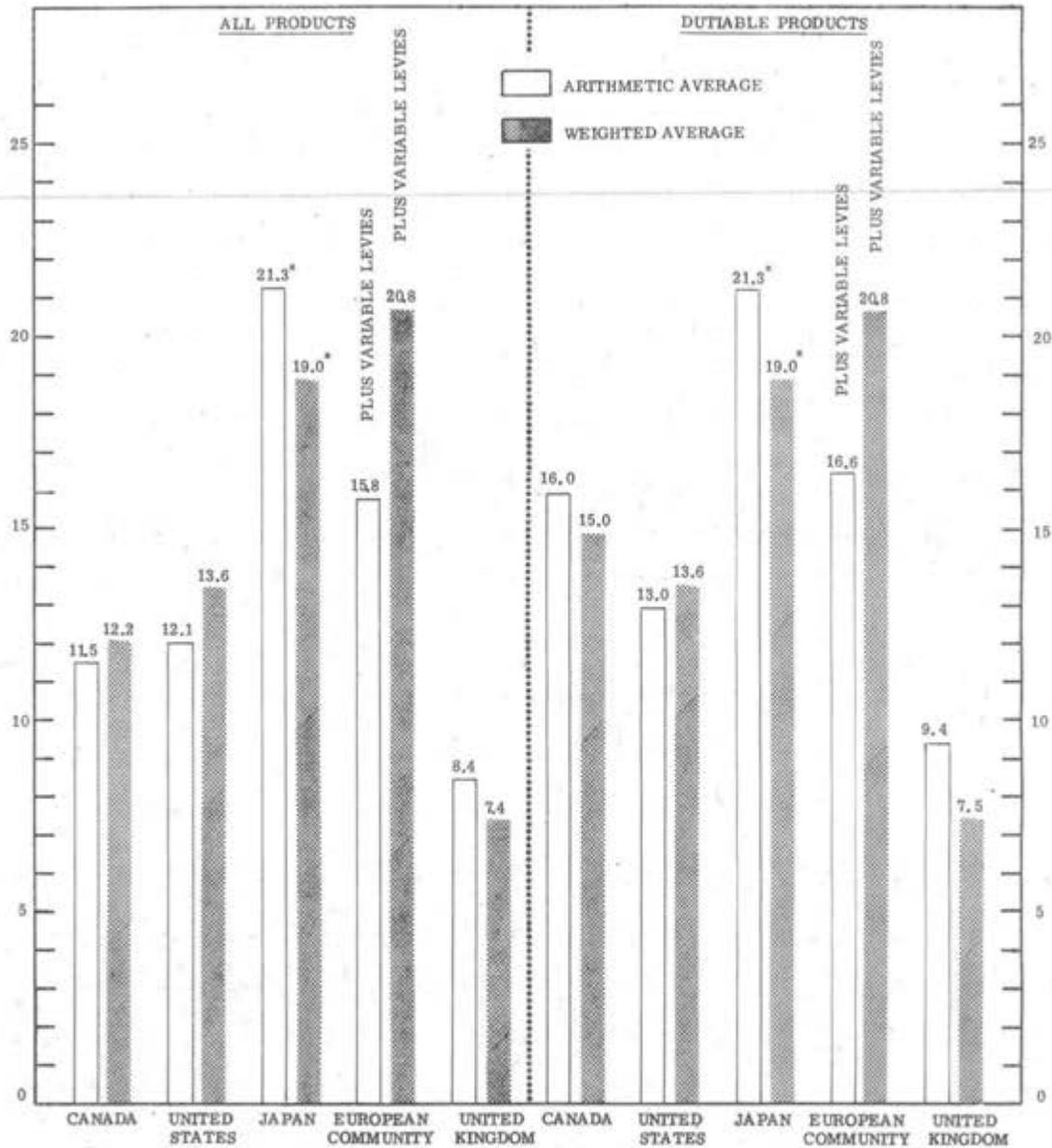
MFN tariffs

There is a wide range in the average MFN tariffs of the five major countries for prepared or preserved vegetables. The United Kingdom has the lowest average MFN tariffs both for all products (combined free and dutiable) and dutiable products alone (chart A-1-K). All United Kingdom averages are in the range of 7.4 to 9.4 percent ad valorem. Japan and the European Community have the highest averages. Five of the 27 EC tariff lines in the subsector, covering 0.2 percent of EC imports, are subject to variable levies. These variable levy items are not included in the calculation of EC tariff averages. Thus, EC arithmetic average tariffs are probably understated. Based on fixed duties only, the EC arithmetic average for all products is 15.8 percent ad valorem and for dutiable products, 16.6 percent. Both EC weighted averages are 20.8 percent.

The Japanese arithmetic averages are 21.3 percent ad valorem; the weighted averages are both 19 percent. The all products averages for the United States and Canada fall within the range of 11.5 to 13.6 percent ad valorem; for dutiable products, the averages range from 13 to 16 percent.

1/ For the specific coverage of this subsector, see BTN headings 07.02; 07.03; 11.03; 11.05; 11.06; 20.01; and 20.02.

Chart A-1-K. -- Average MFN tariff rates on prepared or preserved vegetables (except dried)
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 20 percent made in 1972 on all but one of one-third of the Japanese rates in this sector; the remaining rate was reduced by 33 percent.

Source: Compiled from national tariffs and trade statistics.

The distribution, by duty level, of MFN tariff provisions for prepared or preserved vegetables is shown in table A-1-U. Nearly 30 percent

Table A-1-U.--Distribution, by duty level, of MFN tariff provisions for prepared or preserved vegetables (except dried)

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	28.1	6.4	-	4.5	10.0
0.1-5.0 percent----	-	8.6	-	-	15.0
5.1-10.0 percent---	12.5	31.4	5.9	13.7	65.0
10.1-15.0 percent--	12.5	22.2	17.6	27.3	10.0
15.1-20.0 percent--	34.4	22.1	29.4	31.8	-
20.1-25.0 percent--	12.5	3.6	41.2	22.7	-
25.1-30.0 percent--	-	2.8	-	-	-
30.1-40.0 percent--	-	2.2	5.9	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 19 percent of EC provisions, covering 0.2 percent of EC imports in this subsector in 1970.

of Canadian provisions are free of duty. The United Kingdom has 10 percent of its provisions duty free; the United States, 6 percent; and the European Community, 5 percent of its fixed rate duties. Nearly one-third of U.S. provisions and nearly two-thirds of United Kingdom provisions are dutiable between 5.1 and 10 percent ad valorem. The United Kingdom has no provisions in ranges above 15 percent ad valorem, but the other four countries have a significant proportion of provisions dutiable between 15.1 and 20 percent ad valorem, ranging from 22.1 percent of U.S. provisions to 34.4 percent of Canadian provisions. Over 40 percent of Japanese provisions are in the duty range between 20.1 and 25 percent, as are 23 percent of EC fixed rate duties.

A large portion of United Kingdom imports (41 percent in 1970) are given preferential treatment. Preferential treatment is also extended to about 15 percent of EC imports from sources outside the Community, less than 3 percent of Canadian imports, and a negligible percentage of U.S. imports.

Canada is the only country of the five with significant duty-free imports (19 percent of Canadian entries). Except for the United Kingdom, each of the countries has well over half of its imports dutiable above the 10 percent duty level (see table A-1-V). Over half of United Kingdom

Table A-1-V.--Distribution, by duty level, of MFN imports of prepared or preserved vegetables (except dried)

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	19.0	0.3	-	0.1	1.9
0.1-5.0 percent----	-	.2	-	-	55.3
5.1-10.0 percent---	1.3	4.6	21.1	2.4	31.8
10.1-15.0 percent--	41.0	65.4	19.9	4.6	11.0
15.1-20.0 percent--	35.1	29.5	17.2	25.3	-
20.1-25.0 percent--	3.6	-	41.8	67.6	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 19 percent of EC provisions, covering 0.2 percent of EC imports in this subsector in 1970.

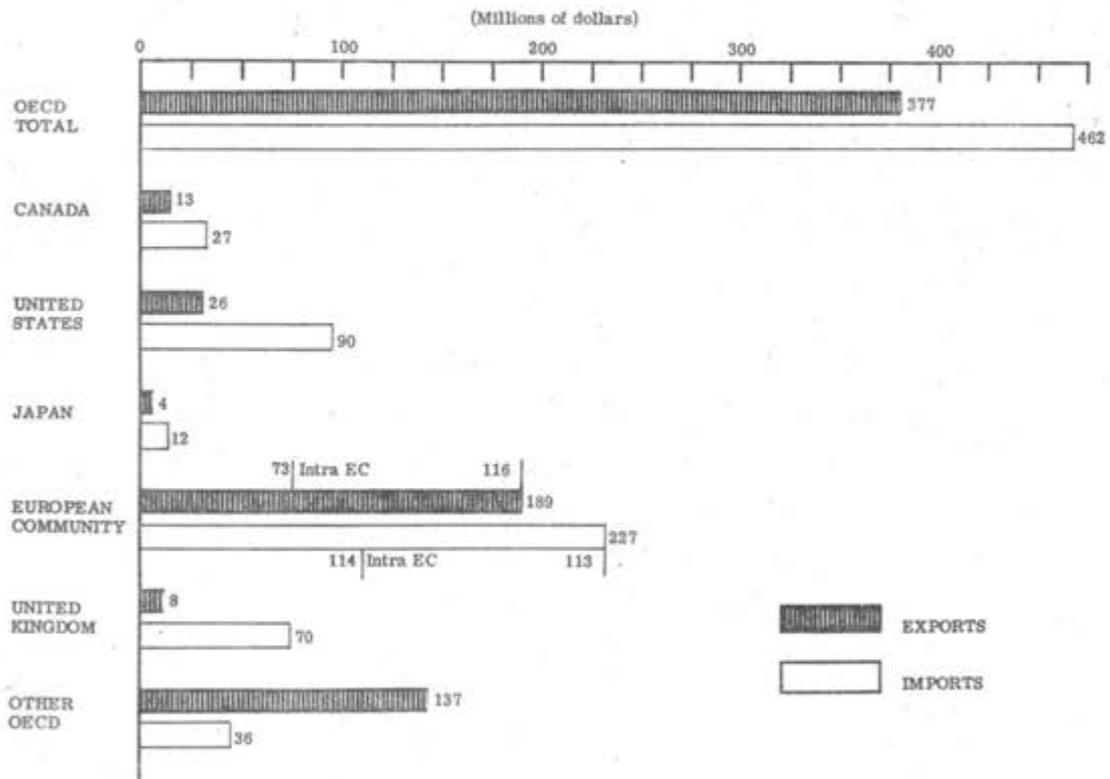
imports are dutiable at rates between 0.1 and 5 percent ad valorem, while about 76 percent of Canadian imports enter at rates of 10.1-20 percent, and two-thirds of U.S. imports meet duties of 10.1-15 percent. Two-fifths of Japanese entries enter in the 20.1-25 percent range, as do two-thirds of EC imports subject to fixed rates of duty.

The United States, with 140 lines, has by far the most detailed tariff schedule. The other four countries have between 17 and 32 lines.

Trade importance

In value of trade, prepared or preserved vegetables make up one of the smaller subsectors, ranking 22nd in OECD exports and 21st in imports in 1969 among the 28 agricultural subsectors. It is also in the lower quarter of trade values among the 10 subsectors of foodstuffs. As shown in chart A-1-L, for each of the five major countries, imports exceed exports. For

Chart A-1-L -- OECD trade in prepared or preserved vegetables, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the United States, this subsector ranks 20th in exports and 17th in imports among the 28 agricultural subsectors, accounting for about 3 per cent of U.S. exports of foodstuffs and less than one-half of one percent of total U.S. agricultural exports in 1969.

In 1970, imports by the 13 GATT tariff study countries were valued at \$402 million. Intra-EC shipments were worth an additional \$147 million. OECD imports in 1969 were \$462 million; exports were \$377 million.

Trade network

The five countries under study account for less than two-thirds of OECD exports in this subsector, but receive 92 percent of OECD imports (see tables A-1-W and A-1-X). The European Community is the largest

Table A-1-W.-- OECD exports of prepared or preserved vegetables (except dried), 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	377	13	26	4	<u>1/</u> 189	8	137
OECD total-----	325	11	25	5	164	3	117
Canada-----	24	-	11	X	4	X	9
United States---	68	X	-	3	13	X	52
Japan-----	2	X	1	-	X	X	1
European Community-----	<u>1/</u> 150	2	3	1	116	1	27
United Kingdom--	51	8	3	X	19	-	21
Other OECD-----	30	1	7	1	12	2	7
Non-OECD total----	61	2	8	9	23	4	15
IDC's-----	52	1	7	9	21	3	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of destination data are overstated due to the inclusion of flour and flakes of potatoes, fruits and vegetables, which are not covered by the subsector on prepared or preserved vegetables (except dried) in the following amounts: OECD total, 9; Canada, none; United States, 7; Japan, 10; European Community, none; United Kingdom, none. Country of destination data, therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-1-X.--OECD imports of prepared or preserved vegetables (except dried), 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	462	27	90	12	<u>1/</u> 227	70	36
OECD total-----	310	22	64	1	147	54	22
Canada-----	11	-	1	X	3	7	-
United States---	20	11	-	X	2	2	4
Japan-----	5	X	3	-	1	X	X
European Community-----	<u>1/</u> 160	5	12	X	113	23	8
United Kingdom--	3	1	X	X	X	-	1
Other OECD-----	112	6	48	X	27	22	8
Non-OECD total----	152	5	26	11	80	15	14
IDC's-----	117	4	26	8	63	7	8

1/ Includes intra-EC shipments.

Note.--Due to rounding, figures may not add to totals shown.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exporter of the five major countries shipping \$73 million to outside destinations in 1969. Intra-EC shipments are considerably larger than EC exports to nonmember countries. U.S. exports were only \$26 million in 1969.

EC imports from sources outside the Community were about as large as intra-EC shipments in 1969. The European Community, the largest importer, gets 70 percent of its imports (from external sources) from non-OECD sources. Two-fifths of Canadian imports originate in the United States.

Trade-agreement concessions

The tabulation below compares arithmetic average MFN tariffs on pre-trade-agreement base dates with arithmetic average rates on January 1, 1972. The 1972 average for the European Community does not include about 19 percent of EC lines which are covered by variable levies. For Japan, the 1972 average does not reflect unilateral reductions made in 1972 on one-third of the Japanese lines in this subsector (one-third reduction on one line and 20 percent reduction on five lines).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	25.3	12.1
European Community	<u>1/</u> 18.4	<u>1/</u> 15.8 (plus variable levies)
United Kingdom	14.2	8.4
Japan	25.3	21.3
Canada	33.0	11.5

Prior to the establishment of the Common External Tariff for the European Community, members of the Community each had negotiated tariff concessions under the GATT. These concessions totaled 71, of which 26 were above the CXT rate, 34 were below the CXT rate, and 11 were at the CXT rate.

GATT concessions have been made on some tariff lines for each of the five major countries. Less than 10 percent of Canadian lines, over half of EC lines, over 80 percent of Japanese lines, and 97 percent of U.S.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, some of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 22 EC tariff lines which continue to be subject to fixed duties alone; it does not include 5 tariff lines subject to a variable levy.

lines have been covered under the GATT. For the United Kingdom, 40 percent of the tariff lines for this subsector have been fully covered and another 15 percent have been covered in part.

Changes which have occurred since pre-trade-agreement base dates in tariffs on frozen asparagus are shown in table A-1-Y. The United Kingdom,

Table A-1-Y.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on frozen asparagus

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	50%; 35%	25%; 17.5%	25%; 17.5%	137.8540; 138.00
Canada-----	30%	22.5%	22.5% ^{2/}	9001-1
European Community--	19%	19%	18%	07.02
United Kingdom-----	10%	10%	10%	07.02
Japan-----	15%	10%	10%	07.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} MFN rate has been superseded by a temporary rate of 15 percent ad valorem, subject to possible renewal in February, 1974.

which along with Japan had the lowest January 1972 rate of the five countries, had no rate reduction on frozen asparagus from its pre-trade-agreement base rate. Japan, which reduced its pre-trade-agreement tariff of 15 percent ad valorem to 10 percent ad valorem prior to the Kennedy Round, had no further reduction in the Kennedy Round. The EC tariff was reduced very slightly from the pre-trade-agreement rate during the Kennedy Round. Canada and the United States each had GATT tariff reductions on frozen asparagus both prior to the Kennedy Round and during the Kennedy Round. For the United States, 1972 tariffs were half as large as pre-trade-agreement rates.

Coffee, Tea and Maté

This subsector covers green or roasted coffee; coffee substitutes containing coffee; coffee husks and skins; and tea and maté. ^{1/} Excluded are coffee extracts, essences, concentrates and similar preparations.

MFN tariffs

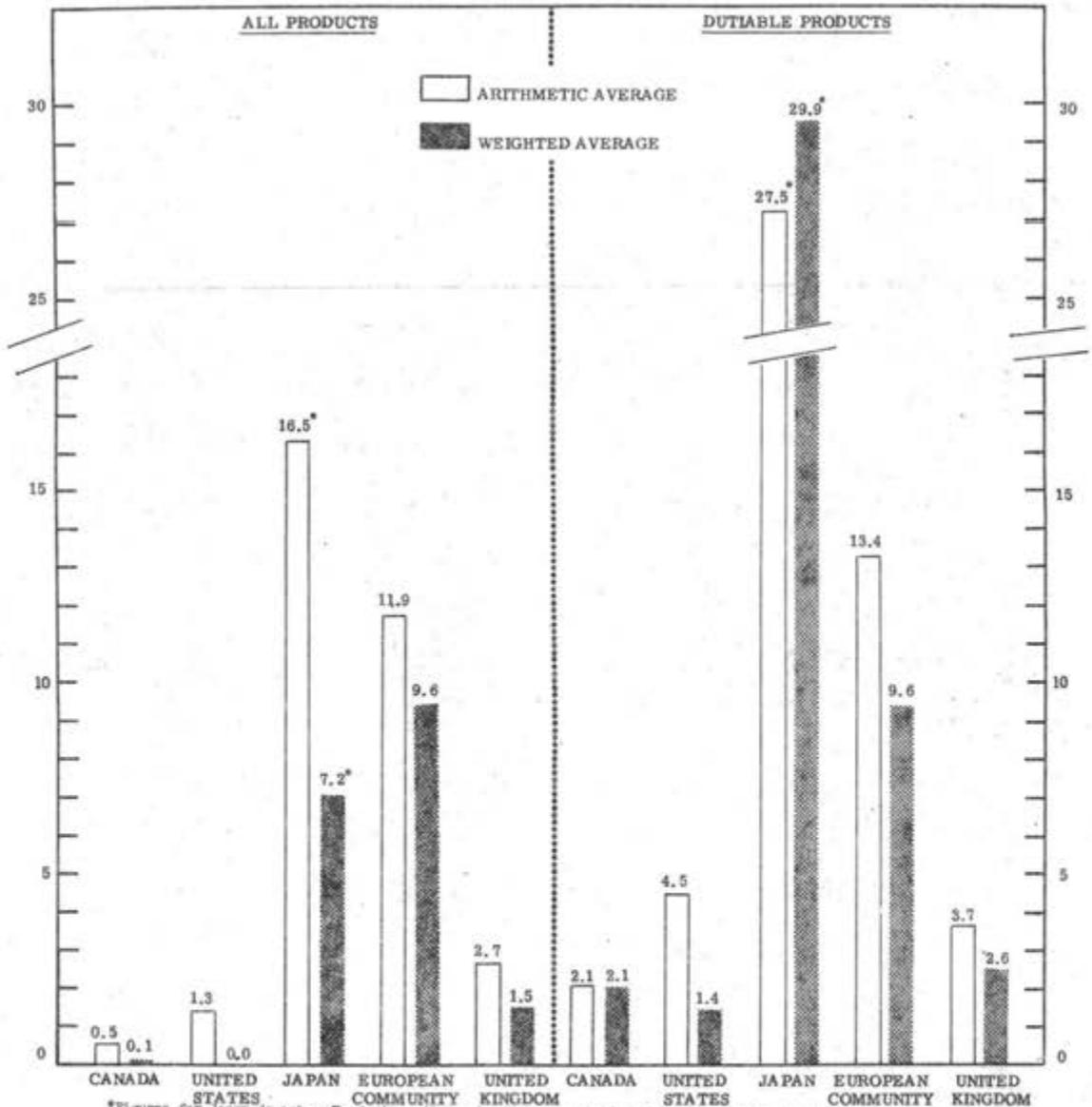
The United States, Canada and the United Kingdom have low duties on coffee, tea and maté (chart A-1-M). The United States has a weighted average for all products (combined free and dutiable) of less than one-tenth of one percent. Japan and the European Community have markedly higher averages. For all products, the Japanese weighted average is 7.2 percent ad valorem, the arithmetic average is 16.5 percent; both of Japan's averages for dutiable products reach almost 30 percent. The EC averages on all products and dutiable products range between 9.6 and 13.4 percent. For all five countries, however, both arithmetic and weighted averages are substantially below average tariffs on foodstuffs as a whole (excluding Japan's arithmetic average for dutiable products).

The five countries have tariff schedules with between 4 and 10 lines in this subsector. Canada has three-quarters of her tariff lines free of duty and the rest at no greater than 5 percent ad valorem rates. Over 70 percent of U.S. provisions are duty free; and none of the provisions of the United States or the United Kingdom exceed 10 percent ad valorem. Japan has 40 percent of her provisions duty free, 30 percent in each of the rate brackets of 15.1-20 percent and 30.1-40 percent

^{1/} For the specific coverage of this subsector, see BTN headings 09.01-09.03.

Chart A-1-M.-- Average MFN tariff rates on coffee, tea and mate

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 14 percent or 25 percent made in 1972 on less than one-third of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

ad valorem. Nearly half of the European Community provisions are in the range of 10.1-15 percent ad valorem (table A-1-Z).

Table A-1-Z.--Distribution, by duty level, of MFN tariff provisions for coffee, tea and maté

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	75.0	71.4	40.0	11.1	28.6
0.1-5.0 percent----	25.0	14.3	-	-	57.1
5.1-10.0 percent---	-	14.3	-	22.2	14.3
10.1-15.0 percent--	-	-	-	44.5	-
15.1-20.0 percent--	-	-	30.0	22.2	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	30.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

Preferential tariff treatment has been accorded to about 13 percent of United Kingdom imports and nearly 24 percent of EC imports from sources outside the Community.

Virtually all U.S. imports of coffee, tea, and maté, over 95 percent of Canadian imports, and more than three-quarters of Japanese imports enter duty free. The United Kingdom has 43 percent of imports duty free and the rest at rates no higher than 5 percent ad valorem. The European Community has almost all of its imports dutiable between 5.1 and 10 percent ad valorem (table A-1-AA).

Table A-1-AA.--Distribution, by duty level, of MFN imports of coffee, tea and maté

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	95.1	100.0	76.0	-	42.9
0.1-5.0 percent----	4.9	-	-	-	57.1
5.1-10.0 percent---	-	-	-	99.2	-
10.1-15.0 percent--	-	-	-	.8	-
15.1-20.0 percent--	-	-	8.3	-	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	15.7	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

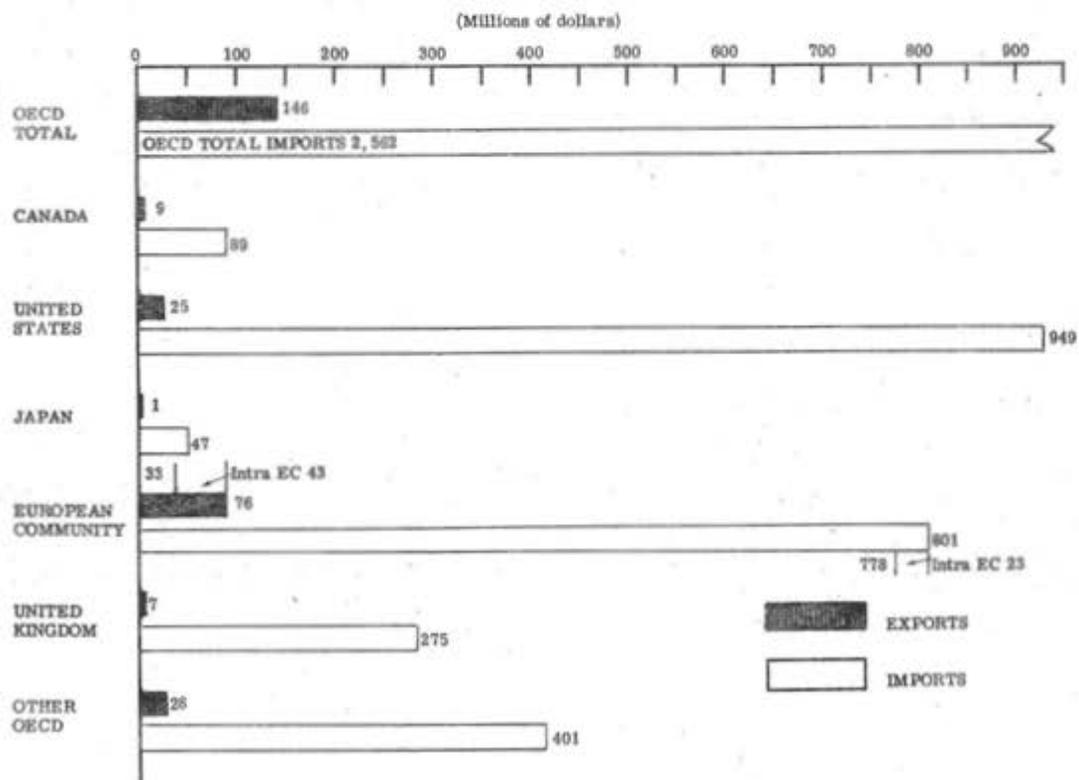
In addition to tariffs, world trade in coffee has been subject to international regulation. In 1962, 53 countries entered into the

International Coffee Agreement (I.C.A.) designed primarily to achieve price stability through the establishment of export quotas for the producing countries, as well as to provide adequate foreign exchange earnings for those countries. The I.C.A., renegotiated in 1968, established quotas (which were later suspended) based on the historic market shares of countries producing and exporting coffee. A discussion of the operation of the I.C.A. appears in the section of Chapter VIII on "Voluntary export restraints" and other export controls.

Trade importance

For the OECD countries as a whole, coffee, tea, and maté comprise one of the most important agricultural subsectors in imports and least important in exports. Among the 28 subsectors, it ranks 5th in imports and 26th in exports. In foodstuffs, the subsector ranks 9th in exports and second in imports. As shown in chart A-1-N, exports by OECD

Chart A-1-N. -- OECD trade in coffee, tea, and maté, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

countries are insignificant compared to imports. For the United States, this subsector is of negligible importance in exports, but is the most important subsector in imports, accounting for nearly 17 percent of total U.S. agricultural imports in 1969.

In 1970, imports by the 13 GATT tariff study countries were valued at \$3.1 billion. Intra-EC shipments were an additional \$27 million. OECD imports in 1969 were \$2.6 billion.

Trade network

The suppliers of coffee, tea, and maté are principally the less developed countries. In 1970, the earnings of the producing countries from exports of coffee reached an estimated \$3.4 billion, with Brazil and Colombia commanding by far the largest shares of the export market. The five major countries under study have very small exports (table A-1-BB);

Table A-1-BB.-- OECD exports of coffee, tea and maté, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	146	9	25	1	<u>1</u> / 76	7	28
OECD total-----	109	5	19	-	58	4	23
Canada-----	14	-	14	-	X	X	-
United States---	12	4	-	-	1	2	5
Japan-----	7	-	3	-	4	X	-
European Community-----	<u>1</u> / 58	X	1	-	43	1	13
United Kingdom--	2	X	1	-	1	-	-
Other OECD-----	16	1	X	-	9	1	5
Non-OECD total----	12	X	5	X	4	2	-
IDC's-----	9	X	4	X	2	2	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Data for the world line is overstated due to the inclusion of coffee extracts, essences and concentrates, which are not covered by the subsector on coffee, tea, and maté in the following amounts: OECD total 25; Canada, 4; United States, 1; Japan 1; European Community 14; United Kingdom, 1. Country of destination data, therefore, do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

they are numbered among the 21 importing members of the International Coffee Agreement, and together account for about 75 percent of world coffee imports.

For the subsector as a whole, the five countries account for 84 percent of OECD imports. The United States, with imports of \$949 million in 1969, accounts for over 37 percent of OECD imports of coffee, tea, and maté and is the world's most important consuming country for the products in this subsector. The European Community is second, with \$801 million of imports, followed by the United Kingdom, with \$275 million. Canada and Japan have lower levels of imports, together accounting for just over 5 percent of OECD imports (see table A-1-CC).

Table A-1-CC.--OECD imports of coffee, tea and maté, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,562	89	949	47	<u>1/</u> 801	275	401
OECD total-----	74	16	7	3	30	9	9
Canada-----	3	-	3	-	X	X	-
United States---	13	11	-	X	1	X	1
Japan-----	1	X	1	-	X	X	-
European Community-----	<u>1/</u> 36	1	2	X	23	8	2
United Kingdom--	16	4	1	3	3	-	5
Other OECD-----	5	X	X	-	3	1	1
Non-OECD total----	2,488	73	942	44	771	266	392
LDC's-----	2,468	73	936	44	765	260	390

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariffs of the five major countries for coffee, tea, and maté on pre-trade-agreement base dates are compared with January 1, 1972, average tariffs. The Japanese 1972 average does not reflect unilateral reductions of 14 or 85 percent made in 1972 on about one-third of Japanese tariff lines in the subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	2.5	1.3
European Community	22.0	11.9
United Kingdom	5.7	2.7
Japan	29.6	16.5
Canada	2.5	0.5

GATT concessions cover all of U.S. and EC lines, about 70 percent of United Kingdom and Japanese lines, and half of Canadian lines for this subsector. Each of the members of the European Community had granted GATT tariff concessions in their national tariff schedules for this subsector prior to establishment of the EC's Common External Tariff. These concessions totaled 21, of which 17 were above the CXT rate and 4 were below the CXT rate.

Duty levels for tea on pre-trade-agreement base dates are compared with January 1, 1972, levels in table A-1-DD. For the United States and Canada, tea was duty free on the pre-trade-agreement base dates and it remained duty free. For the United Kingdom, duties on tea had been eliminated before the Kennedy Round. In the Kennedy Round, EC tariffs decreased by 50 percent. Japanese duties on black tea remained constant, but duties on other types of tea were reduced.

Table A-1-DD.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on tea

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	Free	Free	Free	160.50
Canada-----	Free	Free	Free	2805-1
European Community--	18%; 23%	18%; 23%	9%; 11.5%	09.02
United Kingdom-----	7.8% AVE ^{2/}	Free	Free	09.02
Japan-----	35%	35% ^{3/}	20%; 35% ^{3/}	09.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of $\frac{1}{4}$ d. per pound.

^{3/} Does not include tea waste, which is free of duty.

Cocoa and Cocoa Preparations

Cocoa and cocoa preparations include raw or roasted cocoa beans; cocoa powder; cocoa butter and cocoa paste; chocolate and other food preparations containing cocoa. ^{1/}

MFN tariffs

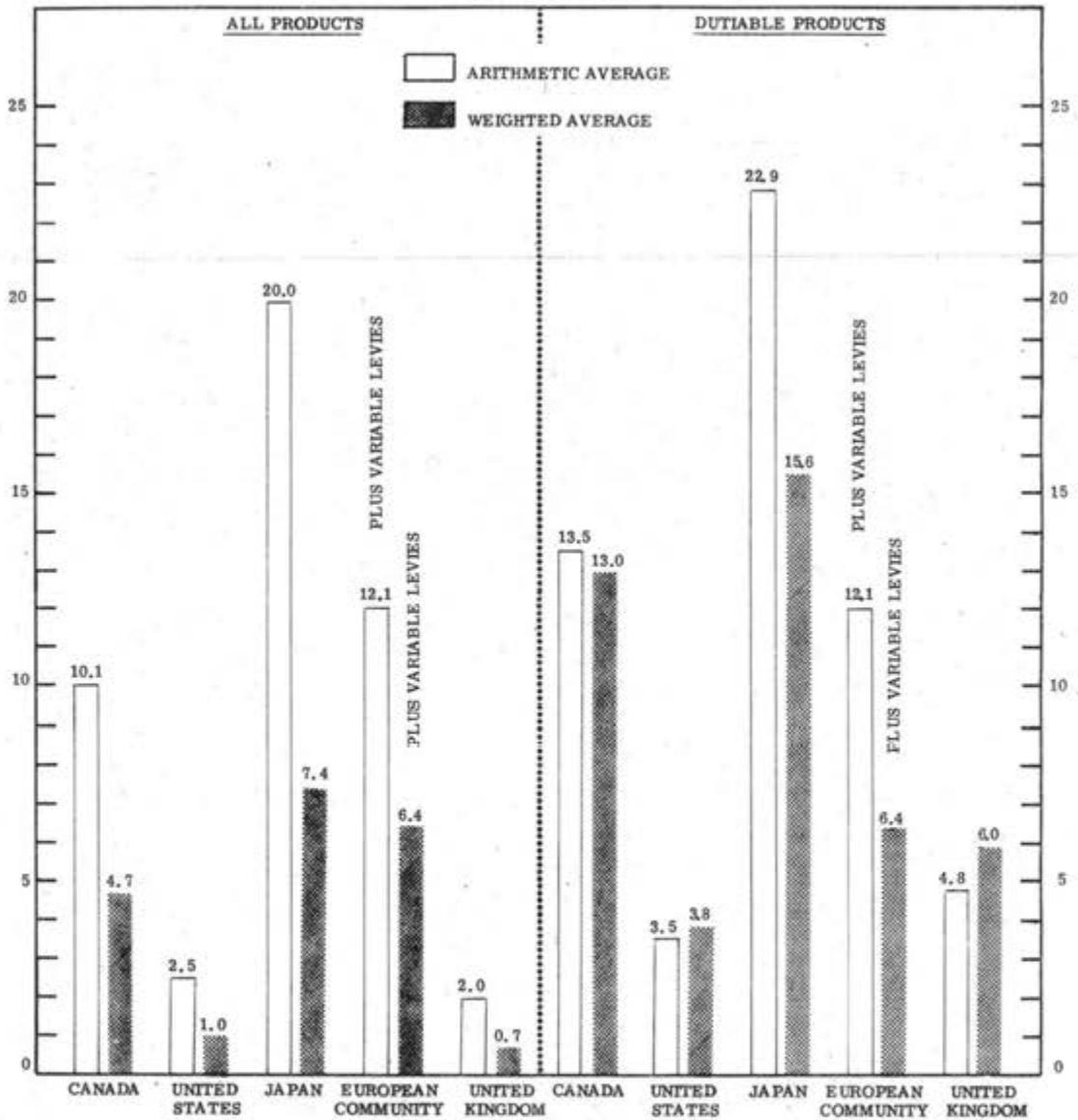
Average MFN tariffs of the five major countries for cocoa and cocoa preparations vary from 2 to 20 percent for arithmetic average tariffs on all products (combined free and dutiable) and from 0.7 to 7.4 percent for weighted averages (chart A-1-0). The average MFN tariffs presented in chart A-1-0 for the European Community are calculated from fixed duties only and do not include EC provisions subject to variable levies. The European Community has variable levies on 23 of its 27 tariff lines, covering 3.3 percent of EC imports in 1970. The United Kingdom has the lowest average tariffs for all products; Japan holds the highest averages (not considering EC variable levies). The United States has the lowest average tariffs for dutiable products alone (3.5 percent arithmetic, 3.8 percent weighted). Again, not considering EC variable levies, Japan also has the highest averages for dutiable products alone (22.9 percent arithmetic, 15.6 percent weighted). All of the countries, except Canada, have lower average tariffs in this subsector than their averages for all foodstuffs.

Most U.S. MFN tariff provisions for cocoa and cocoa preparations are either duty free (27 percent) or dutiable between 0.1 and 5 percent ad valorem (64 percent). One-fourth of Canada's provisions are duty

^{1/} For the specific coverage of this subsector see BTN headings 18.01; 18.03; 18.04; 18.05; 18.06.

Chart A-1-O. -- Average MFN tariff rates on cocoa and cocoa preparations

(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

free and 50 percent between 10.1 and 15 percent ad valorem. The United Kingdom has 57 percent of provisions duty free and another 29 percent

dutiable between 0.1 and 5 percent ad valorem. Japan has a fairly even spread of rates between duty free and 40 percent (see table A-1-EE).

Table A-1-EE.--Distribution, by duty level, of MFN tariff provisions for cocoa and cocoa preparations

(In percent)					
Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	25.0	27.3	12.5	-	57.1
0.1-5.0 percent----	8.3	63.6	12.5	-	28.6
5.1-10.0 percent---	8.4	9.1	12.5	25.0	-
10.1-15.0 percent--	50.0	-	-	50.0	14.3
15.1-20.0 percent--	8.3	-	12.5	25.0	-
20.1-25.0 percent--	-	-	12.5	-	-
25.1-30.0 percent--	-	-	12.5	-	-
30.1-40.0 percent--	-	-	25.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 85 percent of EC provisions, covering 3 percent of EC imports in this subsector in 1970.

The fixed duty rates of the European Community all fall between 5.1 and 20 percent, with half of provisions between 10.1 and 15 percent ad valorem.

Preferential tariff treatment is accorded to about 11 percent of United Kingdom imports, 18 percent of Canadian imports and over 60 percent of EC imports from countries outside the Community.

Almost 90 percent of United Kingdom MFN imports, three-fourths of U.S. and Canadian imports, and over half of Japanese imports enter duty free. Eighty-five percent of EC imports, entering under fixed-duty provisions, are dutiable between 5.1 and 10 percent ad valorem (table A-1-FF).

The tariff schedules of the five countries contain between 7 and 27 tariff lines in this subsector.

Table A-1-FP.--Distribution, by duty level, of MFN imports of cocoa and cocoa preparations

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	77.4	73.5	52.1	-	87.7
0.1-5.0 percent---	4.7	22.0	27.8	-	6.1
5.1-10.0 percent---	.1	4.5	-	84.8	-
10.1-15.0 percent--	17.8	-	-	15.2	6.2
15.1-20.0 percent--	-	-	.7	-	-
20.1-25.0 percent--	-	-	7.9	-	-
25.1-30.0 percent--	-	-	1.5	-	-
30.1-40.0 percent--	-	-	10.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

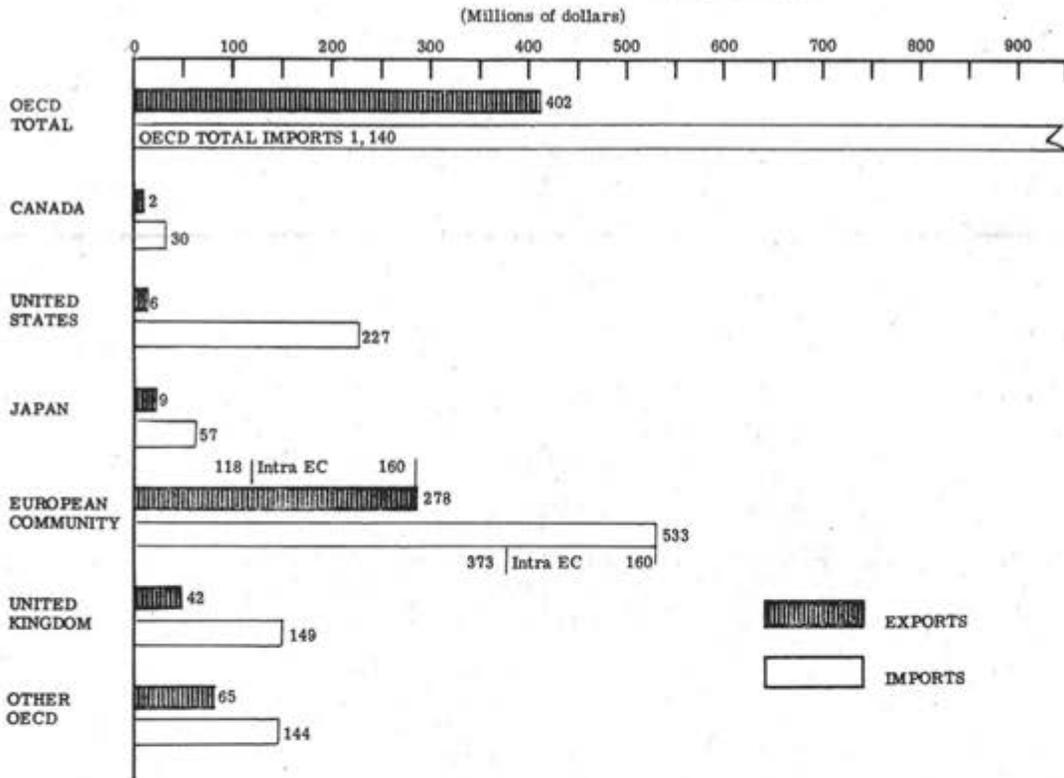
^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 85 percent of EC provisions, covering 3 percent of EC imports in this subsector in 1970.

The United Kingdom has the least detailed schedule and the European Community has the most detailed schedule.

Trade importance

Of the 28 agricultural subsectors, cocoa and cocoa preparations ranked 19th in 1969 OECD exports and 10th in OECD imports. It is fourth in importance in exports and fifth in imports among the 10 subsectors of foodstuffs. As shown in chart A-1-P, OECD total imports are nearly three times as large as exports and each of the five major countries has considerably larger imports than exports. For the United States, the subsector ranks 25th in exports and 8th in imports among the 28 agricultural subsectors.

Chart A-1-P. -- OECD trade in cocoa and cocoa preparations, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, imports by the 13 GATT tariff study countries were valued at \$937 million. Intra-EC shipments were worth an additional \$163 million. OECD imports in 1969 totaled \$1.1 billion; exports were \$402 million.

Trade network

The European Community, shipping \$118 million to outside destinations in 1969, is the only significant exporter among the five countries (table A-1-GG). The Community also is the largest importer, entering \$373 million from outside sources (intra-EC imports were

Table A-1-GG.--OECD exports of cocoa and cocoa preparations, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	402	2	6	9	<u>1/</u> 278	42	65
OECD total-----	345	6	4	2	251	26	56
Canada-----	14	-	2	X	5	5	2
United States---	43	5	-	X	24	7	7
Japan-----	11	X	1	-	9	1	1
European Community-----	<u>1/</u> 174	X	X	X	160	4	10
United Kingdom--	43	X	X	2	15	-	26
Other OECD-----	60	1	1	X	38	9	11
Non-OECD total----	57	X	3	7	27	16	4
IDC's-----	32	X	3	2	11	14	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

\$160 million). United States imports totaled \$227 million and the United Kingdom entries \$149 million (see table A-1-HH). Less developed countries are the major suppliers of cocoa and cocoa preparations, accounting for over two-thirds of OECD imports, over 93 percent of EC outside imports, over 80 percent of U.S. imports and nearly 70 percent of United Kingdom imports.

To prevent evasion of sugar quotas established under the provisions of the Sugar Act of 1948, the Secretary of Agriculture may limit the importation of such products to a quantity which he determines will not substantially interfere with the objectives of the Act. Beginning in 1972, imports of confectionery and certain sweetened chocolate became subject to quota control. The formula for determining the quota results in limiting annual imports to a quantity not to exceed 5 percent of U.S. consumption of domestically produced chocolate and confectionery.

Table A-1-HH.--OECD imports of cocoa and cocoa preparations, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,140	30	227	57	<u>1/</u> 533	149	144
OECD total-----	346	18	40	13	169	47	59
Canada-----	5	-	5	X	X	X	X
United States---	9	6	-	1	1	1	X
Japan-----	2	X	X	-	X	2	X
European Community-----	<u>1/</u> 255	5	25	10	160	19	36
United Kingdom--	26	5	6	1	4	-	10
Other OECD-----	49	2	4	1	4	25	13
Non-OECD total----	793	12	186	44	364	102	85
LDC's-----	769	12	184	42	348	100	83

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Major exporters of cocoa are Ghana, Brazil, the Dominican Republic, Ivory Coast, Nigeria, and Ecuador. In 1972, after a number of years of negotiations, an agreement was reached to form an organization to regulate cocoa exports with a quota system similar to the ones developed for coffee and sugar. The agreement took effect in October, 1973. The European Community is a party to the agreement, but the United States is not.

Trade-agreement concessions

The tabulation below compares pre-trade-agreement average MFN tariffs for cocoa and cocoa preparations with January 1, 1972, arithmetic average tariffs for each of the five major countries. The 1972 figure

for the European Community is calculated on fixed duties only and excludes tariff lines covered by variable levies (over 85 percent of EC provisions).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	22.1	2.5
European Community	<u>1/</u> 22.8	<u>1/</u> 12.1 (plus variable levies)
United Kingdom	9.4	2.0
Japan	31.9	20.0
Canada	29.2	10.1

The national tariffs of each of the members of the European Community contained GATT tariff concessions prior to the establishment of the EC's Common External Tariff. Of the 23 total such concessions, 6 were above the CXT rate; 5 were at the CXT rate; and 12 were below the CXT rate.

Each of the five major countries has made concessions under the GATT on some of its tariff lines for this subsector. For Canada, less than 9 percent of tariff lines are covered under the GATT, but each of the other four countries has the bulk of its tariff lines covered by GATT concessions. Over 70 percent of United Kingdom lines,

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 4 EC tariff lines which continue to be subject to fixed duties alone; it does not include any of the 23 tariff lines subject to a variable levy.

three-fourths of Japanese lines, over 85 percent of EC lines and all U.S. lines for the subsector are covered under the GATT.

Pre-trade-agreement tariff rates for unsweetened cocoa powder are compared with January 1, 1972 rates, in table A-1-II. During the period, the Japanese tariff has undergone the least reduction among the five major tariffs.

Table A-1-II.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on unsweetened cocoa powder

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	17.6% AVE <u>2/</u>	4.4% AVE <u>3/</u>	2.2% AVE <u>4/</u>	156.40
Canada-----	35%	22.5%	15% <u>5/</u>	2200-1
European Community--	27%	27%	16%	18.05
United Kingdom-----	8.6% AVE <u>6/</u>	1.8% AVE <u>7/</u>	Free	18.05
Japan-----	35%	30%	30%	18.05

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of 3 cents per pound.

3/ Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of 0.75 cents per pound.

4/ Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of 0.37 cents per pound.

5/ MFN rate has been superseded by a temporary rate of 10 percent ad valorem, subject to possible renewal in February, 1974.

6/ Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of 14s. per hundredweight.

7/ Ad valorem equivalent, calculated on 1971 import values, representing a specific rate of 3s. per hundredweight.

Sugar and Confectionery

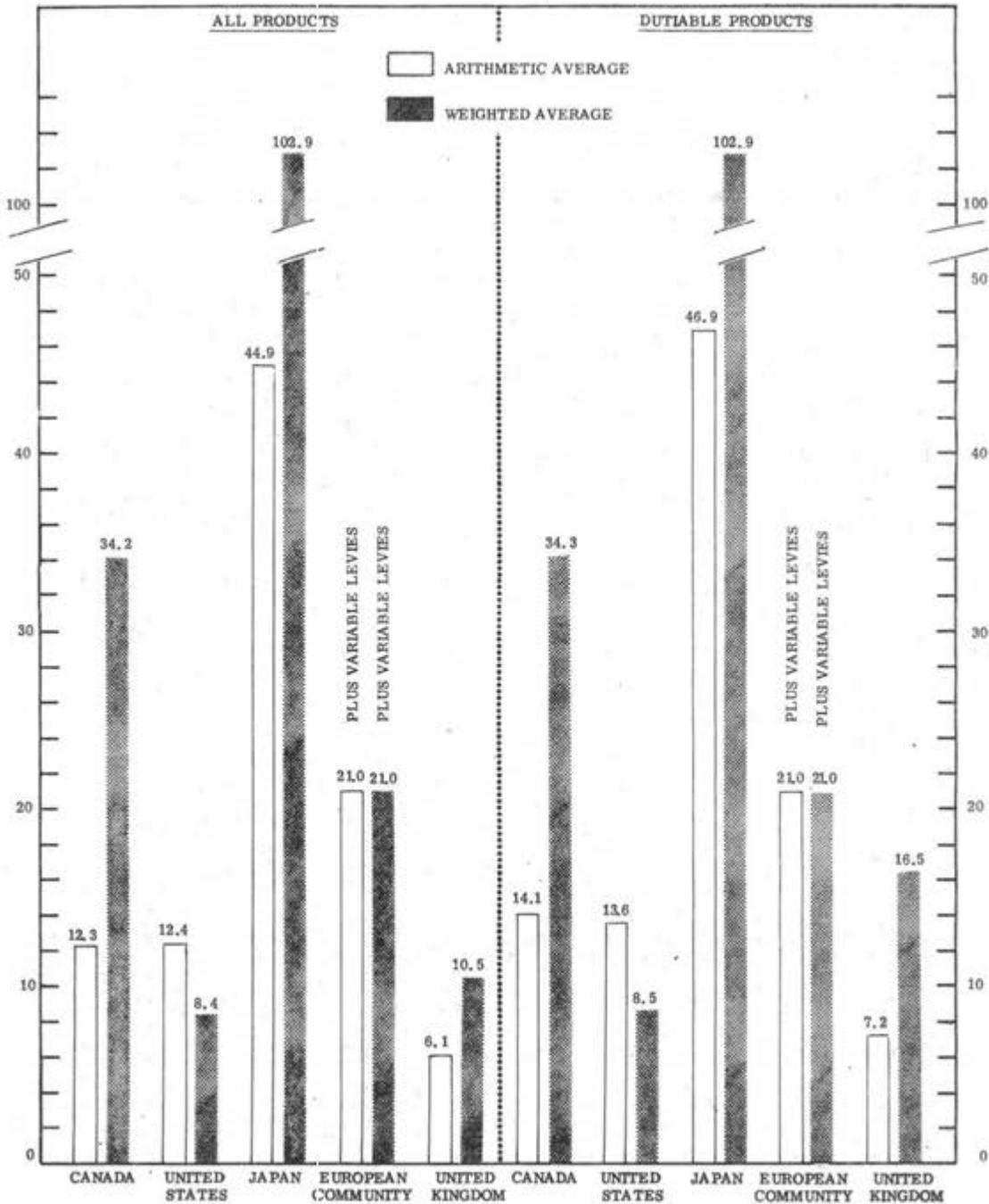
Sugar and confectionery include raw beet and cane sugar; refined sugar; sugars and syrups (including artificial honey and caramel); sugar confectionery and other sugar preparations (except confectionery containing cocoa). 1/

MFN tariffs

Average MFN tariffs on sugar and confectionery have a very wide range among the five major countries. The United Kingdom has the lowest arithmetic average tariff, 6.1 percent ad valorem, for all products (free and dutiable items combined) (chart A-1-Q). The United States has the lowest weighted average (8.4 percent). Japan's arithmetic average tariff reaches 44.9 percent, while its weighted average extends to 102.9 percent ad valorem. Canada, with an arithmetic average just below that of the United States, has a weighted average above 34 percent ad valorem. The European Community applies variable levies to all but 1 of the 42 EC tariff provisions for sugar and confectionery. The figure shown for the European Community in chart A-1-Q (21 percent ad valorem) is the rate of duty applicable to the one item not subject to variable levies, and thus cannot be considered a representative average. In 1970, however, nearly half of EC imports of sugar and confectionery entered under this one provision. For four of the major countries, average rates for dutiable products alone do not differ significantly from averages for all products. The United Kingdom's weighted average for dutiable products is 6 percentage points above the average for all products.

1/ For the specific coverage of this subsector, see BTN headings 17.01-17.05.

Chart A-1-Q. -- Average MFN tariff rates on sugar and confectionery
(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

The distribution, by duty level, of MFN tariff provisions for sugar and confectionery is shown in table A-1-JJ. The United Kingdom

Table A-1-JJ.--Distribution, by duty level, of MFN tariff provisions for sugar and confectionery

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	12.5	9.1	4.3	-	15.4
0.1-5.0 percent---	25.0	22.7	4.4	-	34.6
5.1-10.0 percent---	18.8	31.8	13.0	-	30.8
10.1-15.0 percent--	-	18.2	-	-	11.5
15.1-20.0 percent--	31.2	13.6	4.4	-	3.9
20.1-25.0 percent--	-	4.6	13.0	100.0	3.8
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	6.3	-	39.2	-	-
40.1-50.0 percent--	6.2	-	4.3	-	-
Over 50 percent----	-	-	17.4	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 98 percent of EC provisions, covering 46 percent of EC imports in this subsector in 1970.

has 15.4 percent of its provisions and Canada 12.5 percent free of duty. Nearly 35 percent of United Kingdom provisions are dutiable in the 0.1-5 percent ad valorem range and another 31 percent are in the 5.1-10 percent range. One-fourth of Canada's provisions are dutiable in the 0.1-5 percent range and almost one-third in the 15.1-20 percent ad valorem range. Over one-fifth of U.S. provisions are in the 0.1-5 percent ad valorem range, nearly one-third in the 5.1-10 percent range, and over one-third between 10.1 and 25 percent. The Japanese rates are spread across a wide range with 13 percent in both the 5.1-10 percent and 20.1-25 percent brackets, 39 percent in the 30.1-40 percent bracket and 17 percent of the provisions over 50 percent ad valorem.

In 1970, preferential tariff treatment was accorded nearly one-fourth of U.S. imports, nearly two-thirds of Canadian imports and over three-quarters of United Kingdom imports.

The United Kingdom enters over one-third of its imports of sugar and confectionery free of duty; half of United Kingdom imports pay rates between 15.1 and 20 percent ad valorem. Over 90 percent of U.S. imports are dutiable at rates between 5.1 and 10 percent ad valorem. Canada has nearly three-quarters of its imports dutiable between 40.1 and 50 percent, and Japan has over 90 percent of imports dutiable above 50 percent ad valorem, many of them considerably above 50 percent, as indicated in the high Japanese weighted average tariff. All European Community imports subject to fixed duties enter in the range between 20.1 and 25 percent. Data are not available for the rate distribution of EC variable levy imports (table A-1-KK).

Table A-1-KK.--Distribution, by duty level, of MFN imports of sugar and confectionery

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	0.2	0.9	-	-	36.2
0.1-5.0 percent----	3.6	7.7	-	-	.1
5.1-10.0 percent----	6.8	91.4	4.1	-	8.1
10.1-15.0 percent--	-	-	-	-	4.6
15.1-20.0 percent--	15.6	-	-	-	51.0
20.1-25.0 percent--	-	-	3.6	100.0	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	.2	-	.8	-	-
40.1-50.0 percent--	73.6	-	-	-	-
Over 50 percent----	-	-	91.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

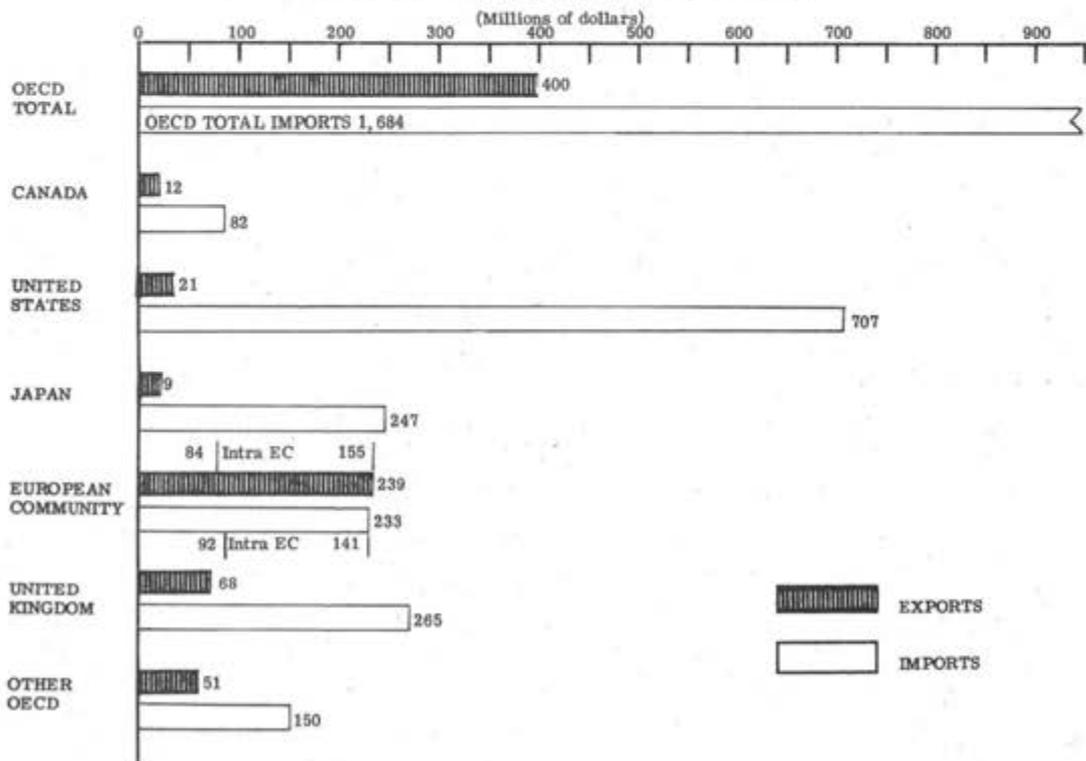
^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 98 percent of EC provisions, covering 46 percent of EC imports in this subsector in 1970.

Canada has 16 tariff lines in this subsector, and the European Community has 42 lines. The United States and Japan each have 23 lines, and the United Kingdom has 26 lines.

Trade importance

Of the 28 agricultural subsectors, sugar and confectionery ranked 20th in exports and 6th in imports in 1969 OECD trade. The subsector ranks fifth in OECD exports and third in imports among the 10 subsectors of foodstuffs. As shown in chart A-1-R, OECD total imports are four times greater than exports in this subsector, and for each of the five major countries except the European Community, imports are at least several times as large as exports. For the United States, the

Chart A-1-R. -- OECD trade in sugar and confectionery, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

subsector ranks 21st in exports among the 28 agricultural subsectors, accounting for less than 0.4 percent of U.S. agricultural exports, but more than 12 percent of U.S. agricultural imports in 1969.

In 1970, imports by the 13 GATT tariff study countries were valued at \$1.9 billion, and intra-EC shipments were an additional \$199 million.

OECD imports in 1969 totaled \$1.7 billion; exports were \$400 million.

Trade network

The European Community, among the five major countries, is the most significant exporter of sugar and confectionery, shipping \$84 million to outside destinations in 1969 (intra-EC exports were \$155 million). About 70 percent of EC external exports went to nations other than the five major countries (see table A-1-LL). The United Kingdom is the

Table A-1-LL.--OECD exports of sugar and confectionery, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	400	12	21	9	1/ 239	68	51
OECD total-----	299	11	9	1	190	45	43
Canada-----	13	-	4	X	1	6	2
United States---	36	10	-	X	7	13	6
Japan-----	12	X	2	-	8	3	1
European Community-----	1/ 172	X	2	X	155	7	8
United Kingdom--	10	1	1	X	3	-	5
Other OECD-----	56	-	-	X	16	16	24
Non-OECD total----	101	3	13	7	43	22	13
LDC's-----	95	3	13	7	42	20	10

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding or the fact that complete country of destination data are not available for all products covered by this table, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

only other important exporter of sugar and confectionery among the five major countries, accounting for \$68 million in export shipments.

As shown in table A-1-MM, each of the five countries has substantial imports of sugar and confectionery. The United States is

Table A-1-MM.-- OECD imports of sugar and confectionery, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,684	82	707	247	1/ 233	265	150
OECD total-----	293	13	34	13	157	14	62
Canada-----	11	-	9	X	X	1	1
United States---	10	6	-	1	2	1	X
Japan-----	1	X	X	-	X	X	1
European Community-----	1/ 189	1	7	9	141	7	24
United Kingdom--	43	6	9	2	6	-	20
Other OECD-----	39	X	9	1	8	5	16
Non-OECD total----	1,420	69	674	238	94	256	89
LDC's-----	1,172	40	634	162	80	191	65

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Country of origin data are overstated due to the inclusion of natural honey which is not covered by the subsector on sugar and confectionery in the following amounts: OECD total, 29; Canada, none; United States, 1; Japan, 4; European Community, 18; United Kingdom, 5. Country of origin data, therefore, do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

by far the largest importer, entering \$707 million in 1969. Except for the European Community, which supplies the bulk of its imports internally, the major countries receive most of their imports from non-OECD sources.

World trade in sugar has been regulated in a manner somewhat similar to that of coffee through the establishment of the International Sugar Agreement in 1937. Disrupted by World War II, the ISA was reestablished in 1953 and revised in 1958 and 1969. Countries subscribing

to the most recent revision numbered 49, of which 34 were exporting members. As with coffee, countries exporting sugar are subject to quotas which can be adjusted under the ISA in order to maintain prices at a reasonable level, while countries importing sugar agree to restrict imports from nonmember countries. Unlike coffee, sugar is produced by many of the importing countries. Thus, imports supplement domestic output and the leading exporting countries are not necessarily the leading producers. 1/

Cuba has been by far the principal exporter of sugar for several decades, and since 1960 has been the principal supplier of sugar imports to the USSR and the Peoples Republic of China. Other leading exporters of raw sugar have been Australia, the Philippines, Brazil, South Africa, the Dominican Republic, Taiwan, Mexico, Mauritius, and Peru. The European Community imports substantial amounts of sugar, but supplies much of its own requirements in the form of beet sugar. This internal production is reflected in the fact that internal EC shipments in the subsector comprise over 60 percent of total EC imports. The Philippines and Latin American countries other than Cuba have been the principal U.S. sources of imported sugar, since the United States reduced its quota for Cuban sugar to zero following the break in diplomatic relations between the two countries in 1960.

Trade-agreement concessions

Arithmetic average MFN tariffs for sugar and confectionery on pre-trade-agreement base dates are compared with January 1, 1972, arithmetic average tariffs in the tabulation below for each of the five

1/ A discussion of U.S. import quotas under the provisions of the Sugar Act of 1948 appears in Chapter VIII.

major countries. The 1972 figure for the European Community reflects only one of the 42 EC tariff lines for the subsector (the rest are covered by variable levies).

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	23.4	12.4
European Community	<u>1/</u> 39.4	<u>1/</u> 21.0 (plus variable levies)
United Kingdom	7.3	6.1
Japan	47.6	44.9
Canada	12.3	12.3

Before the establishment of the EC's Common External Tariff, each of the members of the European Community negotiated national tariff concessions under the GATT for sugar and confectionery. These concessions totaled 26, of which 9 were above the CXT rate; 2 were at the CXT rate; and 15 were below the CXT.

Each of the five major countries has had GATT concessions for some of its tariff lines for sugar and confectionery, but most of United Kingdom and Canadian lines are not covered. Japan has over one-fifth of its tariff lines covered under the GATT; the European Community has 45 percent, and the United States has all lines for the subsector covered.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972 figure for the Community is the rate applicable to the only EC tariff line which continues to be subject to fixed duties alone; it does not include any of the 41 EC tariff lines subject to a variable levy.

Pre-trade-agreement tariff rates for molasses are compared with January 1, 1972, rates in table A-1-NN for each of the five countries.

Table A-1-NN.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on molasses

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	11.5%; 1.8% AVE <u>2/</u>	4.9%; 0.7% AVE <u>3/</u>	4.9%; 0.7% AVE <u>3/</u> <u>4/</u>	155.35, .40
Canada-----	7.5%; 35.0% AVE <u>2/</u>	5.0%; 32.5% AVE <u>2/</u>	5.0% AVE <u>2/</u>	13700-1; 13705-1
European Community--	Free-65%	Variable levies <u>6/</u>	Variable levies <u>6/</u>	17.03
United Kingdom-----	Free-100% AVE <u>1/</u>	Free	Free	17.03
Japan-----	20%; 30%	35-229% AVE <u>8/</u>	35-229% AVE <u>8/</u>	17.03

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Rates are ad valorem equivalents of specific rates of duty (6.8 cents per gallon and 0.03 cents per pound of total sugars, respectively), calculated on 1971 import values.

3/ Rates are ad valorem equivalents of specific rates of duty (2.9 cents per gallon and 0.012 cents per pound of total sugars, respectively), calculated on 1971 import values.

4/ Most of the imports in 1971 consisted of inedible molasses and entered at the lower rate of duty (item 155.40).

5/ Rates are ad valorem equivalents of specific rates of duty, calculated on estimated 1971 import values.

6/ Autonomous rate fixed duties replaced by variable levies.

7/ Range includes ad valorem equivalents of specific rates of duty, calculated on 1971 import values.

8/ Range includes ad valorem equivalents of specific rates of duty, calculated on 1970 import values, and a minimum rate of 35 percent ad valorem for item 17.03-1. Virtually all imports in recent years entered at ad valorem equivalents of 150-175 percent.

Only Canada had any duty reductions on molasses during the Kennedy Round.

The range of EC rates on January 1, 1972, was unchanged from the pre-trade-agreement fixed rates. For the European Community, the fixed duties for molasses originally established in the CXT have been replaced by variable levies. Japanese duties on molasses increased from the pre-trade-agreement rates prior to the Kennedy Round.

Spices; Products of the Milling Industry and Preparations
of Cereals; Miscellaneous Foodstuffs

There are three remaining subsectors of foodstuffs: Spices; products of the milling industry and preparations of cereals; and "other" foodstuffs. Included in products of the milling industry and preparations of cereals are: Flours, groats and meals made from cereals; other worked cereal grains (for example, rolled, flaked, polished); malt; starches, inulin, and gluten. "Other" foodstuffs include such products as eggs, honey, spaghetti, tapioca, foods prepared by swelling or roasting cereals, bread and other bakery products, coffee extracts, sauces, soups, and vinegar. ^{1/}

The relative importance of these subsectors of foodstuffs in OECD trade can be seen in chart A-1-D at the beginning of the discussion of foodstuffs. U.S. trade for these products is shown in the tabulation below (in millions of dollars).

	<u>Exports</u> (1969)	<u>Imports</u>	
		(1969)	(1970)
Spices	4	51	53
Products of the milling industry, preparations of cereals	125	2	8
"Other" foodstuffs	158	97	129

^{1/} For the specific coverage of spices, see BTN headings 09.04-.10; for products of the milling industry, etc., BTN headings 11.01-.02 and 11.07-.09; for "other" foodstuffs, BTN headings 04.05-.06, 22.10 and chapters 19 and 21.

The only subsector of foodstuffs in which the United Kingdom applies variable levies is the subsector for products of the milling industry. Variable levies are applied in nearly 39 percent of United Kingdom tariff lines which, in 1970, covered 18 percent of United Kingdom imports in the subsector. For the European Community, variable levies cover 99 percent of tariff lines and 99 percent of 1970 imports of products of the milling industry. In "other" foodstuffs, nearly 88 percent of the 180 EC tariff lines are covered by variable levies; in 1970, 45 percent of EC imports of "other" foodstuffs entered under variable levy provisions.

Table A-1-00 shows arithmetic and weighted average MFN rates of duty for combined free and dutiable imports, and the highest duty range containing tariff provisions for each of the five major countries. In

Table A-1-00.--Average MFN tariff rates on spices, products of the milling industry, and miscellaneous types of foodstuffs, and the highest rate bracket in which provisions of the major tariffs fall

(Percent ad valorem)						
Type of foodstuffs	Canada	United States	Japan ^{1/}	European Community	United Kingdom	
Spices:						
Arithmetic average-----	4.9	5.4	5.4	10.2		7.2
Weighted average-----	2.3	1.9	6.1	13.4		6.1
Highest rate bracket----	15.1-20	40.1-50	25.1-30	25.1-30		15.1-20
Products of the milling industry, preparations of cereals:						
Arithmetic average-----	9.0	8.5	22.3	^{2/} 30.0		^{2/} 6.1
Weighted average-----	9.3	8.0	17.4	^{2/} 30.0		^{2/} 3.2
Highest rate bracket----	20.1-25	20.1-25	20.1-25	^{2/} 25.1-30		^{2/} 5.1-10
"Other" foodstuffs:						
Arithmetic average-----	12.5	8.3	23.9	^{2/} 15.4		8.7
Weighted average-----	10.1	4.1	26.2	^{2/} 22.9		6.7
Highest rate bracket----	30.1-40	30.1-40	30.1-40	^{2/} 30.1-40		20.1-25

^{1/} Figures for Japan for "other" foodstuffs do not reflect the unilateral reductions by 20 percent made in 1972 on over half of the Japanese rates for the subsector.

^{2/} Does not include tariff provisions subject to variable levies.

Source: Compiled from national tariff and trade statistics.

a simple count of the highest/lowest rankings among the five countries for the two averages and the duty ranges shown, the European Community has the greatest number of "highest" rankings, followed by Japan. The United Kingdom has the largest number of "lowest" rankings, followed by the United States. Most of the United Kingdom's "lowest" rankings, however, are in the subsector for products of the milling industry in which the United Kingdom applies variable levies. The table does not reflect variable levies, which may increase both United Kingdom and EC average duties above levels suggested by the figures.

Agricultural Sector A-2

GRAINS

The sector for grains includes wheat, meslin (a mixture of wheat and rye), rye, barley, oats, corn, rice, buckwheat, millet, grain sorghum and miscellaneous other grains. 1/

MFN tariffs

The European Community applies variable levies to all imports of grains; none are subject to fixed duties. For the United Kingdom, variable levies cover 8 of 11 tariff lines and over half of 1970 United Kingdom imports. 2/ It has not been possible to include variable levies in the calculation of average MFN tariffs in chart A-2-A. Thus, average MFN tariffs in chart A-2-A are actually meaningful only for Canada, the United States, and Japan. 3/

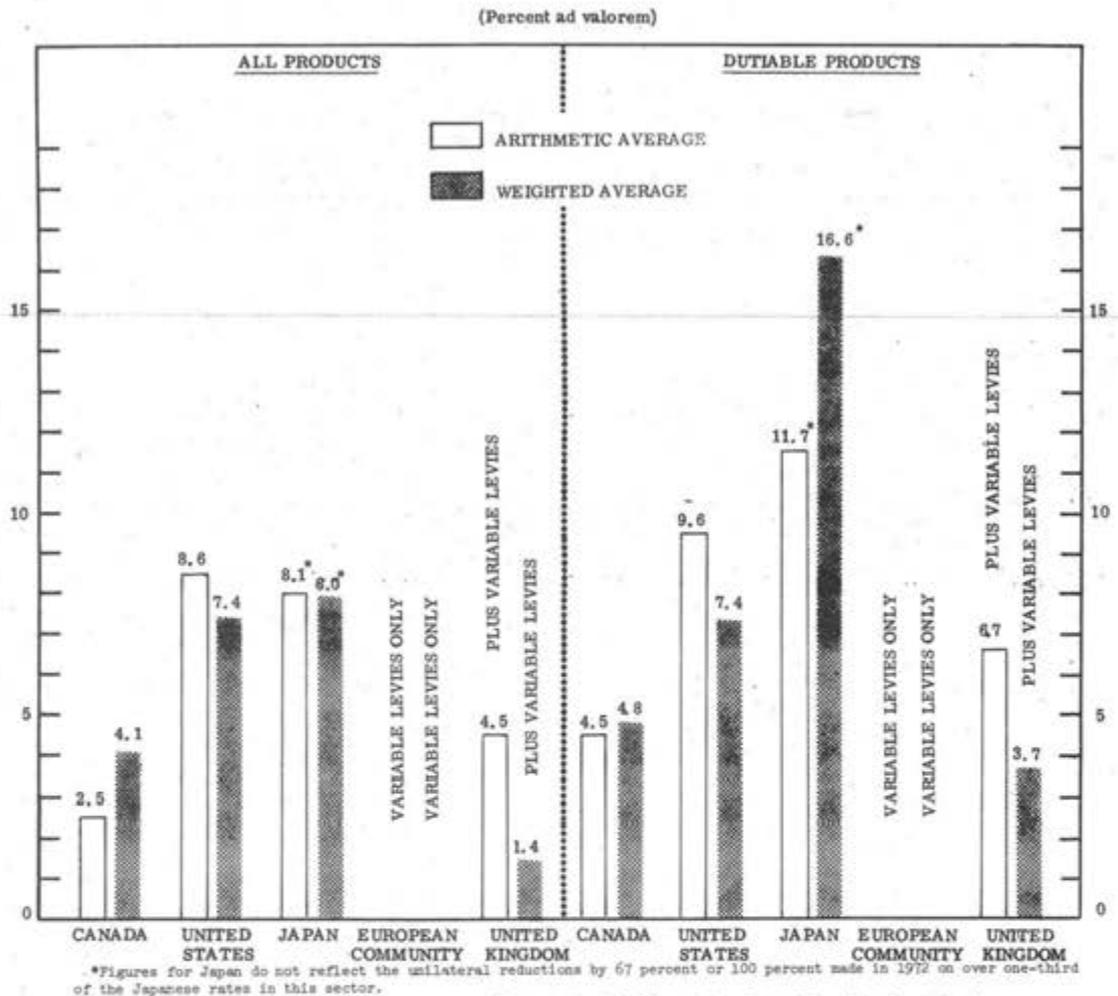
Of the average tariffs for these three countries, the United States has the highest arithmetic average tariff for all products (combined free and dutiable) at 8.6 percent, followed closely

1/ For the specific coverage of this sector, see BTN chapter 10. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

2/ As a member of the European Community, the United Kingdom is to raise the level of minimum import prices and variable levies during a transition period from 1973-77 in order to make United Kingdom tariffs correspond with tariffs of the European Community on imports from third countries. In early May 1972, the United Kingdom's variable levy on U.S. No. 3 grade yellow corn was equivalent to 23 percent of the c.i.f. value of the corn and the levy on U.S. No. 2 grade hard winter wheat was equivalent to 33 percent of the c.i.f. value of the wheat.

3/ Illustrative of the range and height of the European Community's variable levies on grains are the following 1970 ad valorem equivalents of the variable levies on some of the products in this sector: Durum wheat, 79.7 percent; barley, 69.7 percent; corn, 47.4 percent; milled bleached long rice, 181.6 percent.

Chart A-2-A. --Average MFN tariff rates on grains



by Japan, with an average of 8.1 percent ad valorem. The Canadian arithmetic average tariff on all products of 2.5 percent is the lowest of the three countries. The Canadian weighted average tariff on all products, at 4.1 percent ad valorem, is also considerably lower than the U.S. weighted average of 7.4 percent and the Japanese weighted average of 8 percent. On dutiable products alone, U.S. average tariffs are noticeably below Japanese averages, especially the Japanese weighted average tariff of 16.6 percent.

Of the five major countries, Canada has the largest percentage of tariff provisions in the duty-free category, with 45.5 percent of provisions duty free. One-third of United Kingdom fixed rate provisions are duty free. Japan has 31 percent of its provisions duty free, and the United States has 11 percent of its provisions duty free (see table A-2-A).

Table A-2-A.--Distribution, by duty level, of MFN tariff provisions for grains

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom ^{2/}
Free-----	45.5	10.5	30.8	NA	33.3
0.1-5.0 percent----	27.2	42.1	15.4	NA	33.4
5.1-10.0 percent----	27.3	21.1	23.0	NA	33.3
10.1-15.0 percent--	-	10.5	23.1	NA	-
15.1-20.0 percent--	-	-	7.7	NA	-
20.1-25.0 percent--	-	10.5	-	NA	-
25.1-30.0 percent--	-	-	-	NA	-
30.1-40.0 percent--	-	5.3	-	NA	-
40.1-50.0 percent--	-	-	-	NA	-
Over 50 percent----	-	-	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

^{1/} At least 99 percent of European Community imports in this sector are subject to variable levies rather than fixed tariff rates. It is therefore not possible to give a frequency rate distribution for the Community.

^{2/} Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 73 percent of United Kingdom provisions, covering 53 percent of United Kingdom imports in this sector in 1970.

None of Canadian dutiable provisions or United Kingdom fixed-duty provisions have rates above 10 percent ad valorem. The United States has two-fifths of its provisions dutiable at rates of 5 percent or less, and Japan has over one-fifth of its provisions in each of the duty ranges between 5.1 and 15 percent ad valorem.

Of the five countries, only in the United Kingdom does a significant portion of grain imports receive preferential tariff treatment. In 1970, 44 percent of United Kingdom imports entered under preferential duties.

As shown in table A-2-B, the United Kingdom has 60 percent of its fixed-duty MFN imports entering duty free. Over half of Japanese imports are also duty free. Canada has 16 percent of imports duty free and the United States has almost none.

Table A-2-B.--Distribution, by duty level, of MFN imports of grains

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	16.3	0.1	51.8	NA	60.5
0.1-5.0 percent----	16.1	19.9	.1	NA	38.0
5.1-10.0 percent---	67.6	55.7	15.8	NA	1.5
10.1-15.0 percent--	-	23.7	1.0	NA	-
15.1-20.0 percent--	-	-	31.3	NA	-
20.1-25.0 percent--	-	.6	-	NA	-
25.1-30.0 percent--	-	-	-	NA	-
30.1-40.0 percent--	-	-	-	NA	-
40.1-50.0 percent--	-	-	-	NA	-
Over 50 percent----	-	-	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

1/ At least 99 percent of European Community imports in this sector are subject to variable levies rather than fixed tariff rates. It is therefore not possible to give an import frequency distribution for the Community.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 73 percent of United Kingdom provisions, covering 53 percent of United Kingdom imports in 1970.

Canada has 68 percent of imports dutiable between 5.1 and 10 percent ad valorem. The United Kingdom has almost no fixed-duty imports dutiable above 5 percent ad valorem. Over half of U.S. imports are dutiable in the range of 5.1-10 percent ad valorem, and almost a quarter of imports between 10.1 and 15 percent ad valorem. Over 30 percent of Japanese imports are dutiable between 15.1 and 20 percent ad valorem. Japanese and U.S.

imports span higher duty rate ranges than the imports of Canada and the fixed rates of the United Kingdom do.

The European Community has the most detailed tariff schedule for grains with 20 product lines, followed by the United States with 19 lines. Japan has 13 lines, and Canada and the United Kingdom each have 11 lines.

World production

The principal grains produced are wheat, corn, and rice. Of lesser importance are barley, oats, and rye. Wheat, rice, and rye are grown primarily for human food use and are considered food grains, while corn, barley, and oats are grown principally for feed for livestock. Table A-2-C shows the relative importance

Table A-2-C.--World production of grains, by specified countries, 1970

(In millions of metric tons)						
Country	Wheat	Corn	Rice	Barley	Oats	Rye
United States-----	38	104	4	9	13	1
EEC-----	30	13	1	14	6	3
Canada-----	9	3	-	9	6	1
United Kingdom-----	4	-	-	8	1	1/
Japan-----	1/	1/	16	1	1/	-
All other-----	207	122	176	76	25	22
Total-----	288	242	197	117	51	27

1/ Less than 500,000 metric tons.

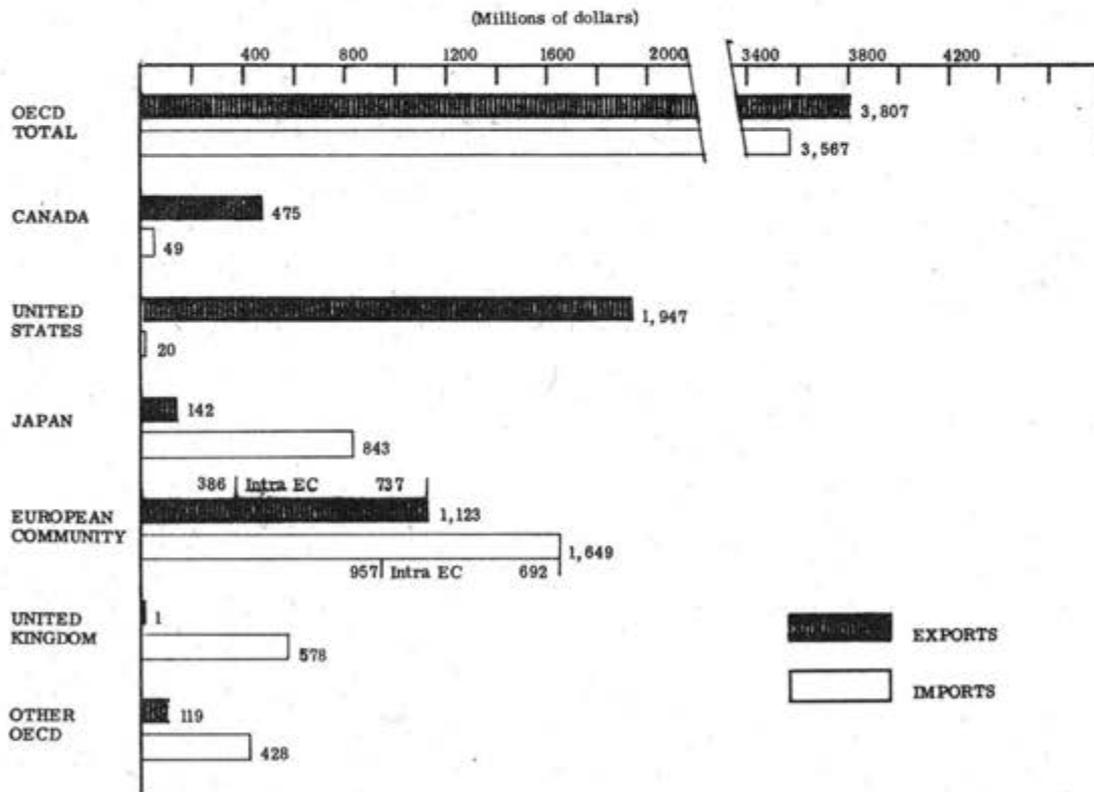
of grains output in the five countries under study to the total world output. The aggregate output of the five countries accounted for about half of the world production of corn and of oats, but substantially smaller shares of the world totals for the other

grains. The principal suppliers of grains to world markets have been the United States, the European Community, Canada, Australia, and Argentina.

Trade importance

Grains ranked second in OECD exports among the nine agricultural sectors in 1969 and 1970 and fourth in OECD imports. In 1970, the grains sector accounted for 18 percent of OECD agricultural exports and 11 percent of agricultural imports. For the United States the sector is the most important in agricultural exports and the least important in imports.

Chart A-2-B, -- OECD trade in grains, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Imports of grains by the 13 GATT tariff study countries in 1970 were valued at \$3.2 billion, and intra-EC shipments were an additional \$626 million. OECD imports in 1969 totaled \$3.6 billion; exports were \$3.8 billion (chart A-2-B). In 1970, OECD imports rose to \$4.1 billion, exports to \$4.6 billion.

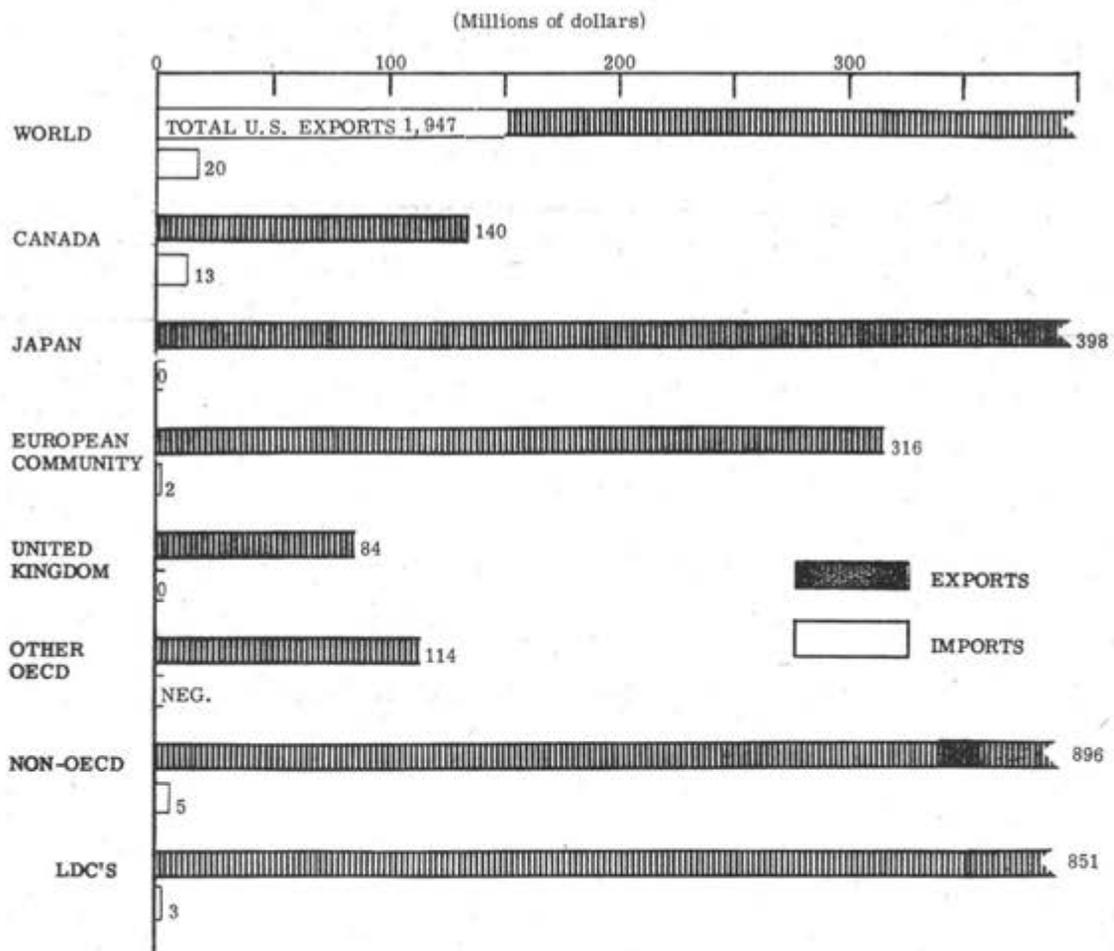
U.S. grains exports of \$1.9 billion in 1969 and \$2.4 billion in 1970 accounted for slightly more than one-third of U.S. agricultural exports in those years. U.S. imports are not significant (\$29 million in 1970).

Trade network

The five major countries account for 88 percent of OECD grain imports and 97 percent of OECD exports. A large portion of OECD total imports (72 percent) and exports (62 percent) are traded with other OECD countries. Less developed countries supply 17 percent of total OECD imports and absorb 32 percent of OECD exports.

The United States, the largest exporter, accounts for over half of OECD exports of grains. An important share (44 percent) of U.S. exports goes to less developed countries; one-fifth to Japan and about 16 percent to the European Community (see chart A-2-C). Canada is the second largest exporter of the five countries, if intra-EC shipments are excluded from EC exports. The United Kingdom, the European Community, and Japan combined take over half of Canadian exports. Forty percent of Canadian exports go to non-OECD countries. EC exports to nonmember countries are

Chart A-2-C.--United States trade in grain, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

substantial (\$386 million in 1969), but are equal to only half of intra-EC grains shipments. Principal external EC markets are non-OECD countries and the smaller OECD members (table A-2-D).

For Japan, the European Community, and the United Kingdom, grain imports are considerably larger than exports, and these three countries account for over 86 percent of total OECD imports (table A-2-E). About half of imports by Japan and European

Table A-2-D.--OECD exports of grains, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,807	475	1,947	142	<u>1/</u> 1,123	1	119
OECD total-----	2,375	287	1,052	X	947	1	88
Canada-----	140	-	140	-	X	-	-
United States---	16	15	-	-	1	-	-
Japan-----	494	76	398	-	18	X	2
European Community----	<u>1/</u> 1,179	91	316	-	737	1	34
United Kingdom--	287	95	84	-	76	-	32
Other OECD-----	259	10	114	X	115	X	20
Non-OECD total----	1,433	188	896	142	176	X	31
LDC's-----	1,225	70	851	142	139	X	23

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-2-E.--OECD imports of grains, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,567	49	20	843	<u>1/</u> 1,649	578	428
OECD total-----	2,552	49	15	556	1,258	408	266
Canada-----	337	-	13	82	94	122	26
United States---	1,162	49	-	449	436	122	106
Japan-----	X	-	-	-	-	X	-
European Community----	<u>1/</u> 954	X	2	25	692	129	106
United Kingdom--	1	X	-	X	X	-	1
Other OECD-----	98	X	X	X	36	35	27
Non-OECD total----	1,012	X	5	287	387	170	163
LDC's-----	604	X	3	144	303	33	121

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Community imports from outside sources come from the United States. The United States, Canada, and the European Community are about equally important as suppliers to the United Kingdom. Japan and the United Kingdom each import roughly 30 percent of their total imports from non-OECD countries. Forty percent of EC entries from outside sources come from non-OECD countries, principally from LDCs.

Trade in some grains is regulated by international agreement. About nine-tenths of the world wheat and wheat flour trade has been carried out by over 50 countries who are parties to the International Wheat Agreement (IWA). However, only about half of world trade has been transacted under the terms of the IWA. All five countries under study are members of the IWA. The IWA provides a means for regular review of trading conditions and consultation among signatory countries and furnishes food aid to developing countries. 1/

Trade-agreement concessions

Arithmetic average tariffs on January 1, 1972, of the five major countries are compared with averages on pre-trade-agreement base dates in the tabulation below. The United States arithmetic average tariff decreased from 15.7 to 8.6 percent ad valorem. Of the other four countries, only Canada, whose average

1/ The current agreement which expires June 30, 1974, is the tenth in a series of treaties beginning in 1949. Earlier agreements had price provisions under which exporting countries agreed to supply, and importing countries agreed to purchase, certain quantities of wheat and flour within a given price range; the current agreement has no such price provision.

tariff decreased from 17.1 to 2.5 percent ad valorem, shows a large reduction. In view of the adoption of variable levies, which are applicable to all of EC grains imports and a significant portion of United Kingdom imports, current charges on imports into these countries probably exceed charges on pre-trade-agreement base dates (in some cases by substantial amounts). The Japanese figure does not reflect the substantial unilateral reductions made on about one-third of Japanese rates in this sector in 1972.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	15.7	8.6
European Community	<u>1/</u> 12.7	<u>1/</u> (variable levies only)
United Kingdom	7.2	<u>2/</u> 4.5 (plus variable levies)
Japan	10.5	8.1
Canada	17.1	2.5

Each of the members of the European Community had negotiated national tariff concessions under the GATT prior to establishment of the EC's Common External Tariff. Of the 30 concessions contained in the national schedules, 18 were above the CXT rate, 1 was at the CXT rate, and 11 were below the CXT rate.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, all of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT.

2/ For the United Kingdom, the January 1, 1972, figure is an arithmetic average of rates of duty in all tariff lines subject to fixed rates only, excluding lines covered by variable levies. The United Kingdom has had a system of minimum prices for cereals, cereal products and cereal byproducts since 1964. Variable levies are used by the United Kingdom in 8 of its 11 tariff lines for this sector, in order to support these minimum prices (which are often set below world market prices).

Each of the five major countries has made some concessions under the GATT on grains. For the United States, 15 out of 19 provisions are covered by GATT concessions. For Canada, about one-fourth of provisions are covered. For the United Kingdom, out of 11 provisions, 6 are covered in full and 1 in part by GATT concessions. For Japan, 4 out of 13 provisions are covered. The European Community has only 1 of its 20 provisions covered by a GATT binding (hybrid seed corn - discussed below).

Current rates on corn are compared with pre-trade-agreement rates in table A-2-F. Four of the five countries have had reductions in duties on corn imports. Canada, with a pre-trade-agreement

Table A-2-F.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on corn

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	13.7% AVE ^{2/} 50%	1.7% AVE ^{3/} ; 13.7% AVE ^{2/} 25%	0.8% AVE ^{4/} ; 13.7% AVE ^{2/} 25%	130.30, .35 135.75
Canada-----	11.3% AVE ^{5/}	4.5% AVE ^{6/}	4.5% AVE ^{6/}	5500-1
European Community--	Free; 9%	Variable levy ^{7/}	Variable levy ^{7/}	10.05
United Kingdom-----	10%	Free; 10%	Free; 10%; 5% AVE ^{8/}	10.05
Japan-----	10%	Free; 10%	Free; 10%	10.05

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of specific rate of duty (25 cents per bushel of 56 pounds), calculated on 1971 import values.

^{3/} Percent is ad valorem equivalent of specific rate of duty (12.5 cents per bushel of 56 pounds), calculated on 1971 import values.

^{4/} Percent is ad valorem equivalent of specific rate of duty (6 cents per bushel of 56 pounds), calculated on 1971 import values.

^{5/} Percent is ad valorem equivalent of specific rate of duty (20 cents per bushel), calculated on 1971 import values.

^{6/} Percent is ad valorem equivalent of specific rate of duty (8 cents per bushel), calculated on 1971 import values.

^{7/} Autonomous rate duties replaced by variable levies. For hybrid seed corn, there is a ceiling of 4 percent ad valorem on the variable levy.

^{8/} The rate for sweet corn on the cob was reduced to 5 percent in the Kennedy Round.

rate of 20 cents per bushel, reduced its MFN rate from 10 cents to 8 cents per bushel in 1948. The United States reduced duties on seed corn both prior to and during the Kennedy Round. Japan reduced its duties on corn for fodder prior to the Kennedy Round. The United Kingdom duty on sweet corn on the cob was reduced by 50 percent in the Kennedy Round and "other" corn imports were made duty free prior to the Kennedy Round; there has been no reduction in a type of corn described in the United Kingdom tariff as "flat white maize." In addition to the fixed rates shown in table A-2-F, the United Kingdom has had a system of variable levies on a number of grains since 1964. In 1970, variable levies covered 86 percent of United Kingdom corn imports. For the European Community, fixed duties on corn were changed to variable levies. The levy on hybrid seed corn has a GATT-bound ceiling of 4 percent ad valorem.

Trade complaints

Considering the volume of world trade in grains and the well-known and widespread governmental policies or actions which control or distort trade in this sector, relatively few--103--complaints were submitted to the Tariff Commission by U.S. grain interests on trade barriers.

This is probably attributable largely to the high concentration of U.S. foreign trade in grains. A rather detailed treatment of the subject by the appropriate trade association, and particularly by one major complainant, served to confirm what is already well

known about the most significant trade restrictions. These submissions and others also called attention to some additional trade barriers of lesser significance. The complaints were about equally divided between developed and developing countries. Fifteen market economy developed nations, 4 Communist countries, and 29 LDC's were named in the complaints. Mentioned most frequently were the European Community, the United States, Australia, Switzerland, Japan, and Portugal. The practices most frequently the subject of complaints were state trading and government monopolies in grain trade and variable import levies.

State trading and government monopolies.---The prevalence in many countries of state trading or government monopolies of foreign grain trade is felt to distort the international flow of grains. Such monopolies exist not only in the Communist countries, but also in several market economies, such as Canada, Japan, Austria, Finland, Greece, New Zealand, Norway, Switzerland, Portugal, South Africa, Spain, and several African countries. A state trading agency or a governmental import monopoly in operation may encompass the concepts of both tariff and quota. Government import plans may be viewed as de facto annual quotas; moreover, state trading price markups, designed to cover storage, transport and normal marketing functions, may easily conceal supplemental charges analogous to tariffs or other import charges.

Some U.S. traders reported that there is frequently no discernible discrimination against U.S. grain supplies by the state

trading authorities of many foreign countries, but among examples of discrimination cited were the preferential trade agreements of the European Community and special clearing arrangements in Algeria for grains of Russian and Bulgarian origin. U.S. exporters also reported that U.S. shipments of wheat, barley, oats, and their products to Canada could increase to some degree if state trading in these products were abolished. On the other hand, one brief submitted to the Tariff Commission pointed out that state trading can also counterbalance the restrictive effect of other barriers to grain trade, citing as an example the practice of exempting governmental purchasing authorities from the payment of duties and other discriminatory measures.

Variable levies.--Among the nontariff measures used by several countries to insulate their domestic grain market from the competition of foreign suppliers is the tariff-like import charge known as the variable levy. Variable levies are charges, applied chiefly to agricultural imports, that vary depending usually on the difference between the world market price and the domestic price of a product. Variable levies are used to equalize or reduce the gap between a lower import price and a higher domestic price, and consequently relegate imports to the role of a residual supply. A spokesman of U.S. grain interests described the variable levy system as "probably the greatest impediment to the free flow of grains of all nontariff barriers in existence." Most of the complaints received by the Tariff Commission against variable levies

were concerned with the use of levies in the European Community's Common Agricultural Policy. However, complaints were also received against the variable levy systems of Sweden, Switzerland, Denmark, and Portugal.

In the European Community, variable levies for wheat, rice, and coarse grain are changed continually to counterbalance the difference between the lowest world market price and a designated minimum import price (set near or at the domestic price). U.S. traders complained not only about the amount of the charges, but also about the uncertainty created by their constant changes.

Under the United Kingdom's minimum import price system for grains, variable charges have been levied on imports to the extent necessary to bring the import price up to the minimum price. Under the agreement covering the United Kingdom's membership in the enlarged European Community, the United Kingdom is to raise the level of its minimum import prices and bring its system into conformance with the more complicated system of the European Community during a transition period of five years (1973-77). Preferential treatment is to be given to EC grain suppliers.

Subsidies and other aids---Various governmental aids to grain production and trade, including broad agricultural support systems maintained in many countries, were criticized in submissions to the Commission as causing a major distortion to international grain trade. Heavy subsidization has encouraged uneconomical growing in

several countries at the expense of economical production in the major producing and exporting countries. Moreover, extensive governmental support has from time to time led to worldwide grain surpluses, more aggressive competition for markets and low and/or unstable world prices. Named in the complaints dealing with governmental aids and support programs were several European countries, Japan, Canada, and the United States.

Complaints voiced by U.S. grain dealers against government aids provided by other countries are directed principally against the Common Agricultural Policy (CAP) of the European Community. Such complainants point out that, despite the extremely high support prices that the CAP applies, the European Community does not impose production controls. The absence of such controls encourages uneconomic production and, at the same time, high prices restrain EC consumption.

Complainants on the matter cite soft wheat as a prime example, which became a surplus product in the Community, although its production there is generally uneconomical. EC exporters are compensated by export subsidies for the difference between the internal purchase price paid, and the lower world market price received by them. U.S. grain dealers report that in early 1970 the EC export subsidy for soft wheat (\$57 per ton) was even greater than the world market price of the product (\$50 per ton). Such heavy subsidization of wheat exports enables the Community to compete in third country markets with the much more economical exports of the United States and other countries.

U.S. grain dealers emphasize, however, that the adverse effect of EC grain subsidization is even more significant on U.S. exports destined for traditional markets within the EC countries themselves. (The complainants blame this damage to their interests not primarily on government aids, but on complementary measures thereto within the CAP, which are designed directly to restrict imports of grains.) U.S. exports of feed grains are also adversely affected by the EC support system. As U.S. feed grain exporters pointed out in their reports, the Community subsidizes the use of its surplus wheat as feed for livestock on domestic markets. By doing so, the Community encourages the substitution of EC surplus wheat for the traditional feed grain imports from the United States and other economic sources. Moreover, EC exports of feed grains, also assisted by subsidies, compete with U.S. exports of feed grains to third country markets.

U.S. grain exporters complain that Japanese support prices for wheat, barley, and rice have been equivalent to several times the world prices. However, despite such heavy support, imports of wheat and barley by Japan have increased in recent years. The rice support resulted in large surpluses and reduced imports to negligible amounts. U.S. complainants reported that Japan subsidizes the disposal of rice surpluses in domestic markets for use as livestock feed and in foreign markets by exporting to Far Eastern countries on concessional terms.

While subsidizing grain production, the United Kingdom had traditionally imported grains at about world price levels. Beginning in 1964, the United Kingdom instituted a new system of government aids for grains, involving higher domestic prices, minimum import prices and import restricting variable levies. In addition to price support programs, the United Kingdom assists farmers in the purchase of fertilizer and in expenses for field drainage and farm improvements.

Respondents in the Commission's survey reported that the United Kingdom's new policy, involving the encouragement of feed grain production (mostly of barley), has had an adverse effect on U.S. corn exports to the United Kingdom. As one of the U.S. complainants points out, after the enlargement of the European Community, the trade restricting impact of government aids for grains in the United Kingdom (and other new EC members) will depend on the future level of grain prices to be maintained by government supports in these countries. Concerned U.S. exporters point out that if the United Kingdom follows the policy of high prices and lack of production restraints (thus far unused under the CAP), they foresee the United Kingdom (and also Denmark) becoming surplus producers of grains with concomitant adverse effects on the exports of much more economically produced grains to these countries.

Canada provides a number of direct and indirect aids to help grain growers and exporters. The Canadian Wheat Board 1/ establishes

1/ The Wheat Board is a monopoly which represents growers of wheat, oats, and barley in the principal growing areas of Canada.

minimum prices payable to producers; any deficit the Board runs is borne by the Federal Treasury. Grains grown outside the jurisdiction of the Wheat Board are also price-supported under the Agricultural Stabilization Board. To promote the consumption and exports of domestic grains, the transport of certain grains receives governmental assistance. Moreover, the government assists exports of grains by offering credit to potential foreign importers. The Wheat Board, which exercises complete control over exports of wheat, barley, and oats, also engages in special promotional activities overseas.

In the United States, price support programs are mandatory for wheat, corn, rice, oats, rye, barley and grain sorghum. They are implemented through various measures including cash payments or loans to farmers based on the value of their production, assessed at the support price. In contrast with the CAP of the European Community, U.S. support payments are conditioned on adherence to production controls. The United States also maintains measures that directly encourage the export of grains. For example, grains and grain products have been the major commodities exported under the Agricultural Trade Development and Assistance Act (Public Law 480) that was enacted in 1954 to help move then-existing U.S. farm surpluses to needy countries unable to finance their own purchases with dollars.

U.S. exporters are being compensated under export payments programs for the difference between the domestic price and the

world price, when the latter is lower than the former. Such programs have subsidized exports of wheat made under Public Law 480, and also under AID programs, as well as assisted commercial wheat exports. U.S. Government expenditures have generally declined in recent years with the reduction of support prices to, or nearly to, world price levels, with the exception of a short period in the summer of 1972 brought on by massive sales of U.S. wheat to the U.S.S.R.

Import duties.--When compared with other measures affecting international trade in grains, import duties appear relatively unimportant. No complaints of U.S. grain dealers regarding restrictions on their exports caused by high tariff rates on grains were received by the Tariff Commission. However, complaints were directed against preferential trading systems, both multilateral and bilateral, as discriminating implicitly against third country suppliers in their application of tariffs or variable levies. Principally, the European Community was the focus of the complaints, but the Latin American Free Trade Association, the Central American Common Market, the Caribbean Free Trade Association, EC preferences for several African countries and British Commonwealth preferences were also mentioned. Also, one U.S. grain dealer stated that U.S. refusal to grant MFN treatment to several Communist countries had been a hindrance to U.S. grain exports.

Quantitative restrictions and licensing.--According to a major U.S. rice exporter, limitations on rice imports ranging from licensing

practices to total embargoes are practiced in a number of countries, most of them large producers and consumers at the same time. The complainant states that several Far Eastern countries, such as India, Pakistan, Indonesia and Thailand, with very high per capita consumption, have a total ban on commercial rice imports; thus even a small relaxation of this ban could significantly boost his exports to these countries.

In Japan, as of October 1971, stated one complainant, wheat, barley, and rice were still subject to the strict import quota system, under which the importer must apply to the government monopoly of these commodities for an import certificate which may or may not be granted. Also in Canada, licenses to import wheat, oats, and barley must be obtained from the Canadian Wheat Board, the government monopoly on most of Canadian grain trade.

In the United States, wheat is subject to quotas (which have been equivalent to less than 1 percent of domestic wheat production in recent years) imposed to prevent interference with price-support or other government programs.

A U.S. grain dealer pointed out that until recently, U.S. export controls had constituted an important barrier against U.S. grain exports to Communist countries. Though restrictions on exports to Communist nations were relaxed after 1966, validated licenses were required for U.S. dealers to export wheat and feed grains to these countries (except Poland and Romania). This complaint also referred to the U.S. provision that 50 percent of the wheat and

feed grain exports shipped to most Communist nations be carried on U.S. flag vessels. Since U.S. shipping rates are not generally competitive with the rates of foreign carriers, this requirement had some controlling effect. In June 1971, both of these export restrictions were lifted, opening up a significant grain trade.

Discriminatory bilateral agreements and sourcing.--The potential adverse effect on U.S. exports of bilateral arrangements between the European Community and various European, Mediterranean and African countries is generally known, but no estimate on the effect of this barrier on U.S. grain trade has been made. A U.S. trade source points out that the members of the Caribbean Free Trade Association restrict and/or ban imports of U.S. rice, giving first preference to rice from Guyana. Another U.S. complaint reports that U.S. exports of rice to Kenya are adversely affected by the Kenyan Government's commitment to purchase rice from Pakistan. Japan appears to practice discriminatory sourcing to some extent in its efforts to diversify the sources of farm imports, help certain developing countries in Southeast Asia, and develop markets for Japanese manufactures.

Standards.--Certain agricultural standards (i.e., sanitary and other specifications on farm product characteristics) were reported to restrict the international trade of grains. Australian quarantine regulations were said to impede the importation of corn and sorghum seed from the United States. New Zealand was mentioned as maintaining regulations on wheat imports, asking for specific statements

confirming the absence of certain diseases in large areas surrounding the locality where the imports originated.

Only 11 of the complaints received by the Commission were accompanied by an assessment of the restrictive effects of the trade barriers which were being reported. In nine cases, the respondents to the Tariff Commission survey said the removal of the reported barriers would result in a "significant" increase in their trade, two said a "moderate" increase. All of the dollar estimates for the trade increase totaled \$168 million.

ANIMALS AND PRODUCTS THEREOF

Animals and products thereof include all live animals (except fish, crustaceans, and mollusks); meat and edible meat offal, whether fresh, frozen, dried, salted, smoked, or otherwise prepared or preserved; and preparations of meat, such as sausages and the like. 1/

MFN tariffs

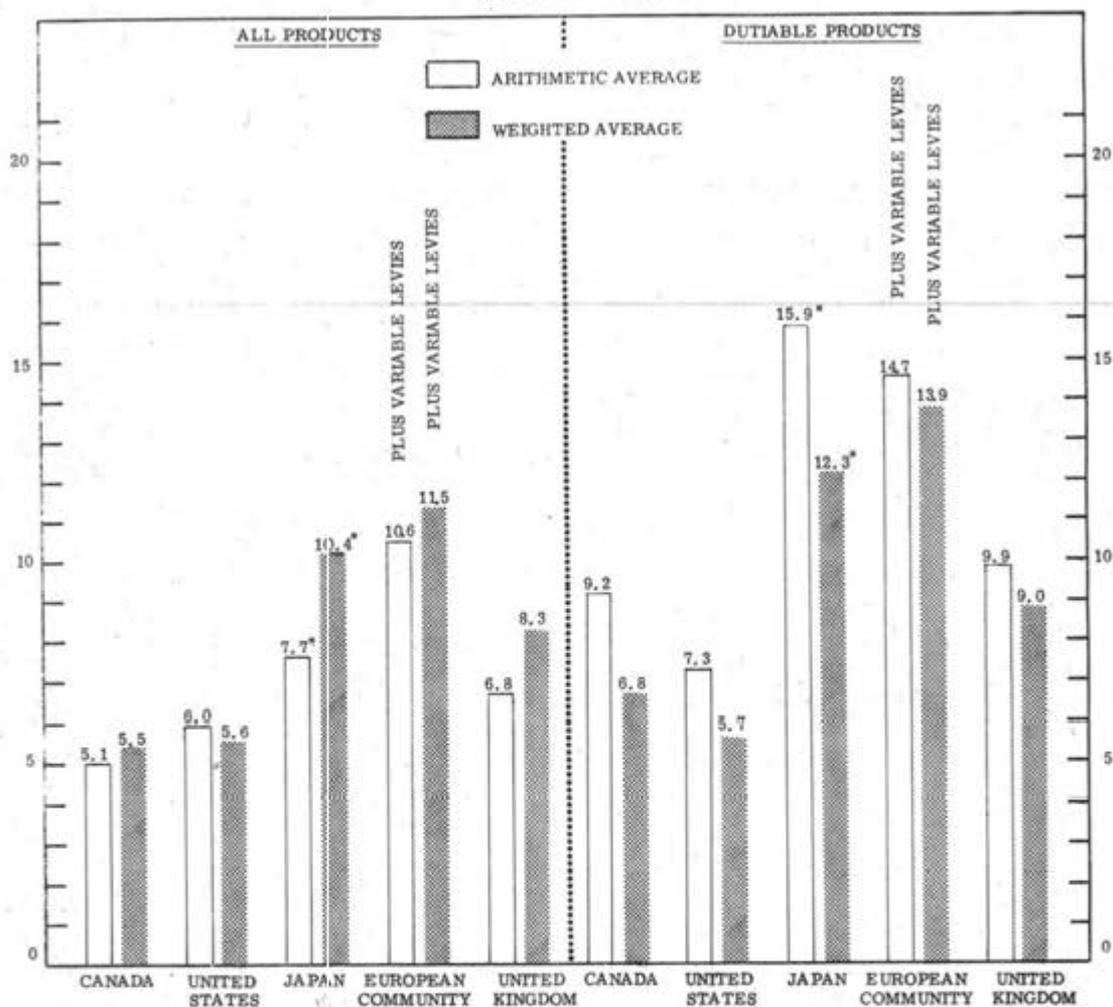
For the five major trading countries, fixed weighted and arithmetic average MFN tariffs fall between 5.1 and 11.5 percent ad valorem for all products (combined free and dutiable)(see chart A-3-A). The Canadian tariff is at the low end of the range; the European Community's averages are at the top. The averages for the European Community reflect fixed duties only and do not include any of its tariff lines subject to variable levies. Variable levies apply to 115 of the 158 EC tariff lines for animals and their products and cover over two-thirds of EC imports in this sector.

For dutiable items alone, the United States has the lowest average tariffs, with a weighted average tariff of 5.7 percent and an arithmetic average of 7.3 percent. The European Community has the highest weighted

1/ For the specific coverage of this sector, see BTN chapters 1 and 2 and headings 16.01-16.03.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart A-3-A. -- Average MFN tariff rates on animals and products thereof
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions ranging from 20 percent to 100 percent made in 1972 on about one-sixth of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

average tariff, at 13.9 percent (based on fixed duties only) ^{1/}, while Japan has the highest arithmetic average, at 15.9 percent ad valorem.

^{1/} In order to illustrate the level of protection effected by the Community's variable levies on animals and products thereof, the following are examples of the ad valorem equivalents of the variable levies on some of the products in this sector: Live hogs, 42.2 percent; frozen sides of beef, 53.3 percent; whole poultry with giblets, 33.5 percent; whole turkeys, 24.1 percent; smoked ham, 42.2 percent; and canned poultry (57 percent or more, poultry meat), 25.7 percent.

In all four methods of calculation shown in the chart, United Kingdom average tariffs are higher than those of the United States and Canada, and lower than those of Japan and the European Community.

The distribution of MFN tariff provisions, by duty level, is shown in table A-3-A. All five countries have substantial percentages

Table A-3- A.-- Distribution by duty level, of MFN tariff provisions for animals and products thereof

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	44.8	18.5	51.7	27.9	30.8
0.1-5.0 percent----	24.2	33.6	6.9	7.0	17.3
5.1-10.0 percent---	6.9	37.8	10.4	13.9	38.4
10.1-15.0 percent--	10.3	5.1	10.3	21.0	9.7
15.1-20.0 percent--	12.1	1.6	6.9	20.9	3.8
20.1-25.0 percent--	1.7	2.6	13.8	4.6	-
25.1-30.0 percent--	-	-	-	4.7	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 73 percent of EC provisions, covering 68 percent of EC imports in this sector in 1970.

of their tariff provisions duty free, ranging from 18.5 percent for the United States to over half for Japan. Nearly one-fourth of Canada's tariff provisions are dutiable between 0.1 and 5 percent ad valorem, and most of the remaining provisions are equally divided between the 10.1-15 percent range and the 15.1-20 percent range.

The United States and the United Kingdom each have about 38 percent of tariff provisions dutiable in the 5.1-10 percent ad valorem range and most of the rest of their dutiable provisions in the 0.1-5 percent ad valorem range. The bulk of Japan's dutiable provisions are about equally divided among three rate brackets: 5.1-10 percent, 10.1-15 percent and 20.1-25 percent. As reflected in its relatively high arithmetic

average MFN tariffs, the European Community has one-fifth of its fixed duty provisions in the 10.1-15 and 15.1-20 percent ad valorem ranges and 5 percent of provisions in the 25.1-30 percent range.

Imports receiving preferential tariff treatment are significant in Canada and the United Kingdom, where nearly 16 percent and 43 percent, respectively, of imports of animals and their products entered under preferential rates in 1970.

For each of the five countries, the percentage of duty-free imports is considerably lower than the percentage of tariff provisions free of duty (see table A-3-B). Nearly one-third of U.S. and United

Table A-3-B ---Distribution, by duty level, of MFN imports of animals and products thereof

(In percent)					
Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	10.6	3.1	15.7	17.7	9.4
0.1-5.0 percent----	76.1	30.6	-	7.2	32.4
5.1-10.0 percent---	3.7	66.3	61.1	15.4	42.5
10.1-15.0 percent--	2.2	-	1.9	36.8	15.7
15.1-20.0 percent--	6.2	-	3.8	15.6	-
20.1-25.0 percent--	1.2	-	17.5	.1	-
25.1-30.0 percent--	-	-	-	7.2	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 73 percent of EC provisions, covering 88 percent of EC imports in this sector in 1970

Kingdom imports and over three-fourths of Canadian imports are dutiable in the 0.1-5 percent ad valorem duty range. Two-thirds of U.S. imports, over 60 percent of Japanese imports and 43 percent of United Kingdom imports are dutiable in the 5.1-10 percent rate bracket. The European Community has 37 percent of its imports which are subject to fixed rates of duty in the 10.1-15 percent rate bracket and over 15 percent

of imports in each of the rate brackets of 5.1-10 percent and 15.1-20 percent. The United States has no imports dutiable above the 5.1-10 percent ad valorem range, while the European Community had imports subject to fixed rates dutiable as high as the 25.1-30 percent range.

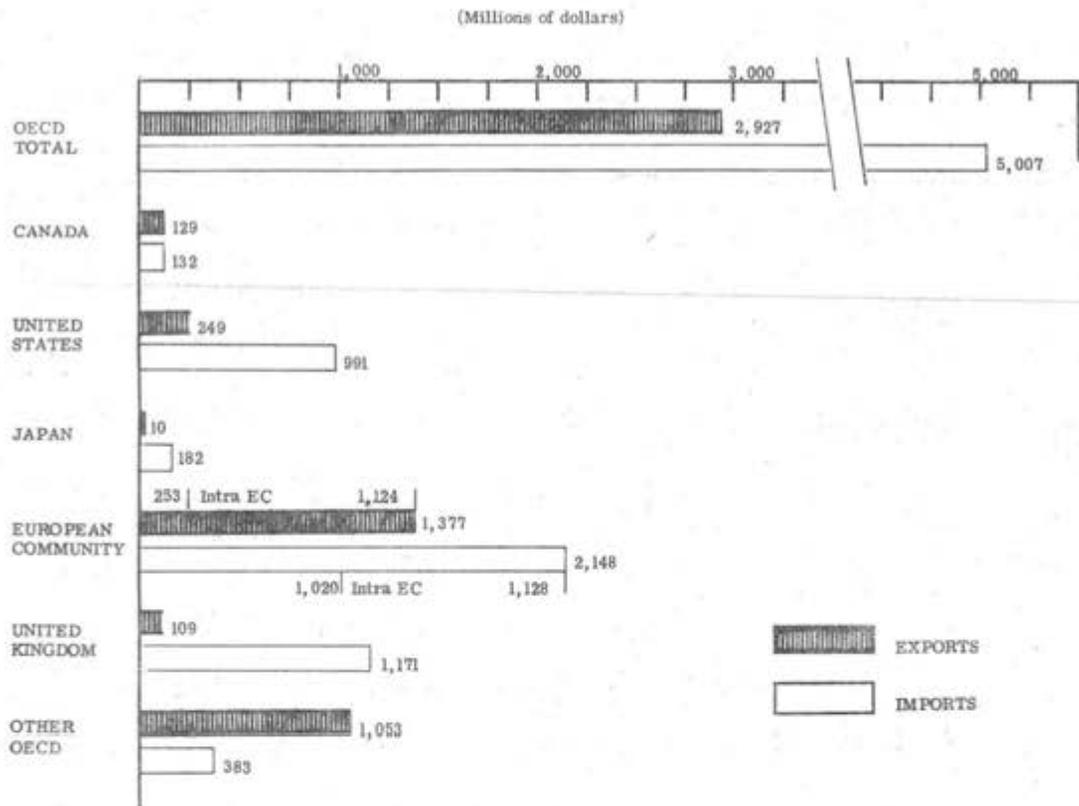
The European Community has the most detailed tariff schedule in this sector, with 158 tariff lines. The United States is second with 119 lines, followed by Canada (58 lines), the United Kingdom (52 lines), and Japan (29 lines).

Trade importance

The sector covering animals and their products is one of the more important of the nine agricultural sectors, ranking third in exports and second in imports in 1969 OECD trade. In 1970, OECD exports of animals and their products increased nearly 16 percent, but the rank of the sector in OECD exports fell to fourth. Animals and products account for nearly 14 percent of total OECD agricultural exports, and over 15 percent of total agricultural imports. For the United States, the sector ranked fifth in 1969 exports and second in imports among the nine agricultural sectors, accounting for 4 percent of U.S. agricultural exports and 17 percent of U.S. agricultural imports.

The 13 GATT tariff study countries imported \$3.9 billion of animals and their products in 1970. Intra-EC shipments were an additional \$1.4 billion. OECD imports in 1969 were valued at \$5 billion, and exports totaled \$2.9 billion (chart A-3-B). In 1970, imports reached \$5.6 billion, exports \$3.4 billion.

Chart A-3-B. -- OECD trade in animals and products thereof, 1969



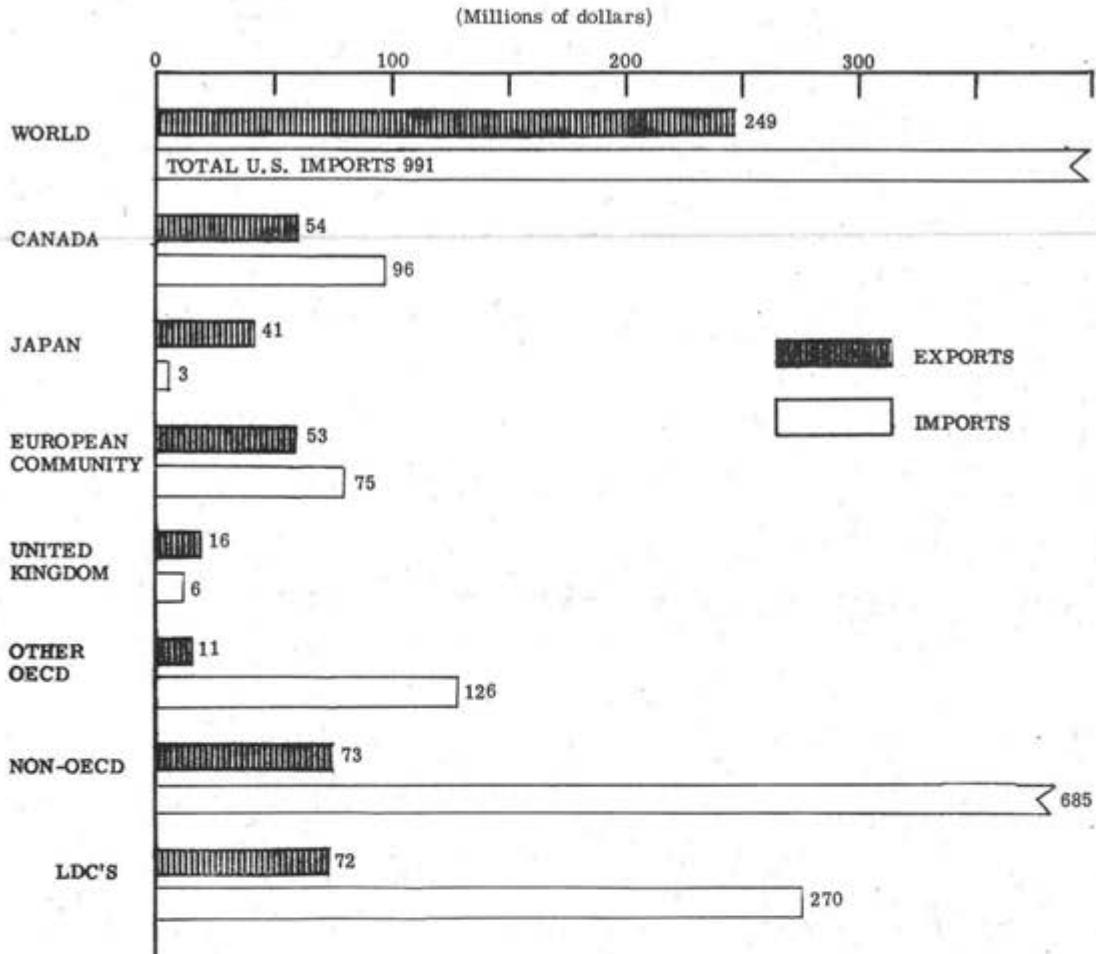
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Trade network

The five major countries account for almost two-thirds of OECD exports and over 90 percent of imports. U.S. trade (\$249 million of exports and \$991 million of imports in 1969) is slightly below levels of EC trade with countries outside the Community.

The five major countries are markets for significant portions of each others' exports. The United States sends over one-fifth of its exports both to Canada and the European Community and 16 percent to Japan (chart A-3-C). The United States is also the most important market

Chart A-3-C.-- United States trade in animals and products thereof, 1969



among the five countries for exports of Canada, Japan, and the European Community. Less developed countries receive 29 percent of U.S. exports and one-fifth of EC exports. EC exports to outside countries are about one-fifth as large as shipments to other members of the Community (see table A-3-C).

Table A-3-C.--OECD exports of animals and products thereof, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,927	129	249	10	<u>1/</u> 1,377	109	1,053
OECD total-----	2,666	118	176	7	1,305	93	967
Canada-----	62	-	54	X	2	1	5
United States---	311	105	-	4	71	5	126
Japan-----	53	4	41	-	1	4	3
European Community-----	<u>1/</u> 1,477	3	53	X	1,124	43	254
United Kingdom--	600	5	16	2	60	-	517
Other OECD-----	163	1	11	1	47	38	65
Non-OECD total----	252	11	73	4	68	16	80
LDC's-----	207	10	72	4	51	13	57

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Non-OECD countries supply about 46 percent of OECD imports (or nearly 60 percent, if intra-EC trade is excluded). Imports by the United States, the United Kingdom, and EC imports from outside sources were each valued at about \$1 billion in 1969 (see table A-3-D). Over one-fourth of U.S. imports are supplied by less developed countries, with an additional two-fifths arriving from other non-OECD countries. Similar percentages of EC imports from outside sources come from non-OECD countries and LDC's. The United Kingdom, on the other hand, has over half of its imports from OECD countries, the greatest part coming from countries other than the five under study. The United States is

Table A-3-D.--OECD imports of animals and products thereof, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	5,007	132	991	182	<u>1/</u> 2,148	1,171	383
OECD total-----	2,705	66	306	63	1,479	624	167
Canada-----	112	-	96	4	4	6	2
United States---	198	60	-	49	55	21	13
Japan-----	6	X	3	-	X	3	X
European Community-----	<u>1/</u> 1,313	2	75	1	1,128	63	44
United Kingdom--	102	1	6	5	50	-	40
Other OECD-----	974	3	126	4	242	531	68
Non-OECD total----	2,298	65	685	119	666	547	216
LDC's-----	926	4	270	37	283	197	135

1/ Includes intra-EC shipments.

X = Less than \$500,000.

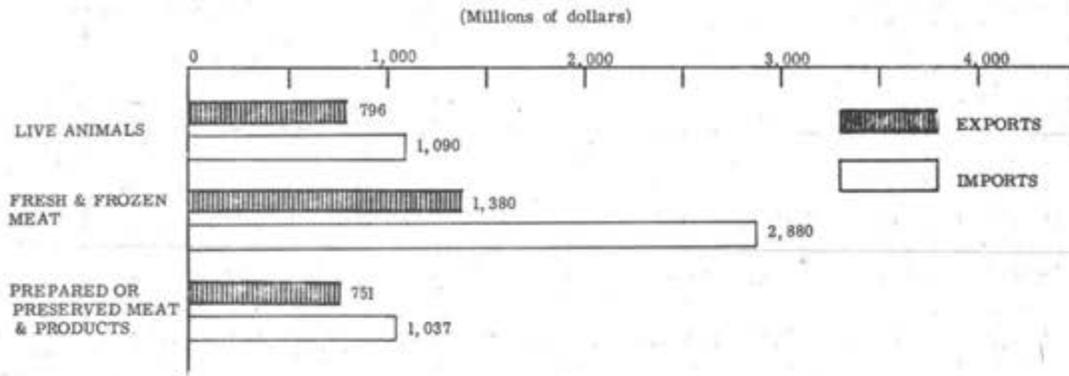
Source: Compiled from OECD Statistics of Foreign Trade, Series A, 1969.

a net importer in trade with Canada and the European Community in animals and animal products; Japan and the United Kingdom are net importers from the United States.

Trade composition

The sector for animals and products thereof is divided into three subsectors: Live animals; fresh, chilled and frozen meat; and prepared or preserved meat and meat products. Fresh, chilled or frozen meat is the most important of the three subsectors, especially in imports, where it accounts for more OECD imports than the other two subsectors combined, as shown in chart A-3-D.

Chart A-3-D. -- OECD trade in animals and products thereof, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Trade-agreement concessions

The tabulation below shows arithmetic average MFN tariff rates for animals and animal products on pre-trade-agreement base dates compared with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. Each country has had significant reductions in the average level of tariffs, ranging from a 25 percent reduction for the United Kingdom to more than a 75 percent reduction in Canada's average tariff. The Japanese figure shown for 1972 does not reflect Japanese unilateral reductions by 20 to 100 percent made in 1972 on about one-sixth of the Japanese rates in this sector.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	16.3	6.0
European Community <u>1/</u>	18.0	10.6 (plus variable levies)
United Kingdom	9.1	6.8
Japan	12.9	7.7
Canada	24.0	5.1

Each of the five major countries has negotiated GATT concessions on its tariffs for animals and their products. GATT concessions cover 15 percent of United Kingdom tariff lines, one-third of EC lines, half of Canadian lines, 62 percent of Japanese lines, and 95 percent of U.S. tariff lines for the sector. Members of the European Community had negotiated a total of 149 GATT concessions in their national tariffs on animals and animal products prior to the establishment of the EC's Common External Tariff. Of the 149 such concessions, 70 were above the CXT rate, 23 were at the CXT rate, and 56 were below the CXT rate.

Trade complaints

In the animals and animal products sector, the Tariff Commission received 180 complaints concerning practices or policies considered by the respondents to be barriers to trade. Over half of the complaints dealt with various forms of quantitative restrictions and licensing

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 43 tariff lines which continue to be subject to fixed duties alone; it does not include the 115 EC tariff lines subject to a variable levy.

practices; about one-third concerned health or other standards requirements. Sixty percent of the complaints were against Western Europe, with EFTA countries (the four Scandinavian countries plus the United Kingdom, Switzerland, and Austria) accounting for 40 percent of the total, and the European Community countries accounting for 20 percent. Eleven percent of the complaints were directed at the United States, 8 percent at Japan, and 14 percent at 18 developing countries.

Quantitative restrictions and licensing practices.--Most complaints concerning quantitative limitations or restrictive licensing were against Western Europe, where imports of poultry, beef, pork, veal, horses, and cattle were reported to be controlled by restrictive licensing in many countries. Japan was also the object of several complaints. Permission to import often appeared to be contingent upon the sale of domestic output. The European Community permits the importation of sheep and mutton only in amounts that do not interfere with domestic production and prices. Canada has had quantitative limitations on imports of turkeys. Norway, Denmark, Switzerland, the United Kingdom, and Japan were specifically cited as having quotas on meat for the purpose of protecting domestic production. The Meat Import Act under which the United States may impose restrictions on meat imports was criticized by importers.

Most complaints concerning embargoes were against less developed countries and dealt with government orders prohibiting poultry imports. In several less developed countries, an effective embargo results from the use of licensing practices to protect locally produced poultry

(i.e., when sufficient amounts are produced locally, no licenses are issued). Several Scandinavian countries embargo raw poultry and the United States prohibits entry of certain species of wild birds. In developed countries, quotas and embargoes were also implemented via licensing controls.

Standards.--Most nations have health, veterinary or sanitary regulations applicable to meat or live animals sold within their borders. These regulations, imposed for the protection of human health and to prevent the spread of animal diseases, differ among countries, sometimes significantly. The differences give rise to numerous complaints, particularly when an exporter finds his product barred from entry into a foreign market because it cannot meet required standards there, even though it is acceptable in his domestic market.

European Community nations were reported to prohibit, for health reasons, imports of U.S. horsemeat and mutton. West Germany inspection requirements effectively prohibit exports from U.S. meatpacking plants. Denmark, Switzerland, Sweden, and West Germany bar all processed poultry products containing sodium phosphates. No meat of poultry which has been fed estrogen, arsenical or antimonial substances is permitted entry into France or Italy. Italy also charges fees for mandatory veterinary inspection.

The British Commonwealth countries received a sizable number of complaints; most often cited were regulations prohibiting entry of live animals and meats from non-Commonwealth countries. The application of

stricter standards to non-Commonwealth countries (particularly by Australia and New Zealand) was felt to impede trade. Also cited were strict New Zealand quarantine practices on horses (often nine months are required before a horse is allowed entry). United Kingdom health regulations require that meat and meat products must be accompanied by a certificate stating the animal was reared in approved premises under hygienic conditions. The United Kingdom prohibits imports of U.S. pork due to hog cholera and Ireland excludes all imports of meat and meat ingredient products as a precaution against foot and mouth disease.

U.S. veterinary standards prohibit entry of cattle, sheep, goats, swine, beef, veal, lamb, and pork from countries where foot and mouth disease is found. Viewed as discriminatory by foreign suppliers is the 1967 U.S. Wholesome Meat Act stipulating that meat processing plants in foreign countries must comply with U.S. standards before their products can enter the United States. Many foreign suppliers allege that the U.S. requirements are administered for protectionist purposes (i.e. meat products from Sweden currently prohibited because of an outbreak of foot and mouth disease in Sweden in 1960). Live poultry imported into the United States is subjected to a 21 day quarantine unless originating in Canada. A veterinary certificate is also required indicating that the poultry is free of communicable poultry disease and was in the country of origin for 60 days prior to export or since hatched. Japan was also cited in the complaints as having strict quarantine regulations on animals and animal products.

Other processing regulations ranged from Commonwealth countries requiring documents certifying the time and temperature at which canned meats are cooked to Indian regulations stipulating imported poultry must be slaughtered in accordance with Moslem law.

Miscellaneous practices.--The British Commonwealth and customs unions, such as the European Community and the EFTA, were viewed by nonparticipating countries as discriminatory. The fact that imports in less developed countries are often limited by the amount of foreign exchange available was the subject of complaint. Subsidies on whole broiler chickens and parts in Denmark, Hungary, the Netherlands, and Bulgaria were said to adversely affect U.S. exports to third country markets, such as Japan, Hong Kong, Singapore, Saudi Arabia, and Kuwait. The U.S. refusal to honor food stamps for imported ground meat was said to impede imports of this commodity. Mexico used an official price for calculating the duty on live horses, causing the duty per horse to be \$600 or more. The 10 percent Mexican commodity tax on poultry meat and liver was reported to have virtually eliminated U.S. exports to that market. Japanese duties on race horses were characterized as unnecessarily high. The European Community's system of variable levies on beef, veal, and pork was the subject of several complaints. U.S. exporters felt this practice eliminated international price competition.

Fifty-seven of the complaints received by the Commission were accompanied by the complainant's assessment of the trade effect of

the reported barrier. Twenty-three indicated a "small" trade increase could be expected if the barrier were removed; 23 expected a "moderate" increase, and 11 a "significant" increase. For those cases where dollar values were estimated for the increase, increases characterized as "significant" ranged from \$100,000 to \$1.8 million annually. Estimates of expected increases in poultry sales to foreign countries with the elimination of foreign regulations against phosphates, estrogen, and other substances used in the growing and processing of U.S. poultry ranged from 2 to over 1,500 percent of the respondent's present export sales. A producers trade association estimated that if Sweden would rescind its embargo on raw poultry, U.S. sales there would become significant. The same organization also estimated if Lebanese restrictive licensing practices on poultry were discontinued, U.S. export sales would increase over 1,000 percent.

Live Animals

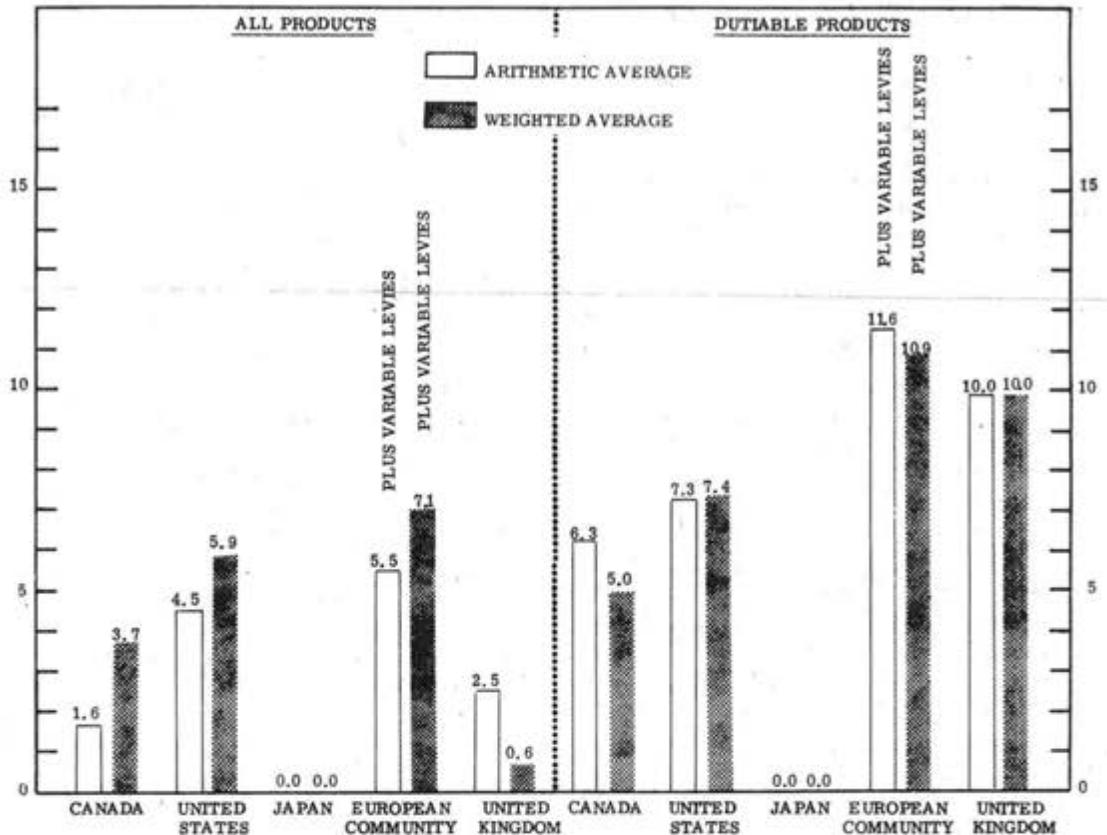
Live animals include bovine cattle; sheep, lambs, and goats; poultry; horses, asses, mules, and hinnies; and all other animals. 1/

MFN tariffs

Live animals are free of duty in Japan's tariff schedules. For the other four major countries, arithmetic average MFN duties for all live animals (free and dutiable combined) range from 1.6 percent ad valorem to 5.5 percent; weighted average duties range from 0.6 to 7.1 percent. Canada has the lowest arithmetic average; the United Kingdom holds the lowest weighted average. The highest averages are those of the European Community and reflect only fixed duties in the EC tariff schedules (see chart A-3-E). Figures for the European Community do not include any tariff lines subject to variable levies, which are applied to 12 of the 29 EC tariff lines for this subsector and covered 68 percent of 1970 EC imports from sources outside the Community. The United States, with a 4.5 percent arithmetic average and a 5.9 percent weighted average, has the second highest average MFN rates on combined free and dutiable imports. On dutiable items alone, the average tariffs of the four countries are significantly higher than on all products. Canada's averages of 6.3 (arithmetic) and 5 percent (weighted) are the lowest. The Community's averages of 11.6 and 10.9 percent (fixed duties only) are again the highest.

1/ For the specific coverage of this subsector, see BTN headings 01.01-01.06.

Chart A-3-E. -- Average MFN tariff rates on live animals
(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

The four countries that have duties on live animals all have significant portions of their tariff provisions duty free. Duty-free status applies to three-quarters of Canadian and United Kingdom provisions, over half of EC fixed duty provisions, and nearly 40 percent U.S. provisions (table A-3-E). Over 30 percent of U.S. provisions for the subsector are in the 0.1-5 percent range. Nearly 13 percent of Canadian provisions, 18 percent of EC provisions, and one-fourth of United Kingdom and U.S. provisions are dutiable in the

Table A-3- E---Distribution, by duty level, of MFN tariff provisions for live animals

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	75.0	38.8	100.0	52.9	75.0
0.1-5.0 percent---	8.3	30.6	-	5.9	-
5.1-10.0 percent---	12.5	24.5	-	17.7	25.0
10.1-15.0 percent--	4.2	4.1	-	11.7	-
15.1-20.0 percent--	-	-	-	11.8	-
20.1-25.0 percent--	-	-	-	-	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	-	-	-	-
40.1-50.0 percent--	-	2.0	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 41 percent of EC provisions, covering 68 percent of EC imports in this subsector in 1970.

5.1-10 percent range. The European Community has nearly 12 percent of its provisions in each of the 10.1-15 and 15.1-20 percent rate brackets.

Preferential tariff treatment for imports of live animals into the five major countries is insignificant. A significant portion of the imports of live animals enter the five countries duty free on an MFN basis.

All Japanese imports and over 90 percent of United Kingdom imports are not subject to tariffs. About one-fourth of Canadian imports, one-fifth of U.S. imports, and over one-third of EC fixed duty imports also enter free (table A-3-F). Over half of Canadian imports are dutiable at rates between 0.1 and 5 percent ad valorem; about half of U.S. imports are dutiable between 5.1 and 10 percent ad valorem. The European Community has over 40 percent of its fixed

Table A-3¹ F.--Distribution, by duty level, of MFN imports of live animals

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	26.2	20.4	100.0	35.1	93.9
0.1-5.0 percent----	56.8	20.2	-	-	-
5.1-10.0 percent---	15.8	49.4	-	40.7	6.7
10.1-15.0 percent--	1.2	-	-	18.4	-
15.1-20.0 percent--	-	-	-	5.8	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 41 percent of EC provisions, covering 68 percent of EC imports in this subsector in 1970.

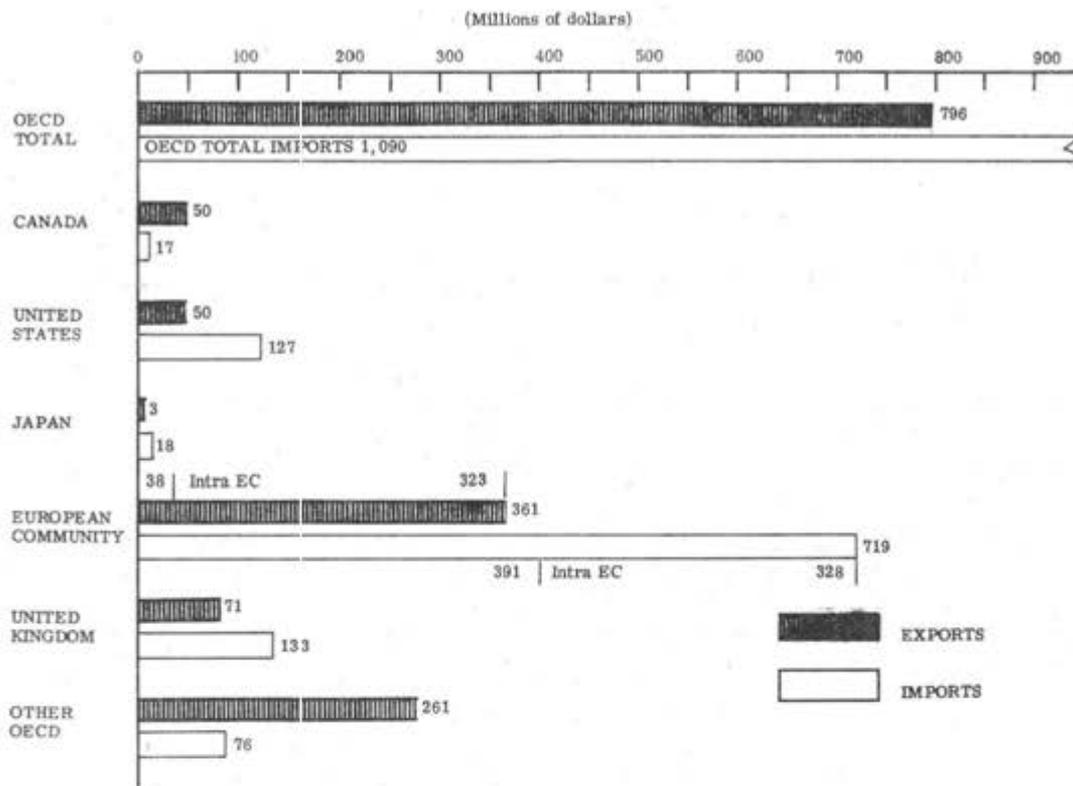
duty imports dutiable between 5.1 and 10 percent ad valorem, as well as some entries in the 15.1-20 percent ad valorem rate range.

The United States has the most detailed tariff schedule for this subsector, with 49 lines, followed by the European Community, with 29 tariff lines. Canada has 24 lines; Japan has 13; and the United Kingdom has 8.

Trade importance

Among the 28 agricultural subsectors, the live animals subsector is of moderate importance, ranking 11th in both exports and imports in 1969 OECD trade. OECD exports of live animals (\$796 million in 1969) accounted for nearly 4 percent of total OECD agricultural exports, and imports of live animals (\$1.1 billion) for 3.4 percent of total imports. For the United States, the subsector is of slightly less importance, ranking 15th in exports and 13th in imports among the 28 agricultural subsectors, accounting for less than 1 percent of U.S. agricultural exports and slightly over

Chart A-3-F. -- OECD trade in live animals, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

2 percent of U.S. agricultural imports in 1969. As shown in chart A-3-F, imports were considerably larger than exports for OECD countries as a whole and for each of the five major countries except Canada.

In 1970, imports of live animals by the 13 GATT tariff study countries were valued at \$757 million. Imports by members of the European Community from other EC members were an additional \$410 million.

Table A-3-G.-- OECD exports of live animals, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	796	50	50	3	<u>1/</u> 361	71	261
OECD total-----	718	45	26	1	341	63	242
Canada-----	15	-	13	-	1	X	1
United States---	49	43	-	1	1	2	2
Japan-----	11	1	5	-	1	4	X
European Community-----	<u>1/</u> 459	1	3	X	323	20	112
United Kingdom--	6	X	2	X	1	-	123
Other OECD-----	58	X	3	X	14	37	4
Non-OECD total----	78	5	-	2	19	8	20
IDC's-----	58	5	23	2	12	6	10

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade network

Ninety percent of OECD exports of live animals go to other OECD countries (see table A-3-G). The five major countries account for about two-thirds of OECD exports; however, excluding trade between members of the European Community, none of the five major countries has large exports of live animals. EC shipments within the Community are more than eight times the value of exports to outside countries. If intra-EC shipments are excluded, the United Kingdom, with \$71 million of exports, is the largest shipper of live animals among the five countries, followed by the United States and Canada, each with \$50 million of exports. Over half of United Kingdom exports go to "other" OECD countries. Nearly 32 percent of EC exports to outside countries go to less developed countries, as do 46 percent of U.S. exports. Canada sends 86 percent of its exports to the United States.

The five major countries also account for over 90 percent of OECD imports of live animals. One-third of OECD imports come from non-OECD sources (see table A-3-H). The European Community is the largest

Table A-3-H.-- OECD imports of live animals, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,090	17	127	18	<u>1/</u> 719	133	76
OECD total-----	740	17	52	14	463	132	62
Canada-----	48	-	44	1	2	X	1
United States---	34	16	-	7	3	3	5
Japan-----	1	-	1	-	X	X	X
European Community-----	<u>1/</u> 347	1	3	1	328	4	10
United Kingdom--	67	X	3	5	22	-	37
Other OECD-----	243	1	1	X	108	125	9
Non-OECD total----	350	X	75	4	256	1	14
LDC's-----	130	X	74	4	47	1	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

importer of live animals, with \$391 million of imports from outside sources (plus \$328 million from EC members), followed by the United Kingdom and the United States, each with about \$130 million. Over 90 percent of United Kingdom imports come from the "other" OECD countries, as do over one-fourth of EC imports from outside sources. Nearly two-thirds of EC imports from outside sources come from non-OECD countries. The United States receives most of its imports of live animals from less developed countries (58 percent) and from Canada (35 percent).

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariffs on pre-trade-agreement base dates are compared with average rates in effect on January 1, 1972, for each of the five major countries. Average tariff levels of each of the five countries have undergone reductions. Japan has totally removed its tariff during the period.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	14.2	4.5
European Community ^{1/}	9.9	5.5 (plus variable levies)
United Kingdom	3.8	2.5
Japan	7.7	0.0
Canada	15.0	1.6

Each of the members of the European Community negotiated national GATT tariff concessions on live animals prior to the establishment of the EC's Common External Tariff. Of the total 31 such concessions, 9 were above the CXT rate, 8 were below the CXT rate, and 14 were at the CXT rate.

Each of the five major countries has negotiated GATT concessions on some of its tariff provisions for live animals. GATT concessions cover nearly 90 percent of U.S. provisions, over three-fourths of Japan's, 46 percent of Canada's, and well over a third of EC and United Kingdom provisions.

^{1/} For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 17 tariff lines which continue to be subject to fixed duties alone; it does not include the 12 EC tariff lines subject to a variable levy.

Rates of duty for live swine on pre-trade-agreement base dates are compared with January 1, 1972, rates in table A-3-I. For the United Kingdom and Japan, all imports of live swine were duty free on pre-trade-agreement base dates. Although the Japanese permanent rate remained free, a temporary duty of 10 percent ad valorem on live swine weighing less than 50 kilograms was levied beginning in 1971. The European Community admits wild and pure-bred live swine for breeding duty free; other live swine are dutiable under variable levies. The U.S. and Canadian duties have both been reduced in trade agreements.

Table A-3-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on live swine

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	12.8% AVE ^{2/}	6.4% AVE ^{3/}	3.2% AVE ^{4/}	100.85
Canada-----	1.9% AVE ^{5/}	0.6% AVE ^{6/}	0.3% AVE ^{7/}	600-1
European Community--	Free; 16%	Free; Variable levies ^{8/}	Free; Variable levies ^{8/}	01.03
United Kingdom-----	Free	Free	Free	01.03
Japan-----	Free	Free	Free ^{9/}	01.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values.

^{3/} Percent is ad valorem equivalent of specific rate of duty (1 cent per pound), calculated on 1971 import values.

^{4/} Percent is ad valorem equivalent of specific rate of duty (0.5 cent per pound), calculated on 1971 import values.

^{5/} Percent is ad valorem equivalent of specific rate of duty (3 cents per pound), calculated on 1971 import values.

^{6/} Percent is ad valorem equivalent of specific rate of duty (1 cent per pound), calculated on 1971 import values.

^{7/} Percent is ad valorem equivalent of specific MFN rate of duty (0.5 cent per pound), calculated on 1971 import values. Duty is presently suspended under a temporary rate, subject to possible renewal in February 1974.

^{8/} Purebred breeding stock and wild swine are admitted free. For other live swine, autonomous rate fixed duties, have been replaced by variable levies.

^{9/} Temporary rates, including one of 10 percent ad valorem, were in effect beginning in 1971.

Fresh, Chilled, or Frozen Meat

Fresh, chilled, or frozen meat includes the edible meat and offal of bovine cattle, sheep, goats, pigs, horses, poultry, and other similar animals. 1/

MFN tariffs

Imports of fresh, chilled, or frozen meat into the five major countries face arithmetic average MFN tariffs ranging from 3.7 to 11.3 percent ad valorem for all meat (free and dutiable combined) and weighted average MFN tariffs of from 2.8 to 13.5 percent. For dutiable products alone, arithmetic averages are in all instances slightly higher, but the weighted averages are either identical with, or virtually the same as the weighted averages for all products (chart A-3-G). Canada has the lowest averages; the European Community averages, which reflect only the tariff lines under fixed duties, are the highest. The European Community applies variable levies to 59 of its 74 tariff lines for this subsector, covering 70 percent of 1970 EC imports from sources outside the Community. Japan's tariff averages, which are the second highest, fall slightly below those of the Community.

The distribution of MFN tariff provisions for fresh, chilled, or frozen meat, by duty level, is shown in table A-3-J. Over 70 percent of U.S. provisions and half of Japan's are about equally divided in the two rate ranges between 0.1 and 10 percent ad valorem, with the remainder of the provisions largely bearing rates above 10 percent. The

1/ For the specific coverage of this subsector, see BTW headings 02.01-02.04.

Chart A-3-G. -- Average MFN tariff rates on fresh, chilled, or frozen meat

(Percent ad valorem)

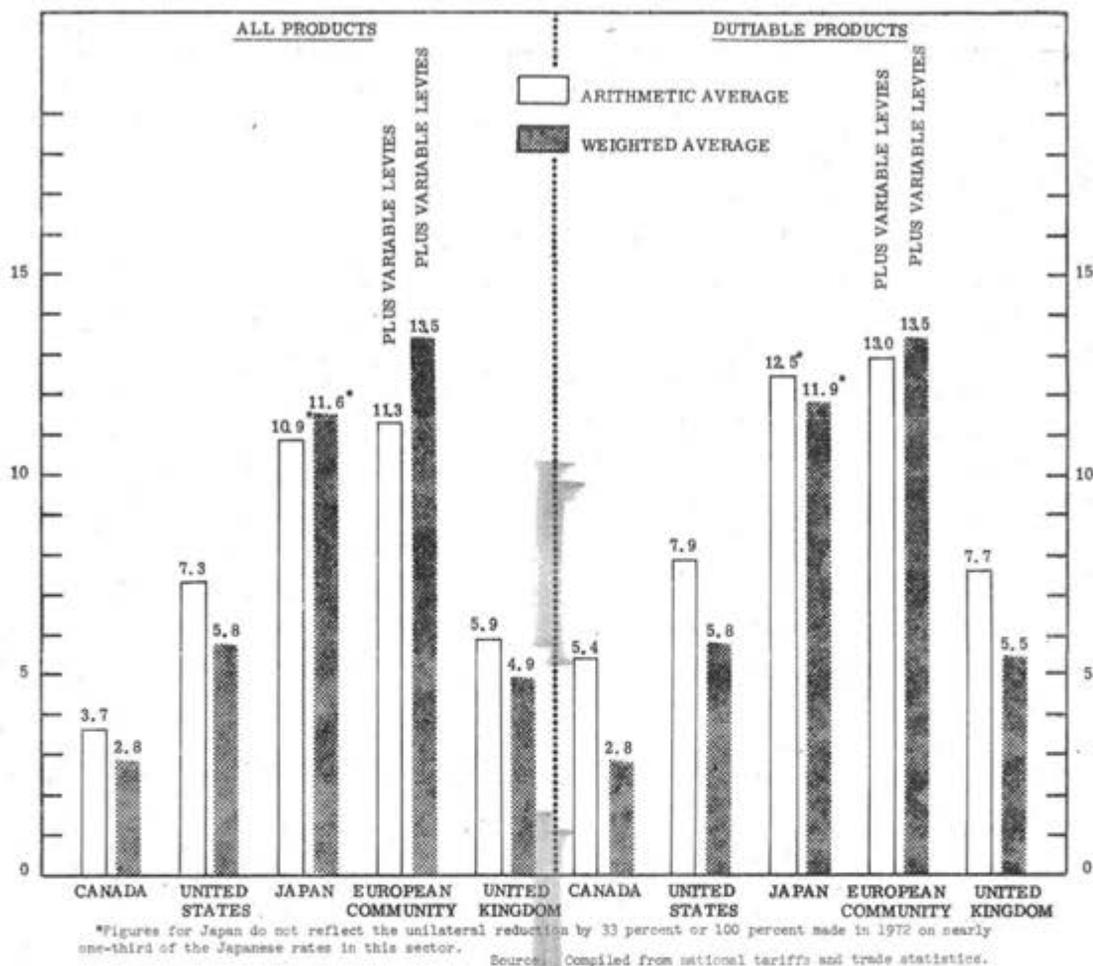


Table A-3- J.--Distribution, by level, of MFN tariff provisions for fresh, chilled, or frozen meat

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	30.8	7.9	12.5	13.3	23.5
0.1-5.0 percent----	46.1	34.2	25.0	13.4	29.4
5.1-10.0 percent----	-	36.8	25.0	13.3	47.1
10.1-15.0 percent--	23.1	10.6	12.5	40.0	-
15.1-20.0 percent--	-	2.6	12.5	20.0	-
20.1-25.0 percent--	-	7.9	12.5	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 80 percent of EC provisions, covering 70 percent of EC imports in this subsector in 1970.

United Kingdom has almost half of its provisions in the 5.1-10 percent ad valorem rate range, with the remainder either duty free or dutiable at rates no higher than 5 percent. Canada has 46 percent of all provisions in the 0.1-5 percent bracket, almost a third duty free, and the remainder in the range of 10.1-15 percent ad valorem. Forty percent of the European Community's fixed-rate provisions fall in the 10.1-15 percent range and 20 percent fall in the 15.1-20 percent range.

In 1970, over one-fifth of Canadian imports and over 30 percent of United Kingdom imports were accorded preferential tariff treatment. The United States and Japan have no preferential imports and preferential entries by the European Community from outside countries are negligible.

MFN imports of fresh, chilled, or frozen meat which enter the five major countries free of duty are nil or negligible, except for the United Kingdom where 13 percent of entries enter free (see table A-3-K).

Table A-3-K.--Distribution, by duty level, of MFN imports of fresh, chilled, or frozen meat

(In percent)					
Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	0.1	0.4	3.0	0.4	13.1
0.1-5.0 percent----	97.9	7.4	-	13.9	72.6
5.1-10.0 percent----	-	92.2	73.4	2.5	14.3
10.1-15.0 percent--	2.0	-	.4	57.2	-
15.1-20.0 percent--	-	-	4.3	26.0	-
20.1-25.0 percent--	-	-	18.9	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 80 percent of EC provisions, covering 70 percent of EC imports in this subsector in 1970.

Nearly 98 percent of Canadian imports and nearly 73 percent of United Kingdom imports are dutiable in the 0.1-5 percent ad valorem range. Over 92 percent of U.S. imports and nearly three-fourths of Japanese imports enter at duty rates between 5.1 and 10 percent ad valorem. Japan has nearly one-fifth of imports in the 20.1-25 percent range, the highest duty range for imports by any of the five countries. The bulk of the 30 percent of EC imports subject to fixed duties pay rates above 10 percent ad valorem.

The European Community has the most detailed tariff schedule in this subsector, with 74 lines; the United States follows with 38 lines; Japan, with 8 lines, has the least detailed schedule. Canada and the United Kingdom have 13 and 17 lines, respectively.

World production

World production of red meat ^{1/} amounted to about 138.9 billion pounds in 1970, as shown in the tabulation below. The five major countries account for nearly half of world output. The United States is the principal producer, accounting for about 26 percent of the world supply, and the European Community is second, with about 15 percent. Production in the Soviet Union is slightly lower than that of the European Community. The United Kingdom, Japan, and Canada each account for from 1.5 to 3.4 percent of the world output of red meat, as shown in the following tabulation (in billions of pounds):

^{1/} The term "red meat" encompasses all edible meat except poultry.

	<u>Beef and veal</u>	<u>Pork</u>	<u>Total production ^{1/} of red meat</u>
United States	22.3	13.4	36.3
European Community	9.5	11.1	21.4
United Kingdom	2.1	2.1	4.7
Canada	1.9	1.3	3.3
Japan	0.6	1.4	2.0
World ^{2/}	74.7	53.1	138.9

The combined production of ready-to-cook poultry meat by the five major countries and eight additional European countries was 19.6 billion pounds in 1970. About 53 percent of this total was U.S. production, while nearly 21 percent was production by the European Community.

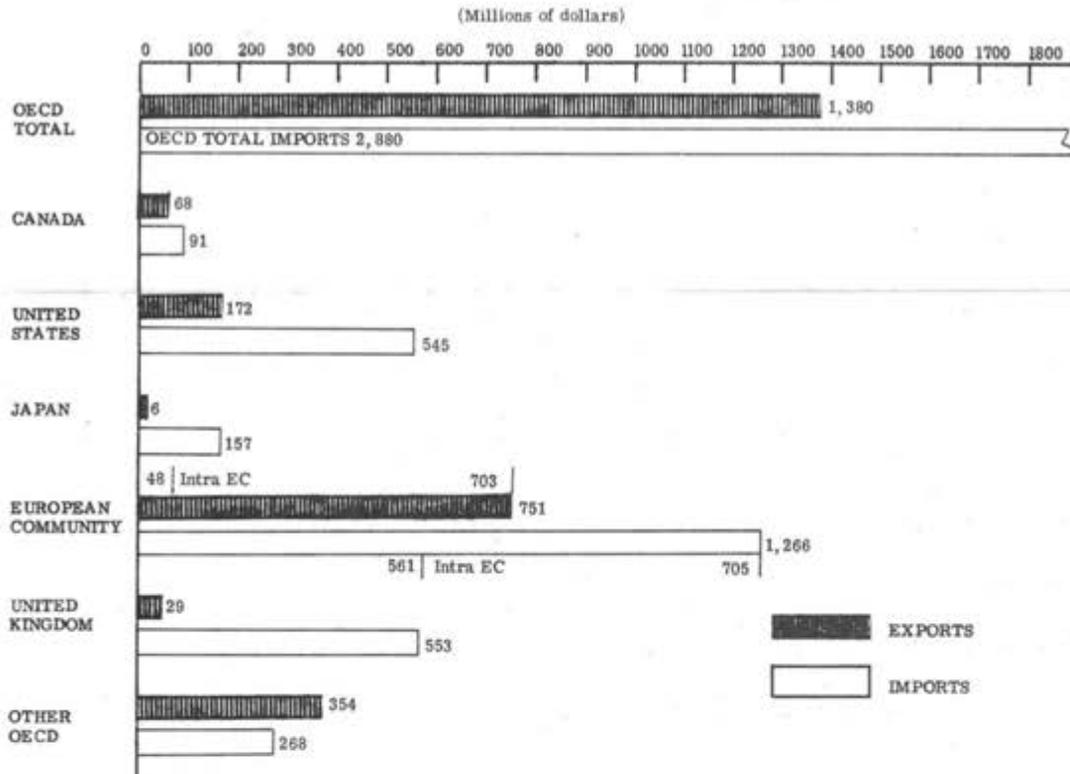
Trade importance

Fresh, chilled, or frozen meat is the most important of the three subsectors of animals and animal products, accounting for nearly half of OECD exports and over half of imports. This subsector is also one of the most important of the 28 agricultural subsectors, ranking third in both exports and imports, and accounting for 6.5 percent of OECD agricultural exports and nearly 9 percent of OECD agricultural imports. For the United States, the subsector is of slightly less importance, ranking sixth in exports and fourth in imports among the 28 agricultural subsectors, and accounting for 3 percent of U.S. agricultural exports in 1969. As shown in chart A-3-H, imports are considerably larger than exports for OECD countries as a whole and for each of the five major countries.

^{1/} Production figures are for carcass weight, excluding offal. Totals include mutton, lamb, goat, and horse meat and exclude rabbit and poultry meat.

^{2/} "World" refers to 58 nations listed by the U.S. Department of Agriculture in Agricultural Statistics, 1972, Table 516.

Chart A-3-H. -- OECD trade in fresh, chilled, or frozen meat, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Imports of fresh, chilled, or frozen meat by the 13 GATT tariff study countries were valued at \$2.1 billion in 1970. Intra-EC shipments were an additional \$847 million. OECD imports in 1969 were valued at \$2.9 billion, exports at \$1.4 billion.

Trade network

The five major countries account for nearly 75 percent of OECD exports of fresh, chilled, or frozen meat. However, intra-EC shipments make up over half of OECD exports. Excluding trade between members of the Community, the five major countries have a rather small level of exports. The United States,

Table A-3-L.-- OECD exports of fresh, chilled, or frozen meat, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,380	68	172	6	<u>1/</u> 751	29	354
OECD total-----	1,278	66	135	5	732	27	313
Canada-----	31	-	29	X	X	1	1
United States---	94	55	-	3	X	2	34
Japan-----	41	3	35	-	X	-	3
European Community-----	<u>1/</u> 911	1	49	X	703	21	137
United Kingdom--	124	5	13	2	9	-	95
Other OECD-----	77	2	9	X	20	3	43
Non-OECD total----	98	2	37	1	19	2	37
LDC's-----	78	2	36	1	12	1	26

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

with 1969 exports of \$172 million, is the largest exporter, followed by Canada, with \$68 million. The United States is the major market for Canadian exports, while the United States has important export markets in each of the other four major countries and in less developed countries (see table A-3-L). "Other" OECD countries, as a group, export more than the combined total of the five major countries (excluding intra-EC shipments). The European Community is the largest market for exports of the "other" OECD countries.

In trade among OECD countries, imports of fresh, chilled, or frozen meat are about equal to exports. However, OECD imports from non-OECD sources are about 16 times as great as OECD exports to those countries. Non-OECD countries supply about two-thirds of Canadian, Japanese and EC imports (excluding intra-EC trade), over three-fourths of United Kingdom imports, and about

Table A-3-M.-- OECD imports of fresh, chilled, or frozen meat, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,880	91	545	157	1/ 1,266	553	268
OECD total-----	1,280	32	81	49	910	132	76
Canada-----	57	-	45	3	2	6	1
United States---	147	31	-	42	50	16	8
Japan-----	5	X	2	-	X	3	-
European Community----	1/ 731	X	X	X	705	9	17
United Kingdom--	33	1	3	-	27	-	2
Other OECD-----	307	-	31	4	126	98	48
Non-OECD total----	1,597	59	463	109	353	421	192
LDC's-----	593	X	99	30	204	135	125

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of origin figures may not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

85 percent of U.S. imports (see table A-3-M). The European Community, the United Kingdom, and the United States are the major importers of fresh, chilled, or frozen meat (each with about \$550 million of imports in 1969). Trade among the five major countries is not large, but the United States supplies about one-third of Canadian imports, over one-fourth of Japanese imports, and has minor importance as a supplier to the Community.

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariffs for fresh, chilled, or frozen meat on pre-trade-agreement base dates are compared with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. Average fixed rates of the European Community

and average MFN tariffs of the other four countries have all undergone reductions since pre-trade-agreement dates. Excluding the Community, reductions range from over 30 percent for the United Kingdom to 84 percent for Canada. The 1972 average shown for Japan does not reflect unilateral reductions by 33 or 100 percent made in 1972 on nearly one-third of the Japanese tariff lines in this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	18.2	7.3
European Community <u>1/</u>	17.8	11.3 (plus variable levies)
United Kingdom	8.5	5.9
Japan	15.7	10.9
Canada	23.5	3.7

Each of the five major countries has made concessions under the GATT on some of its tariff lines in this subsector. GATT concessions cover over 97 percent of U.S. tariff lines, approximately two-thirds of Canadian and Japanese lines and nearly 40 percent of EC lines. For the United Kingdom, nearly 24 percent of tariff provisions are fully covered and about 6 percent are partially covered by GATT concessions.

Each of the members of the European Community had negotiated GATT tariff concessions on provisions in the national tariff schedules for fresh, chilled, or frozen meat prior to establishment of the EC's Common External Tariff. There were 57 such national concessions, 28 of which were above the CXT rate, 6 were at the CXT rate and 23 below the CXT rate.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 15 tariff lines which continue to be subject to fixed duties alone; it does not include the 59 EC tariff lines subject to a variable levy.

Tariff reductions which have occurred on dead poultry since pre-trade-agreement base dates are shown in table A-3-N. Of the

Table A-3-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on dead poultry

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	5.4-28.6% ^{2/}	3.7-23.7% ^{3/}	2.7-23.7% ^{3/}	105.10, .20, .40-.70
Canada-----	20%; 35%	12.5%	12.5%	925-1; 930-1
European Community--	18%	Variable levies ^{4/}	Variable levies ^{4/}	02.02
United Kingdom-----	2.7% AVE ^{5/} ; 10%	2.7% AVE ^{5/} ; 10%	2.7% AVE ^{5/} ; 10%	02.02
Japan-----	10%; 15%	20%	15%; 20%	02.02

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Range includes ad valorem equivalents of a specific rate of duty (10 cents per pound), calculated on 1970 or 1971 import values, and an ad valorem rate of 25 percent.

^{3/} Range includes ad valorem equivalents of specific rates of duty (from 3-10 cents per pound), calculated on 1970 or 1971 import values, and an ad valorem rate of 12.5 percent.

^{4/} Autonomous rate fixed duties have been replaced by variable levies.

^{5/} Percent is ad valorem equivalent of a specific rate of duty (3d. per pound), calculated on 1971 import values.

seven U.S. tariff provisions for dead poultry, six were reduced from the pre-trade-agreement rate. Canadian duties on dead poultry were reduced to 12.5 percent ad valorem in 1961. The Canadian ad valorem rate on eviscerated poultry must be equivalent to not less than 5 cents nor more than 10 cents per pound. The European Community has replaced the fixed duties initially established in the CXT with variable levies. The United Kingdom has had no change in its tariff from pre-trade-agreement levels. Japan initially increased its duties from 1954 levels, but made a Kennedy Round reduction in its duty on turkeys from 20 percent to 15 percent ad valorem.

Rate changes which have occurred on fresh, chilled, or frozen beef since pre-trade-agreement base dates are shown in table A-3-0.

Table A-3-0.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on fresh, chilled or frozen beef

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	11.3% AVE ^{2/}	5.7% AVE ^{3/}	5.7% AVE ^{3/}	106.10
Canada-----	14.6% AVE ^{4/}	5.5% AVE ^{5/}	5.5% AVE ^{5/}	701-1
European Community--	20%	20% plus variable levies ^{6/}	20% plus variable levies ^{6/}	02.01 A II
United Kingdom-----	Free	1.3-5% ^{7/}	1.3-5% ^{7/}	02.01 (A) (1)
Japan-----	10%; 15%	25%	25%	02.01-1

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of specific rate of duty (6 cents per pound), calculated on 1971 import values.

^{3/} Percent is ad valorem equivalent of specific rate of duty (3 cents per pound), calculated on 1971 import values.

^{4/} Percent is ad valorem equivalent of specific rate of duty (8 cents per pound), calculated on 1971 import values.

^{5/} Percent is ad valorem equivalent of specific rate of duty (3 cents per pound), calculated on 1971 import values.

^{6/} The variable levy is applicable only under certain conditions.

^{7/} Range includes ad valorem equivalent of specific rates of duty (2/3 or 3/4 d. per pound), calculated on 1971 import values.

None of the five countries made tariff reductions on fresh, chilled, or frozen beef during the Kennedy Round. The United Kingdom initially had no duties on imports of fresh, chilled, or frozen beef, but licenses were required for imports from non-Commonwealth countries; however, the United Kingdom has since imposed tariffs. The European Community had the highest pre-trade-agreement fixed duties of the five countries, and fixed duties have remained unchanged from the pre-trade-agreement rate. Since the CXT was established, however, under the EC's Common Agricultural Policy variable levies have been added to the fixed duties on meat. Japanese tariffs have increased; Canadian and U.S. tariffs have undergone significant reductions.

Meat Prepared or Preserved and other Meat Products

Prepared or preserved meat and other meat products include principally dried, salted or smoked meat, sausages and similar products, and meat products in airtight containers. ^{1/}

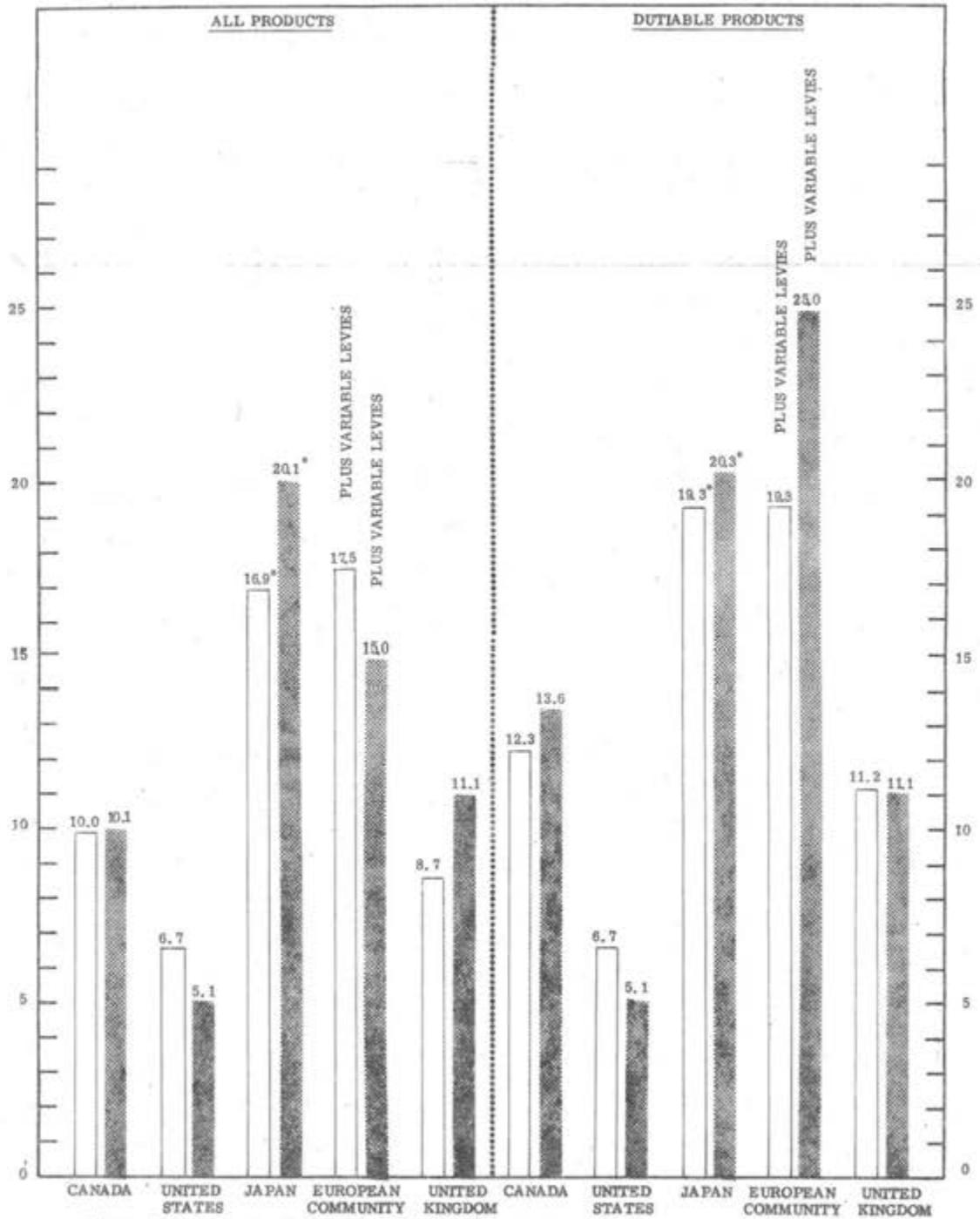
MFN tariffs

For four of the five major countries (the United States is the exception) average MFN tariffs on prepared meat products are significantly higher than their average tariffs for the animals and animal products sector as a whole. The United States has three of its four averages for the subsector below its corresponding average tariffs for the sector as a whole (chart A-3-I). The lowest average tariffs are held by the United States, with arithmetic averages of 6.7 percent ad valorem and weighted averages of 5.1 percent (U.S. averages for all products and dutiable products are identical). Japan and the European Community have the highest average MFN tariffs. The average tariffs shown in chart A-3-I reflect only those EC provisions which have fixed duties alone; they do not reflect any tariff lines in which variable levies are applicable (44 of the 55 EC tariff lines for this subsector, covering 37 percent of EC imports in 1970). The EC weighted average rate for dutiable products subject to fixed duties alone reaches 25 percent ad valorem.

The distribution of MFN tariff rates for prepared meats, by duty level, is shown in table A-3-P. The bulk of U.S. provisions (59 percent)

^{1/} For the specific coverage of this subsector, see BTN headings 02.05; 02.06; 16.01-16.03.

Chart A-3-1. -- Average MFN tariff rates on prepared or preserved meat and other meat products
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 20 percent, 33 percent, or 60 percent made in 1972 on several of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

Table A-3-P.--Distribution, by duty level, of MFN tariff provisions for prepared or preserved meat and other meat products

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	19.0	-	12.5	9.1	22.2
0.1-5.0 percent----	28.6	37.5	-	-	14.8
5.1-10.0 percent----	4.8	59.4	12.5	9.1	37.1
10.1-15.0 percent--	9.5	-	25.0	9.1	18.5
15.1-20.0 percent--	33.3	3.1	12.5	36.3	7.4
20.1-25.0 percent--	4.8	-	37.5	18.2	-
25.1-30.0 percent--	-	-	-	18.2	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 80 percent of EC provisions, covering 37 percent of EC imports in this subsector in 1970

are concentrated in the 5.1-10 percent ad valorem duty range and most of the rest have duties between 0.1 and 5 percent. Canadian and United Kingdom provisions are dispersed in wider ranges of duty than those of the United States. One-third of Canada's provisions have duties between 15.1 and 20 percent; 29 percent fall in the 0.1-5 percent ad valorem bracket; and almost one-fifth are free. The United Kingdom rates have their largest concentration in the 5.1-10 percent, free, and 10.1-15 percent brackets. Japan has 37.5 percent of its provisions dutiable in the 20.1-25 percent ad valorem range. The European Community has about 18 percent of its fixed duty provisions in both the 20.1-25 percent and 25.1-30 percent ranges, and over one-third in the 15.1-20 percent range.

In 1970, nearly two-thirds of United Kingdom imports, nearly 10 percent of Canadian imports, and nearly 5 percent of EC imports were given preferential tariff treatment.

One-fourth of Canada's imports and two-fifths of European Community fixed duty imports of prepared or preserved meat are duty free (table A-3-Q). Over one-fourth of Canadian imports and almost

Table A-3-Q.--Distribution, by duty level, of MFN imports of prepared or preserved meat and other meat products

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	25.7	-	0.9	40.3	1.0
0.1-5.0 percent----	26.1	69.8	-	-	5.3
5.1-10.0 percent---	.3	30.2	.1	-	65.4
10.1-15.0 percent--	3.8	-	43.4	4.0	28.3
15.1-20.0 percent--	37.2	-	6.9	.5	-
20.1-25.0 percent--	6.9	-	48.7	0.5	-
25.1-30.0 percent--	-	-	-	54.7	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 80 percent of EC provisions, covering 37 percent of EC imports in this subsector in 1970.

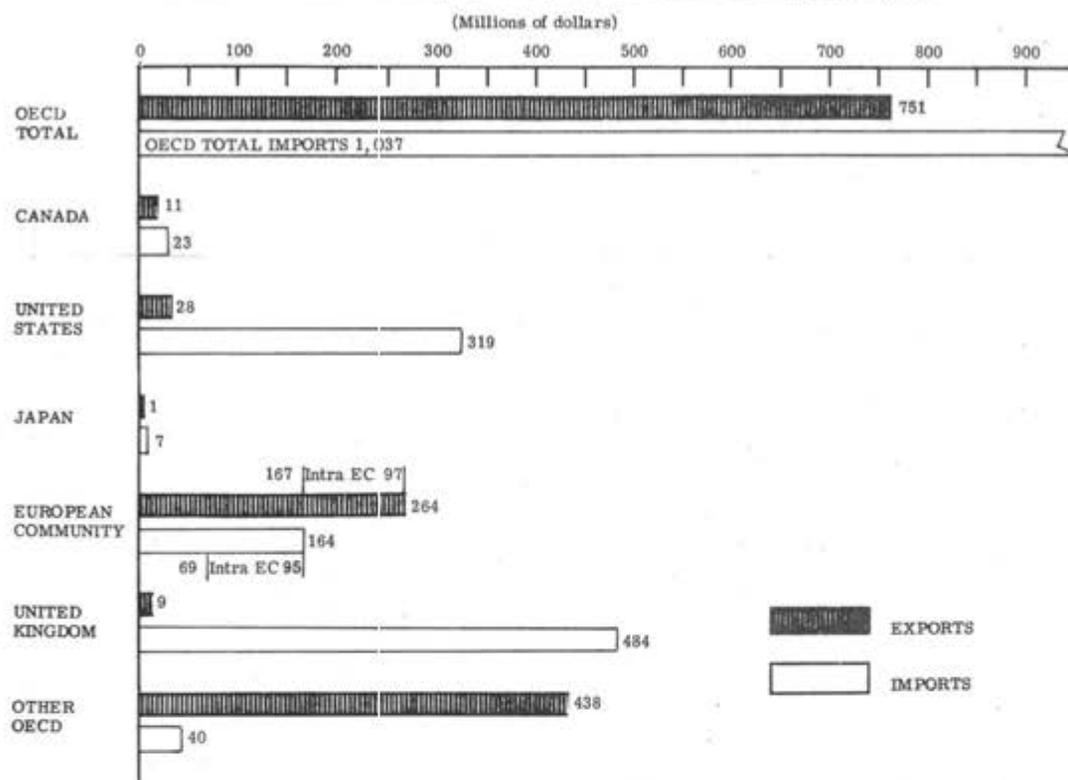
70 percent of U.S. imports are at duty levels between 0.1 and 5 percent ad valorem. No U.S. imports are dutiable above 10 percent ad valorem. Japan's imports are concentrated in two rate brackets, 10.1-15 percent and 20.1-25 percent. The European Community has over half of its fixed duty imports entering at rates between 25.1 and 30 percent ad valorem.

The European Community has the most detailed tariff schedule, with 55 lines in this subsector. The United States has 32 lines, the United Kingdom has 27 lines, Canada has 21, and Japan has 8.

Trade importance

The prepared or preserved meat and other meat products subsector is of moderate importance among the 28 agricultural subsectors, ranking 12th in OECD exports and imports. It accounts for 3.5 percent of OECD agricultural exports and 3.2 percent of imports. For the United States, the subsector ranks 19th in exports and 7th in imports, accounting for less than 0.5 percent of U.S. agricultural exports, but nearly 6 percent of U.S. agricultural imports. As shown in chart A-3-J, OECD countries

Chart A-3-J. -- OECD trade in prepared or preserved meat and other meat products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

as a whole, and each of the five major countries, except the European Community, are net importers of these products.

In 1970, the 13 GATT tariff study countries imported over \$1 billion of prepared or preserved meat and other meat products. Members of the European Community shipped an additional \$130 million to other EC members. OECD imports in 1969 were valued at \$1 billion, exports at \$751 million.

Trade network

"Other" OECD countries as a group are the chief exporters in this subsector. Among the five major countries, only the European Community

has significant exports (see table A-3-R). Shipments from the Community to outside destinations go largely to the United States (41 percent) and the United Kingdom (30 percent).

Table A-3-R.--OECD exports of prepared or preserved meat and other meat products, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	751	11	28	1	<u>1/</u> 264	9	438
OECD total-----	669	7	15	X	232	4	411
Canada-----	16	-	12	X	1	X	3
United States---	168	7	"	X	69	1	91
Japan-----	2	X	1	"	X	X	1
European Community-----	<u>1/</u> 108	X	1	X	97	1	9
United Kingdom--	349	X	1	X	50	-	298
Other OECD-----	26	X	X	X	15	2	9
Non-OECD total----	77	4	13	1	30	6	23
IPC's-----	70	3	13	1	26	6	21

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series, C, 1969.

Three of the major countries--the United Kingdom, the United States, and the European Community--account for 93 percent of OECD imports of prepared or preserved meat and meat products. The United Kingdom is the largest importer (\$484 million in 1969), followed by the United States (\$319 million). Almost two-thirds of United Kingdom imports are supplied by "other" OECD countries (see table A-3-S).

The United States receives nearly half of its imports from non-OECD countries (largely LDC's). Most Japanese imports and EC

Table A-3-S.-- OECD imports of prepared or preserved meat and other meat products, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,037	23	319	7	<u>1/</u> 164	484	40
OECD total-----	685	17	173	1	106	360	28
Canada-----	7	-	7	-	X	X	-
United States---	18	12	-	X	2	1	3
Japan-----	X	X	X	-	X	X	X
European Community-----	<u>1/</u> 235	1	72	X	95	50	17
United Kingdom--	2	X	X	X	1	-	1
Other OECD-----	423	4	94	1	8	309	7
Non-OECD total----	352	6	146	6	56	125	13
IDC's-----	203	4	97	3	32	61	6

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

imports from outside sources also come from non-OECD countries. Over half of Canadian imports are from the United States.

Trade-agreement concessions

Average MFN tariffs of the five major countries for prepared or preserved meat on pre-trade-agreement base dates are compared in the following tabulation with average rates in effect on January 1, 1972. Reductions which have occurred in average MFN tariffs range from 10 percent for Japan to 71 percent for Canada. The 1972 Japanese figure does not reflect unilateral reductions by 20 percent, 33 percent, or 60 percent made in 1972 in several Japanese rates in this subsector.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	17.8	6.7
European Community <u>1/</u>	23.1	17.5 (plus variable levies)
United Kingdom	11.1	8.7
Japan	18.8	16.9
Canada	34.5	10.0

Of the five major countries only the United Kingdom has made no GATT concessions on its tariff provisions for prepared or preserved meat. GATT concessions cover about one-fourth of EC lines, 38 percent of Japanese lines, well over 40 percent of Canadian lines, and all U.S. tariff lines for prepared or preserved meat and meat products.

Prior to the establishment of the EC's Common External Tariff, national tariffs of the members of the European Community contained a total of 61 GATT concessions. Of these GATT tariff concessions, 33 were above the CXT rate, 25 were below the CXT rate, and 3 were at the CXT rate.

Pre-trade-agreement rates on sausages are compared with rates in effect on January 1, 1972, in table A-3-T. The United States has had reductions of about 50 percent in duties on pork sausage (other than fresh) and on beef sausage prior to the Kennedy Round. In the Kennedy Round, the U.S. duty on fresh pork sausage was reduced about 50 percent

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 11 tariff lines which continue to be subject to fixed duties alone; it does not include the 44 EC tariff lines subject to a variable levy.

Table A-3-T.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on sausages

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	4.2-30% ^{2/}	2.1-15% ^{3/}	2.1-7.5% ^{4/}	107.10-.25
Canada-----	5.3% AVE ^{5/}	1.8% AVE ^{6/}	0.9% AVE ^{7/}	1002-1
European Community--	21%; 24%	Variable levies ^{8/}	Variable levies ^{8/}	16.01
United Kingdom-----	30%	20%	15%	16.01
Japan-----	25%	25%	25%	16.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Range includes ad valorem equivalents of 4.2 and 5.5 percent, calculated on 1971 import values, and ad valorem rates of 20 and 30 percent.

^{3/} Range includes ad valorem equivalents of 2.1 and 5.5 percent, calculated on 1971 import values, and ad valorem rates of 10 and 15 percent.

^{4/} Range includes ad valorem equivalents of 2.1 and 2.7 percent, calculated on 1971 import values, and ad valorem rates of 5 and 7.5 percent.

^{5/} Ad valorem equivalent of specific rate of duty (6 cents per pound), calculated on 1971 import values.

^{6/} Ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values.

^{7/} Ad valorem equivalent of specific rate of duty (1 cent per pound), calculated on 1971 import values.

^{8/} Autonomous rate fixed duties have been changed to variable levies. For liver sausage, the ceiling on the variable levy is 24 percent ad valorem.

and rates on beef sausage were again reduced 50 percent. The Canadian specific duty on sausage decreased from 6 cents to 2 cents per pound prior to the Kennedy Round, and decreased further to 1 cent per pound in the Kennedy Round, as reflected in the ad valorem equivalents in the table. United Kingdom duties on sausage were reduced by one-third prior to the Kennedy Round and by one-fourth in the Kennedy Round. The EC fixed rates originally established under the Common Agricultural Policy were replaced by variable levies. The Japanese tariff remained constant at 25 percent ad valorem, the highest fixed rate of the five countries on January 1, 1972.

OIL SEEDS, FATS AND OILS, AND THEIR PRODUCTS

The sector for oil seeds, fats and oils, and their products includes: Oleaginous nuts and fruits, such as peanuts, copra, palm nuts and kernels, soybeans, flaxseed, cottonseed, castor beans, sunflower seed, rapeseed and mustard seed; the flour, meal, oil and residues of oil seeds, oil nuts and oil kernels; margarine and shortening; lard, rendered poultry fat, imitation lard, and other prepared animal fats. Also included are waxes of animal or vegetable origin and oil of fish and marine animals. 1/

MFN tariffs

Arithmetic average MFN duties of the five major countries for all products (combined dutiable and free) in this sector fall within the relatively narrow range between 6.2 and 9.6 percent ad valorem (see chart A-4-A). Considering fixed duties only, the European Community has the lowest arithmetic average tariff on all products, and the United States has the highest. The average for the European Community excludes 9 of the 58 EC provisions (covering 5 percent of EC imports in the sector) which are subject to variable levies. 2/

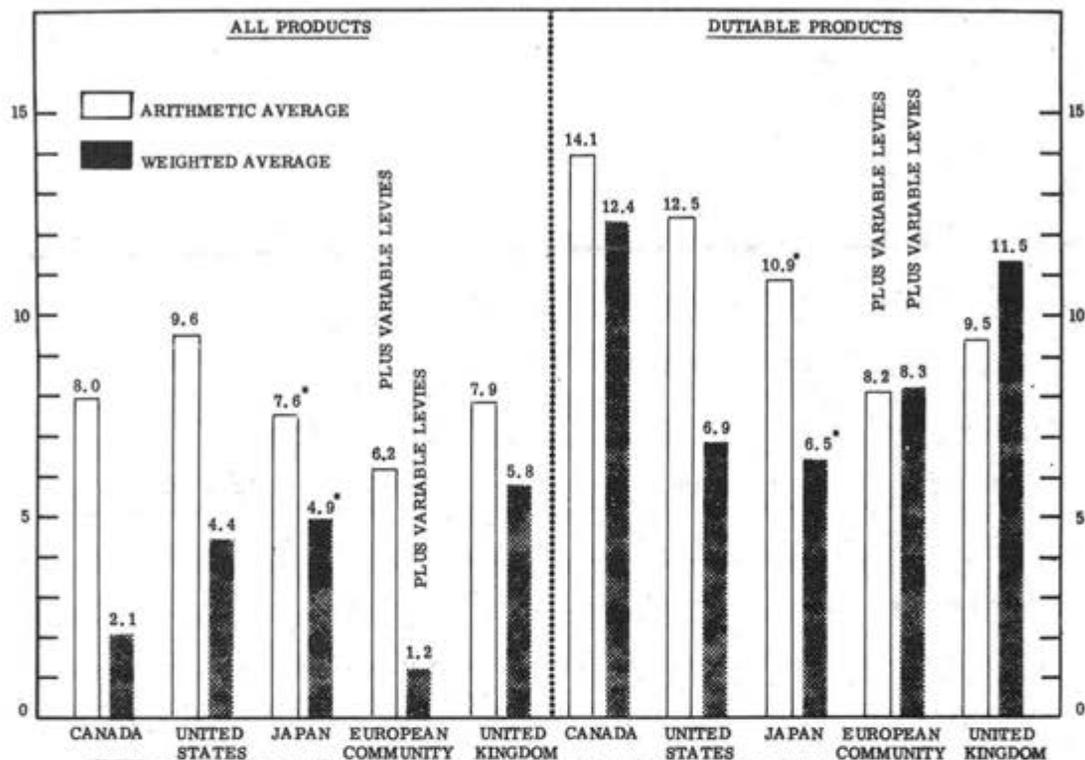
Imports for each of the five major countries tend to fall within the lower duty or duty-free sections of tariff provisions, as indicated by the fact that each country has weighted average duties on all products

1/ For the specific coverage of this sector, see BTN headings 12.01; 12.02; 15.01-15.17; 23.04.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

2/ For 24 of the remaining 49 EC provisions, a countervailing fee may be collected in addition to the duty under certain conditions.

Chart A-4-A. -- Average MFN tariffs on oil seeds, fats and oils and their products
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging from 11 percent to 100 percent made in 1972 on over one-third of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

considerably lower than its arithmetic averages. The European Community has the lowest weighted average tariff on all products (excluding products subject to variable levies) and the United Kingdom has the highest, 5.8 percent ad valorem. On dutiable products alone, Canada has the highest average tariffs, with an arithmetic average of 14.1 percent ad valorem and a weighted average of 12.4 percent. The European Community has the lowest arithmetic average (excluding products covered by variable levies) and Japan has the lowest weighted average.

Imports of oil seeds, fats and oils, and their products under preferential rates are quite significant for the United Kingdom and the

United States. In 1970, 61 percent of United Kingdom imports and 54 percent of U.S. imports entered under preferential duties instead of MFN duties. In contrast, less than 10 percent of Canadian imports, less than 6 percent of EC imports originating outside the Community, and no Japanese imports were dutiable at preferential rates.

Percentages of duty-free tariff provisions for products in this sector in the tariff schedules of the major countries ranged from 17.1 percent for the United Kingdom to 43.1 percent for Canada (table A-4-A). The European Community ^{1/} and the United States each have about one-fourth of their MFN rate provisions duty free and Japan has 30 percent. The United States and the European Community each have about 28 percent of their provisions at duty rates between 0.1 and 5 percent ad valorem. Forty-six percent of the United Kingdom

Table A-4-A ---Distribution, by duty level, of MFN tariff provisions for oil seeds, fats and oils, and their products

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	43.1	23.5	30.3	24.5	17.1
0.1-5.0 percent----	-	28.0	18.2	28.6	21.9
5.1-10.0 percent---	20.2	20.5	28.8	30.6	46.4
10.1-15.0 percent--	10.1	9.1	7.5	8.1	12.2
15.1-20.0 percent--	26.6	6.8	6.1	6.2	2.4
20.1-25.0 percent--	-	5.3	4.6	2.0	-
25.1-30.0 percent--	-	-	3.0	-	-
30.1-40.0 percent--	-	3.0	1.5	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	3.8	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which applied to 16 percent of EC provisions, covering 5 percent of EC imports in this sector in 1970.

^{1/} EC provisions subject to variable levies are excluded from the data on which these percentages are based.

provisions, 30 percent of EC provisions and 29 percent of Japanese provisions are in the 5.1-10 percent rate bracket. Canada and the United Kingdom have no MFN provisions higher than 20 percent ad valorem. Only the United States has duties higher than 40 percent ad valorem.

Each of the five major countries has a large percentage of duty-free imports (table A-4-B). Canada and the European Community ^{1/} have over

Table A-4-B ---Distribution, by duty level, of MFN imports of oil seeds, fats and oils, and their products

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	83.4	36.5	24.4	85.8	50.3
0.1-5.0 percent----	-	22.8	10.9	3.5	1.4
5.1-10.0 percent---	10.2	28.0	56.8	10.7	30.1
10.1-15.0 percent--	1.2	11.5	7.1	-	18.2
15.1-20.0 percent--	5.2	.1	-	-	-
20.1-25.0 percent--	-	1.1	.8	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which applied to 16 percent of EC provisions, covering 5 percent of EC imports in this sector in 1970.

80 percent of their imports duty free, and the United Kingdom over half of its imports. Nearly one-fourth of Japanese imports and over one-third of U.S. imports enter duty free. Almost all imports by the five countries enter duty free or paid rates no higher than 15 percent ad valorem. Canada, the United States, and Japan have small amounts of imports at higher rates. Half of U.S. imports are divided between the two rate brackets between 0.1 and 10 percent ad valorem. Fifty-seven percent of Japanese imports and 30 percent of United Kingdom imports are dutiable at rates between 5.1 and 10 percent ad valorem.

^{1/} The EC percentage excludes variable levy products and is therefore overstated by about 5 percent.

The United States has the most detailed tariff schedule in this sector, with 132 lines. Canada is second, with 109 lines. Japan has 66 lines, the European Community has 58, and the United Kingdom has 41.

World production

World production of oil seeds, fats and oils, and their products is estimated to have exceeded 134 million metric tons in 1970. Of this total, almost 85 million metric tons were accounted for by oil seeds, and over 39 million metric tons by fats and oils. The remainder consisted of oil seed cake and meal, natural waxes and products, and fatty acids and alcohols. Soybean production was the most important component of total production of the various oil seeds, and the United States accounted for 74 percent of the world total for soybeans, as shown in table A-4-C.

Table A-4-C.--Oil seeds: World production of selected items, by specified countries, 1970

(Quantity in 1,000 metric tons)					
Country	Soybeans	Cottonseed	Peanuts	Flaxseed	
United States-----	30,911	3,892	1,351		761
Canada-----	283	1/	1/		1,243
European Community-----	1/	4	1/		30
United Kingdom-----	1/	1/	1/		1/
Japan-----	126	1/	124		-
All other-----	10,444	17,601	15,699		2,147
Total-----	41,764	21,497	17,174		4,151

1/ Not separately reported; included in all other.

Source: U.S. Department of Agriculture, Agricultural Statistics, 1971.

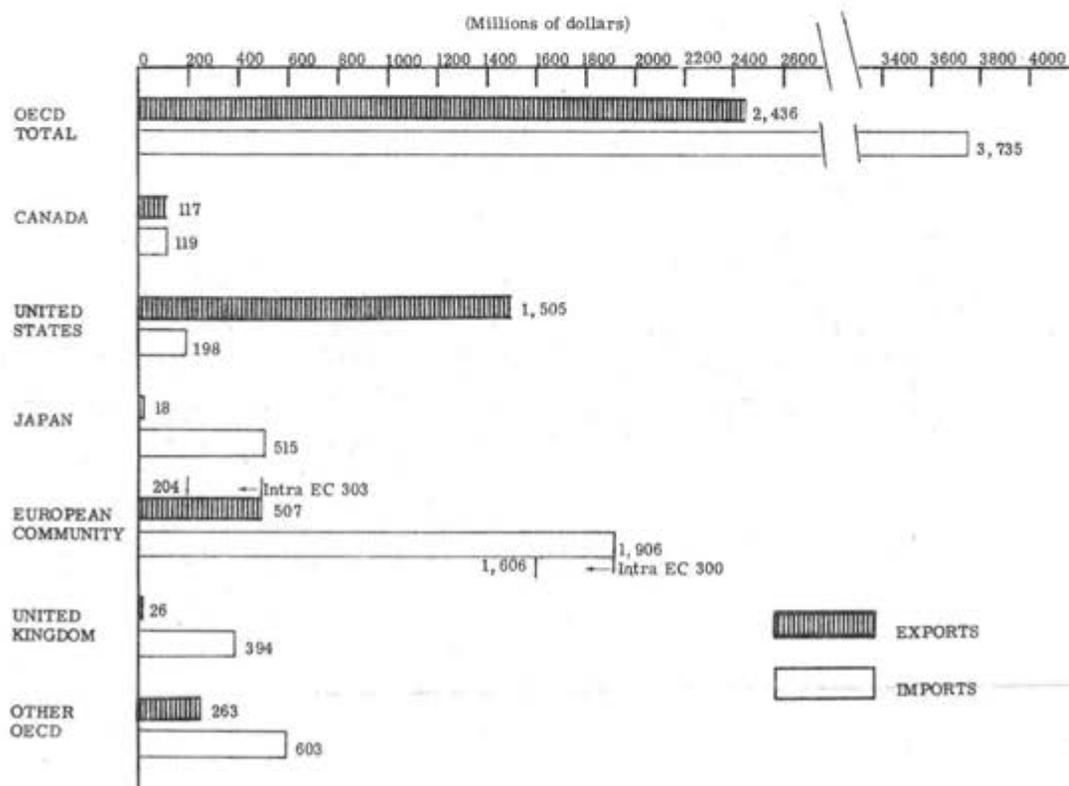
Of the five countries studied, the United States is the most important producer of the principal oil seeds, except for flaxseed, which is produced principally in Canada. In fats and oils of all types included here, the United States, similarly, was the principal producer among the five countries in 1970, accounting for about 11 million metric tons, or 29 percent of the world total.

Trade importance

Among the nine agricultural sectors, oil seeds, fats and oils, and their products ranked fourth in OECD agricultural exports in 1969 and third in imports. In 1970, the sector was the third largest in trade for both exports and imports, accounting for about 13 percent of each. For the United States, the sector ranks second among agricultural exports, sixth in imports.

Imports by the GATT tariff study countries in 1970 were valued at almost \$4 billion, and intra-EC shipments were an additional \$372 million. The sector ranks second in terms of total agricultural imports of the GATT tariff study countries. OECD 1969 imports were \$3.7 billion (including \$300 million of intra-EC shipments) (chart A-4-B), but in 1970 increased to \$4.6 billion (intra-EC shipments, \$373 million).

Chart A-4-B. -- OECD trade in oil seeds, fats and oils, and their products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

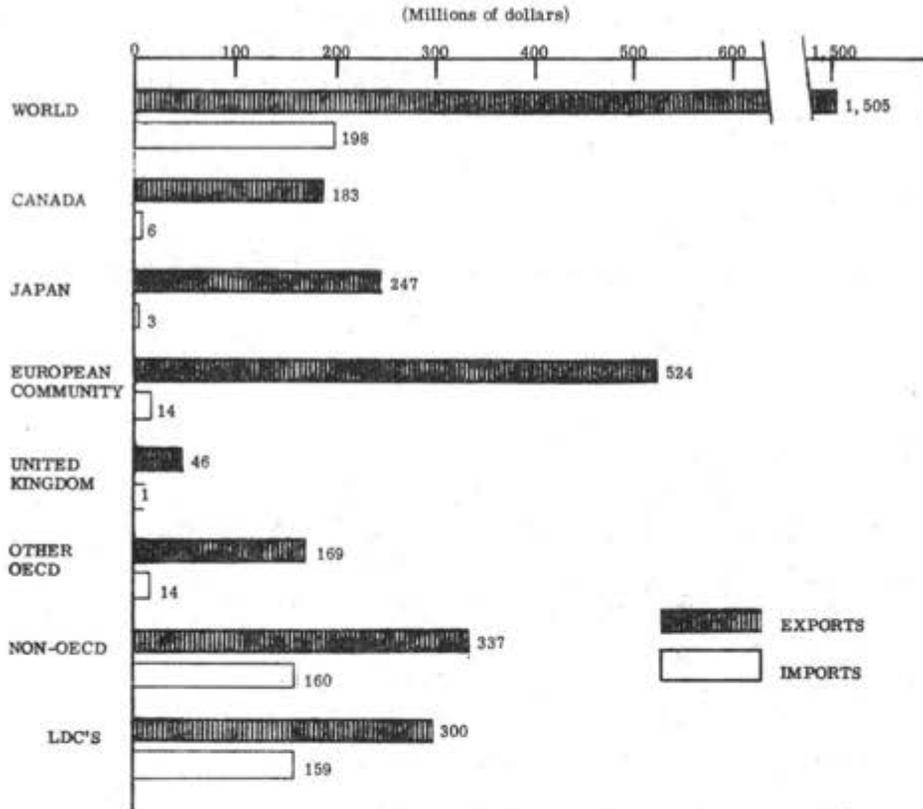
U.S. exports of \$1.5 billion comprised over one-fourth of total U.S. agricultural exports in 1969; the shipment of \$2.2 billion in these products accounted for almost one-third of U.S. agricultural exports in 1970. However, in 1969 the United States imported only \$198 million, or less than 4 percent of total U.S. agricultural imports. Soybean products are a principal component of U.S. exports.

Trade network

The five major countries account for 89 percent of OECD exports and 84 percent of OECD imports. The United States is by far the largest exporter of the five, supplying over 80 percent of exports of the five countries and 70 percent of total OECD exports (excluding intra-EC shipments). The largest markets for U.S. exports among the five major countries are the European Community, absorbing \$524 million, Japan (\$247 million), and Canada (\$183 million). These three countries together take over 60 percent of U.S. total shipments (see chart A-4-C). The European Community is the second largest exporter among the five countries, shipping to non-EC destinations \$204 million in 1969, mostly to countries other than those under review. Intra-EC shipments exceed exports to outside countries. Canada has exports of \$117 million; exports of the United Kingdom and Japan are negligible (table A-4-D).

The largest importer is the European Community, accounting for over half of total imports by OECD countries. Forty-five percent of OECD imports come from non-OECD sources, mostly from less developed countries, which as a group were the principal suppliers to the Community,

Chart A-4-C. -- United States trade in oil seeds, fats and oils, and their products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the United Kingdom, and the United States. Except for the United States, each of the five major countries has more imports than exports. The United States was the principal supplier of imports by Japan and Canada, and an important supplier to the Community. Intra-EC shipments are equal to 19 percent of EC entries from outside sources (table A-4-E).

Table A-4-D.--OECD exports of oil seeds, fats and oils, and their products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,436	117	1,505	18	<u>1/</u> 507	26	263
OECD total-----	1,904	109	1,169	5	400	14	207
Canada-----	186	-	183	-	1	X	2
United States---	35	5	-	3	15	X	12
Japan-----	295	43	247	-	2	X	3
European Community-----	<u>1/</u> 964	26	524	2	303	5	104
United Kingdom--	134	29	46	X	25	-	34
Other OECD-----	290	6	169	X	54	9	52
Non-OECD total----	520	10	337	12	95	14	52
LDC's-----	433	4	300	11	75	10	33

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-4-E.--OECD imports of oil seeds, fats and oils, and their products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,735	119	198	515	<u>1/</u> 1,906	394	603
OECD total-----	2,036	100	37	343	1,015	172	369
Canada-----	121	-	6	45	22	41	7
United States---	1,234	91	-	293	583	46	221
Japan-----	6	X	3	-	2	X	1
European Community-----	<u>1/</u> 437	4	14	3	300	48	68
United Kingdom--	19	3	1	1	9	-	5
Other OECD-----	219	2	13	1	99	37	67
Non-OECD total----	1,699	19	160	171	887	222	236
LDC's-----	1,365	12	159	90	741	174	189

1/ Includes intra-EC shipments.

X = Less than \$500,000.

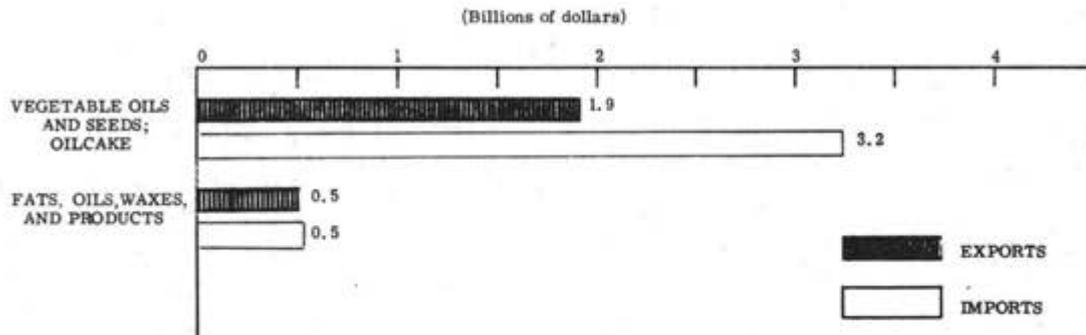
Note.--Complete country data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

The oil seeds, fats and oils, and products sector is composed of two subsectors: Vegetable oils, seeds and oilcake; and other fats, oils, waxes and products. As shown in chart A-4-D, the first subsector is much more important than the second, accounting for 83 percent of OECD trade in the sector.

Chart A-4-D. -- OECD trade in oil seeds, fats and oils, and their products, by subsector, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

Average MFN tariff levels of the five major countries on January 1, 1972, are compared with average tariff levels on pre-trade-agreement base dates in the following tabulation. The figures given for all countries are arithmetic averages. The 1972 figure for Japan does not reflect the unilateral reductions made on over one-third of Japanese rates in this sector in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	18.6	9.6
European Community	<u>1/</u> 8.4	<u>1/</u> 6.2 (plus variable levies)
United Kingdom	9.8	7.9
Japan	11.0	7.6
Canada	15.0	8.0

All but 13 percent of U.S. provisions in this sector are covered by GATT concessions. The Community has 72 percent of its provisions fully covered under the GATT and an additional 10 percent partially covered. For the United Kingdom, 24 percent are fully covered and 20 percent partially covered. Three-quarters of Japan's provisions have been the subject of GATT concessions, but only about 17 percent of Canada's.

Before adoption of the European Community's Common External Tariff, each of the members of the European Community had negotiated GATT tariff concessions in this sector. Of the 285 total concessions contained in national schedules, 137 were above the CXT rate, 105 were below the CXT rate, and 43 were at the CXT rate.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the tariff lines which continue to be subject to fixed duties alone; it does not include any tariff lines subject to a variable levy.

Trade complaints

The U.S. Tariff Commission received 57 complaints from producers and traders of oil seeds, fats, and oils concerning practices or policies which they felt inhibited development of their trade. About three-fourths of the complaints were against developed countries. The United States was the single country drawing the largest number of complaints, but the EC countries as a group drew almost twice as many protests as the United States. 1/ Thirty percent of the complaints were against quantitative restrictions, embargoes and licensing; about one-third were against various nontariff charges on imports (including variable levies).

Quantitative restrictions, embargoes, and licensing.--Complaints were received concerning U.S. quotas on butter substitutes and peanuts and the Austrian and Norwegian quotas on poultry fat. Also cited was the U.S. embargo on imports of sperm and whale oil. A large U.S. exporter reported that import licenses for shipment of soybean meal into Spain are granted only when the import price is above a certain

1/ After the Commission's survey had been completed, the United States imposed export restrictions during the summer of 1973 on soybeans, cottonseed, and certain of their products and some additional categories of farm commodities which are competitive with soybeans and cottonseed, including livestock protein feed, edible oil and animal fats. The initial restrictions were later liberalized and were terminated at the end of September. The action drew strong official protests, especially from several of the foreign governments whose populations rely heavily on U.S. supplies of the restricted products to maintain the minimum level of protein in their diets. The restraints also triggered export restrictions by various other countries in order to maintain their supplies of protein at adequate levels. These more recent restrictions resulting during the period of price-supply distortions of 1973 have not been included in the list of trade complaints discussed herein.

minimum price. A Danish import license is required for the importation of sweetened fats. Yugoslavian exchange quotas were viewed as discriminatory, and Yugoslavian foreign exchange retention quotas were also alleged to hamper trade in oils and oil seeds. A bilateral agreement between East and West Germany regarding soybean meal gives preference to West German produced soybean meal. The Indian Government requires that flaxseeds and castor beans be processed before exportation; the export of unprocessed seeds and beans is banned. Austrian and Swedish minimum price controls on unrendered poultry fat act as a trigger for levies or supplementary charges; traders alleged price fixing of this nature operates in the same manner as a quantitative restraint.

Tariffs and nontariff charges on imports.--The Hungarian meal import duty is 10 percent more for U.S. meal than for any other foreign produced meal. In Guadeloupe, a local tax is levied on U.S. soybean imports, but not on soybean imports from the European Community. The nondiscriminatory Korean import tax of 25 percent on soybeans, 70 percent on meal and 60 percent on oil was cited, with the accompanying complaint that Chilean fish meal enters Korea free of duty. Also cited were the U.S. import duty on castor oil and the Iranian nondiscriminatory import tax on oil content of soybeans (\$66 per ton). In the European Community, in order to protect domestic producers, the variable import levy on fats fluctuates with domestic supplies. Austrian, Swedish, and Swiss variable levies

similarly eliminate the price competition of imports with the edible oils and poultry fat in the domestic market. Finnish and Uruguayan turnover taxes on edible oils were cited as a barrier to U.S. exports. Austria, to pay for foreign trade promotion, levies a tax of 3 percent on the customs value of oilcake and carnauba wax imports. In the Community, charges are added if the vegetable oil price is deemed too low to cover crushing and exporting costs.

Miscellaneous complaints.--Oil traders alleged that U.S. "buy American" policies eliminate certain foreign imports. Spanish, Norwegian, and Swiss state trading practices regarding linseed oil, oilcake, and meal were viewed as detrimental to U.S. trade. U.S. producers felt Japanese subsidies on certain oil exports, EC export subsidies on lard, and EC agricultural and denaturing subsidies on rapeseed should be eliminated. A U.S. exporter felt that his poultry fat trade was impeded by "unreasonable" Swedish standards; he also felt the application of stricter standards by one country than by another disrupts the flow of trade. U.S. hempseed imports must be sterilized after entering the United States and before customs clearance. Hempseed traders estimated hempseed sales would increase 125 percent with the elimination of the U.S. sterilization standard for imported hempseed.

Twenty of the respondents to the Commission's survey in the oil seeds, fats and oils sector gave an assessment of the restrictive trade effect of the barriers they reported. Nine stated the

trade increase arising from the removal of trade barriers would be "small," seven said "moderate," and four, "significant." The very small number of dollar value estimates for the expected trade increase totaled \$5 million.

Vegetable Oils and Seeds, and Oilcake

Vegetable oils, seeds, and oilcake include: Oil seeds, oil nuts and oil kernels; oleaginous fruit; and the oil, meal, flour, oilcake and other residues of these products. 1/

MFN tariffs

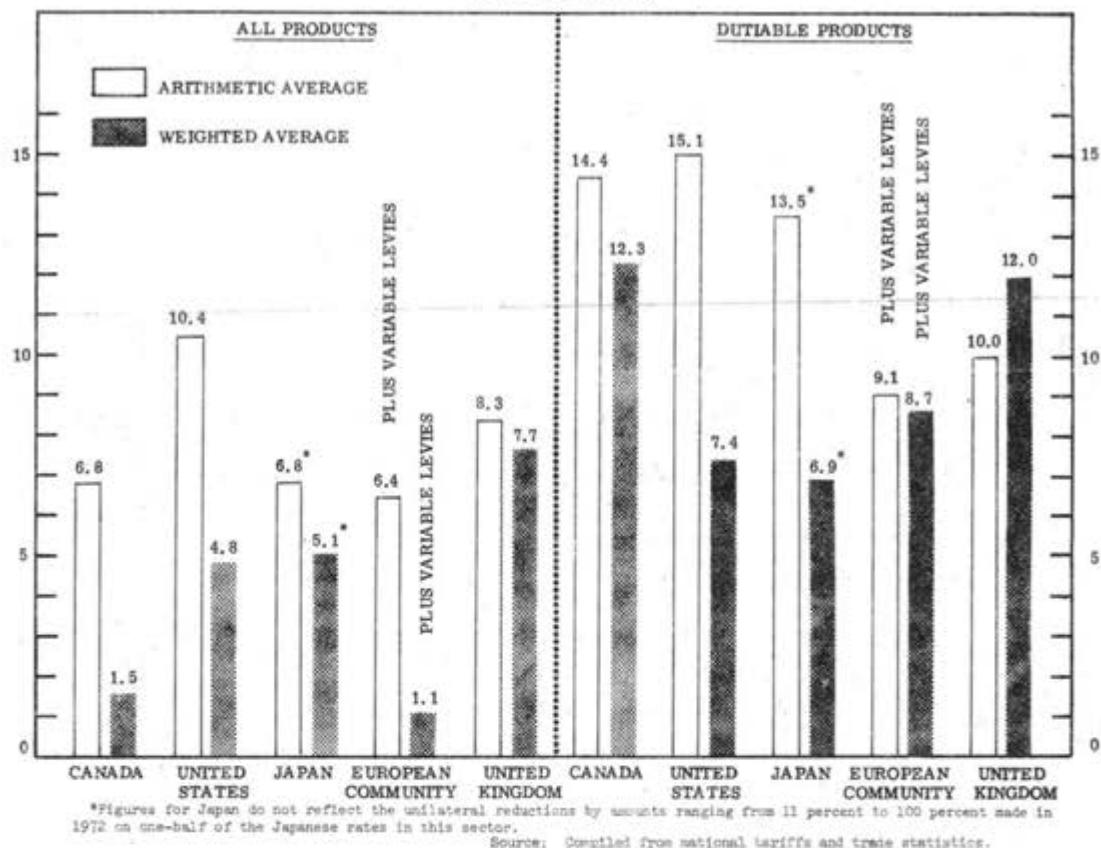
Average MFN tariffs of the five major countries for products in this subsector are similar to those for the sector as a whole. Variable levy products are a slightly smaller percentage of EC imports in the subsector (4 percent of imports from external sources compared to 5 percent for the sector). Variable levies apply to 4 of the 21 EC provisions in the subsector. 2/ As in the sector as a whole, the European Community has the lowest arithmetic and weighted average tariffs for all products (calculated on fixed duties only and excluding variable levies); the United States has the highest arithmetic average tariff (10.4 percent), and the United Kingdom has the highest weighted average (7.7 percent). For dutiable products alone, the United States has the highest arithmetic average tariff and the European Community has the lowest (again excluding variable levies) (see chart A-4-E). Canada has the highest weighted average for dutiable products (12.3 percent), and Japan has the lowest, at 6.9 percent ad valorem.

1/ For the specific coverage of this subsector, see BTN headings 12.01; 12.02; 15.07; 23.04.

2/ For all but one of the remaining 17 EC provisions, a countervailing fee may be collected in addition to the duty under certain conditions.

Chart A-4-E. -- Average MFN tariff rates on vegetable oils and seeds and oilcake

(Percent ad valorem)



All five countries have significant percentages of duty-free tariff provisions in the subsector (see table A-4-F). Japan has half of its provisions duty free and Canada has slightly over half duty free. About 30 percent of the provisions of both the United States and the European Community are duty free, as are nearly 17 percent of those of the United Kingdom.

The United States has 41 percent of its provisions dutiable at rates between 0.1 and 10 percent ad valorem; but some U.S. provisions have duties of over 50 percent ad valorem. The United States is the only country of the five with any provisions dutiable above 30 percent

Table A-4-F .--Distribution, by duty level, of MFN tariff provisions for vegetable oils and seeds; oilcake

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	52.6	30.9	50.0	29.4	16.7
0.1-5.0 percent----	-	22.0	11.8	23.5	8.3
5.1-10.0 percent---	19.3	19.2	11.7	29.5	58.3
10.1-15.0 percent--	-	8.8	5.9	11.7	16.7
15.1-20.0 percent--	28.1	7.3	8.8	5.9	-
20.1-25.0 percent--	-	3.0	5.9	-	-
25.1-30.0 percent--	-	-	5.9	-	-
30.1-40.0 percent--	-	2.9	-	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	5.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the European Community cover tariff provision subject to fixed duties only; they do not include almost one-fifth EC provisions in the subsector which are subject to variable levies.

Note.--Due to rounding, figures may not add to 100 percent.

ad valorem. The European Community has 53 percent of its fixed duty provisions in the two rate brackets between 0.1 and 10 percent ad valorem, and none above 20 percent. Twenty-eight percent of Canada's provisions are in the 15.1 - 20 percent ad valorem bracket. The United Kingdom has 58 percent of its provisions in the 5.1-10 percent rate bracket. Japan has about 12 percent of its provisions in each of the two brackets between 0.1 and 10 percent.

Each of the countries except Japan has some imports of vegetable oils, seeds, and oilcake entering at preferential rates instead of MFN rates. In 1970, preferential rates were applicable to 66 percent of United Kingdom imports, 59 percent of U.S. imports, 10 percent of Canadian imports, and about 6 percent of EC imports originating outside the Community.

Large percentages of imports in this subsector enter the five countries without duty. For Canada and the European Community ^{1/} nearly 90 percent of imports are duty free (table A-4-G), as are more than one-third of U.S. and United Kingdom imports, and more than one-fourth of

Table A-4-G.--Distribution, by duty level, of MFN imports of vegetable oils and seeds; oilcake

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	88.1	34.8	26.5	87.2	36.7
0.1-5.0 percent----	-	18.1	2.3	2.5	-
5.1-10.0 percent---	8.2	33.6	62.6	10.3	34.6
10.1-15.0 percent--	-	13.5	7.9	-	28.7
15.1-20.0 percent--	3.7	-	-	-	-
20.1-25.0 percent--	-	-	.7	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the European Community cover imports subject to fixed duties only; they do not include 4 percent of EC total MFN imports in the subsector which are subject to variable levies.

Japanese imports. Over one-third of imports by the United States and the United Kingdom, and nearly two-thirds of Japanese imports are dutiable between 5.1 and 10 percent ad valorem. No imports by the United States or the United Kingdom, and less than 1 percent of imports by Japan are dutiable at rates above 15 percent ad valorem. Imports by the United Kingdom which are dutiable (63 percent of the total) are about evenly divided in the two rate brackets between 5.1 and 15 percent ad valorem.

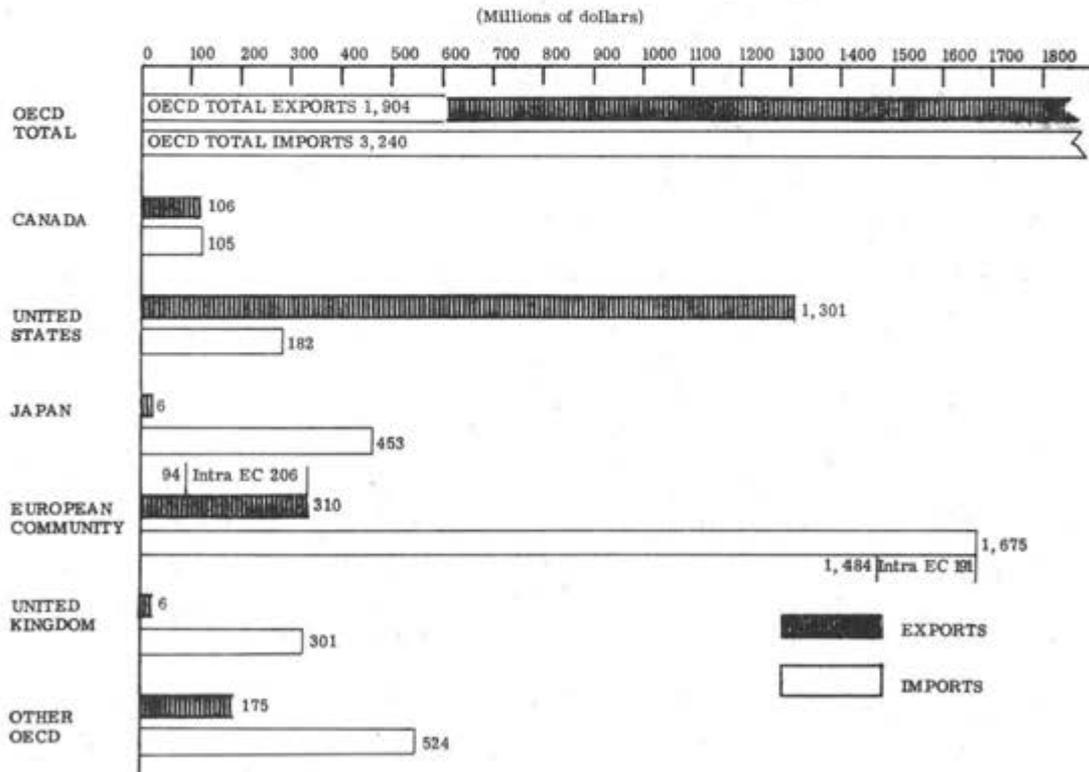
For this subsector, the most complex tariff schedule of the five countries is that of the United States, with 68 tariff lines. Canada has 57 lines, Japan has 34, the European Community has 21, and the United Kingdom has 12.

^{1/} The percentage for the Community is overstated by about 4 percent because of exclusion of variable levy imports from the calculation.

Trade importance

In OECD imports and exports, the subsector covering vegetable oils, seeds, and oilcake ranks second among the 28 agricultural product categories. It accounts for 10 percent of total OECD agricultural imports and 9 percent of agricultural exports. The subsector contains most of the OECD trade (nearly 80 percent of exports and nearly 90 percent of imports) in the sector covering oil seeds, fats and oils, and their products. Total OECD imports (worth \$3.2 billion in 1969) were nearly twice as large as exports (\$1.9 billion) (chart A-4-F). In U.S.

Chart A-4-F. -- OECD trade in vegetable oils and seeds; oilcake, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exports in 1969, the subsector ranked second among the 28 agricultural product categories, accounting for 23 percent of total U.S. agricultural exports in that year.

Trade network

The five major countries account for over 90 percent of OECD exports of vegetable oils, seeds, and oilcake and 84 percent of imports. Although most OECD exports of vegetable oils, seeds, and oilcake go to other OECD countries, half of imports come from non-OECD sources, largely from less developed countries. The United States, with \$1.3 billion of exports in 1969, is by far the largest OECD exporter and has fairly large markets in the European Community, Japan, and Canada. The three countries together absorb 67 percent of U.S. exports; the European Community is the largest market, taking \$497 million (see table A-4-H). The United States exports \$220 million to less developed countries and \$147 million to OECD countries other than the five under study. Canada and the European Community have exports of slightly over \$100 million (intra-EC export shipments are an additional \$206 million). Most Canadian exports go to Japan, the European Community, and the United Kingdom, while most EC exports go to countries other than the five under study.

Imports by the five countries in 1969 ranged from \$105 million for Canada to the European Community's imports from outside sources of \$1.5 billion (intra-EC imports are an additional \$191 million). Nearly half of EC imports come from less developed countries. The United States

Table A-4-H.-- OECD exports of vegetable oils and seeds, oilcake, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,904	106	1,301	6	<u>1/</u> 310	6	175
OECD total-----	1,546	98	1,049	1	259	3	136
Canada-----	173	-	171	X	1	X	1
United States---	27	4	-	1	11	X	11
Japan-----	251	40	210	-	X	X	1
European Community-----	<u>1/</u> 808	24	497	X	206	1	80
United Kingdom--	62	26	24	X	7	-	5
Other OECD-----	225	4	147	X	54	2	38
Non-OECD total----	357	8	253	5	51	3	37
LDC's-----	292	4	220	5	39	2	22

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-4-I.--OECD imports of vegetable oils and seeds, oilcake, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	3,240	105	182	453	<u>1/</u> 1,675	301	524
OECD total-----	1,649	86	31	295	843	95	299
Canada-----	109	-	5	43	19	35	7
United States---	1,113	78	-	251	554	27	203
Japan-----	1	X	1	-	X	X	X
European Community-----	<u>1/</u> 278	4	13	X	191	28	42
United Kingdom--	7	3	X	X	3	-	1
Other OECD-----	141	1	12	1	76	5	46
Non-OECD total----	1,591	19	150	159	831	207	225
LDC's-----	1,304	12	150	86	701	171	184

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

is the largest single supplier for the European Community, providing 37 percent of EC entries from outside sources. U.S. imports come largely from less developed countries. Over half of Japanese imports and nearly three-quarters of Canadian imports come from the United States. Over half of United Kingdom imports come from less developed countries (table A-4-I).

Trade-agreement concessions

The following tabulation compares average MFN rates on pre-trade-agreement base dates with rates in effect January 1, 1972. The averages shown are simple arithmetic averages. The 1972 figure for Japan does not reflect the unilateral reductions made on about half of Japanese rates in this subsector in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	13.9	10.4
European Community	<u>1/</u> 8.6	<u>1/</u> 6.4 (plus variable levies)
United Kingdom	10.4	8.3
Japan	8.2	6.8
Canada	15.0	6.8

GATT concessions cover 77 percent of U.S. provisions in this subsector. For the European Community, 52 percent of the provisions are fully covered, and an additional 24 percent partially covered. The

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the tariff lines which continue to be subject to fixed duties alone; it does not include any tariff lines subject to a variable levy.

United Kingdom has almost half of its provisions under GATT, and most of the remainder are partially covered. About two-thirds of Japan's provisions are under the GATT, but only about 9 percent of Canada's.

Members of the European Community negotiated a total of 156 GATT concessions in their national schedules prior to the establishment of the Common External Tariff. Over half of these concessions were at rates above the CXT rate, while 27 concessions were at the CXT rate and 48 were below the CXT rate.

Actual rates of duty for coconut oil applied by the five major countries on January 1, 1972, are compared with rates on pre-trade-agreement base dates in table A-4-J. The European Community, the United Kingdom,

Table A-4-J.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on coconut oil

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	11.9%; 5.1% AVE AVE ^{2/}	9.0%; 2.6% AVE ^{3/}	9.0%; 2.6% AVE ^{3/}	176.07; 176.11 ^{4/}
Canada-----	15%; 25%	15%; 25%	10%; 17.5%	27711-1; 27731-1
European Community--	5-15% ^{5/}	5-15% ^{5/}	5-15% ^{5/}	15.07 DI, II(b) 2(aa), (bb)
United Kingdom-----	15%	15%	15%	15.07 (c)
Japan-----	10%	10% ^{6/}	10% ^{6/}	15.07-7

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percents are ad valorem equivalents of specific rates of duty (4 cents and 2 cents per pound, respectively), calculated on 1970 import values.

^{3/} Percents are ad valorem equivalents of specific rates of duty (3 cents and 1 cent per pound, respectively), calculated on 1970 import values.

^{4/} Items are those under which non-preferential imports enter.

^{5/} Entry under certain headings is subject to conditions to be determined by competent authority, and may be subject under all headings, in certain conditions to a countervailing duty in addition to the customs duty.

^{6/} Or 10 yen per kilogram, whichever is higher. The ad valorem equivalent of the specific rate, based on 1970 import values, was 8.8 percent.

and Japan have had no tariff reductions on coconut oil from pre-trade-agreement levels. The United States reduced its MFN tariffs prior to the Kennedy Round and Canada reduced its tariffs during the Kennedy Round. On January 1, 1972, duty rates on coconut oil ranged from 2.6 percent ad valorem equivalent in the U.S. tariff schedule to 17.5 percent ad valorem in the schedule of Canada. In addition to the MFN reductions shown in the table, the United States has made special preferential concessions to the Philippines on coconut oil, part of which consists of stipulated annual amounts admitted duty free until 1974.

Other Fats, Oils, Waxes and Products

The subsector covering other fats, oils, waxes and products includes: Lard and other rendered pig fat; rendered poultry fat; fats of bovine cattle, sheep, or goats; fats and oils of fish and marine mammals; wool grease and fatty substances derived therefrom; other animal oils and fats; fixed vegetable oils; fatty acids and fatty alcohols; glycerol; beeswax and other insect waxes; vegetable waxes; and residues resulting from the treatment of fatty substances or animal or vegetable waxes. 1/

MFN tariffs

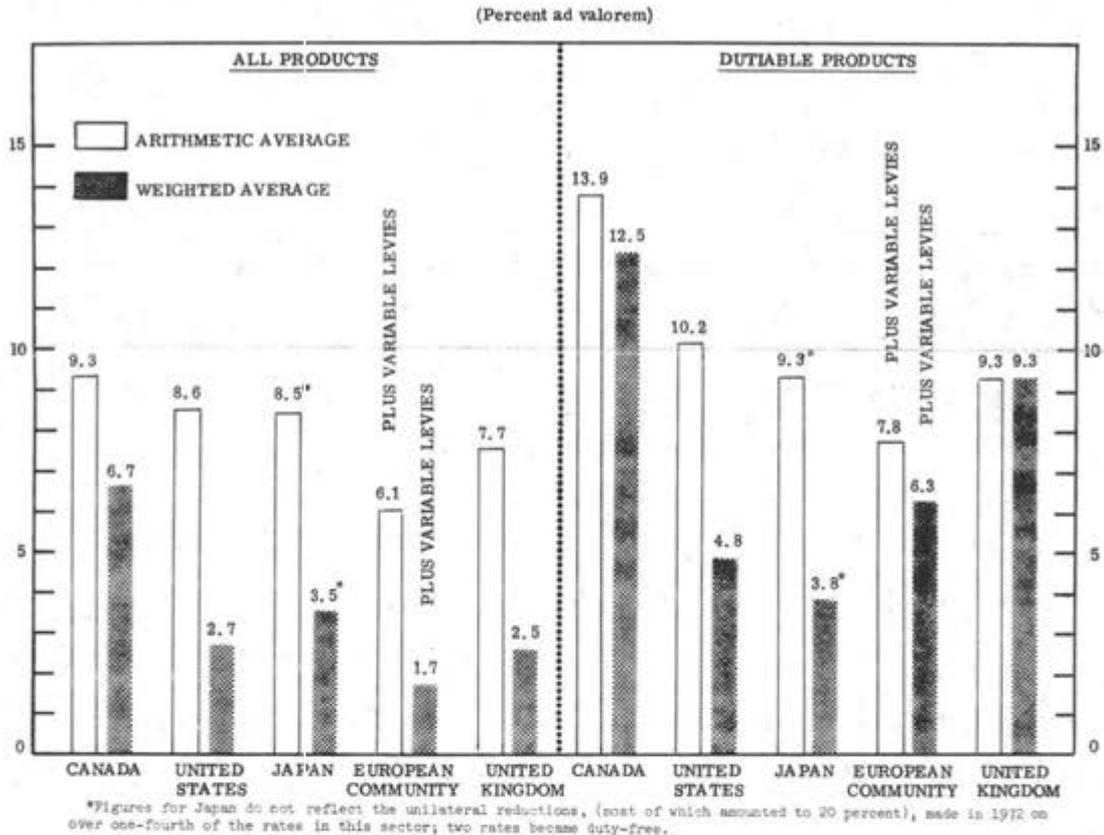
Canada has the highest average MFN tariffs in this subsector, with an arithmetic average tariff of 9.3 percent ad valorem on all products and an arithmetic average tariff of 13.9 percent on dutiable products alone (see chart A-4-G). The Canadian weighted average tariff of 12.5 percent on dutiable products and weighted average of 6.7 percent on all products are also considerably higher than averages of the other four countries.

Excluding variable levies, which apply to 5 of the 37 EC provisions in this subsector and cover 7 percent of EC imports, 2/ the European Community has the lowest arithmetic average tariffs (both for all products and for dutiable products alone) and the lowest weighted average on all products. The Japanese weighted average tariff of 3.8

1/ For the specific coverage of this subsector, see BTN headings 15.01-15.06; 15.08-15.17.

2/ For 9 of the remaining 32 EC provisions, a countervailing fee may be collected in addition to the duty under certain conditions.

Chart A-4-G. -- Average MFN tariff rates on other fats, oils, waxes and products



Source: Compiled from national tariffs and trade statistics.

percent ad valorem is the lowest on dutiable products of the five countries. Arithmetic average tariffs of the United States are the second highest of the five countries, slightly above the Japanese arithmetic averages. The United States weighted average of 4.8 percent on dutiable products exceeds only that of Japan.

Of the five countries, Canada has the largest percent of duty-free tariff provisions (32.7 percent), but over two-thirds of Canadian provisions are about equally distributed in the three rate brackets between 5.1 and 20 percent ad valorem (table A-4-K). Although Canada has no provisions at rates above 20 percent, 46 percent of Canadian provisions have rates greater than 10 percent ad valorem.

Table A-4-K.--Distribution, by duty level, of MFN tariff provisions for other fats, oils, waxes and products

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	32.7	15.6	9.4	21.9	17.2
0.1-5.0 percent----	-	34.4	25.0	31.2	27.6
5.1-10.0 percent---	21.1	21.9	46.9	31.3	41.4
10.1-15.0 percent--	21.2	9.4	9.3	6.2	10.4
15.1-20.0 percent--	25.0	6.2	3.2	6.3	3.4
20.1-25.0 percent--	-	7.8	3.1	3.1	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	-	3.1	3.1	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	1.6	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the European Community cover tariff provision having fixed duties only; they do not include 13.5 percent of European Community provisions (covering 7 percent of European Community imports) which are subject to variable levies.

Note.--Due to rounding, figures may not add to 100 percent.

The United States has 28 percent of its provisions at rates above 10 percent ad valorem, a small percentage of which are at duty rates exceeding 50 percent ad valorem. Only 16 percent of U.S. provisions are duty free, thus causing U.S. arithmetic average tariffs to be relatively high.

Japan has only 9.4 percent of its provisions free of duty, but an additional 72 percent of Japanese provisions are at rates no greater than 10 percent ad valorem. Twenty-two percent of EC fixed duty provisions are free and slightly less than one-third are in each of the two brackets between 0.1 and 10 percent ad valorem. The United Kingdom has 17 percent of its provisions duty free, and almost 70 percent of United Kingdom tariff provisions carry duties no greater than 10 percent ad valorem.

In 1970, preferential rates were applicable to nearly half of United Kingdom imports in this subsector. Preferential entries were not significant for the other four major countries.

All of the five countries except Japan have large percentages of duty-free imports, and three-quarters of Japanese imports are at rates between 0.1 and 5 percent ad valorem, making the all-product weighted average tariffs much lower than arithmetic averages (table A-4-L). The

Table A-4-L.--Distribution, by duty level, of MFN imports of other fats, oils, waxes and products

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	46.2	43.9	8.2	72.7	73.3
0.1-5.0 percent----	-	43.2	76.1	13.0	3.8
5.1-10.0 percent---	26.1	3.7	13.2	11.7	22.9
10.1-15.0 percent--	10.7	3.6	1.4	.6	-
15.1-20.0 percent--	17.0	.1	-	2.0	-
20.1-25.0 percent--	-	5.5	1.1	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Figures for the European Community cover imports subject to fixed duties only; they do not include 7 percent of European Community imports which are subject to variable levies.

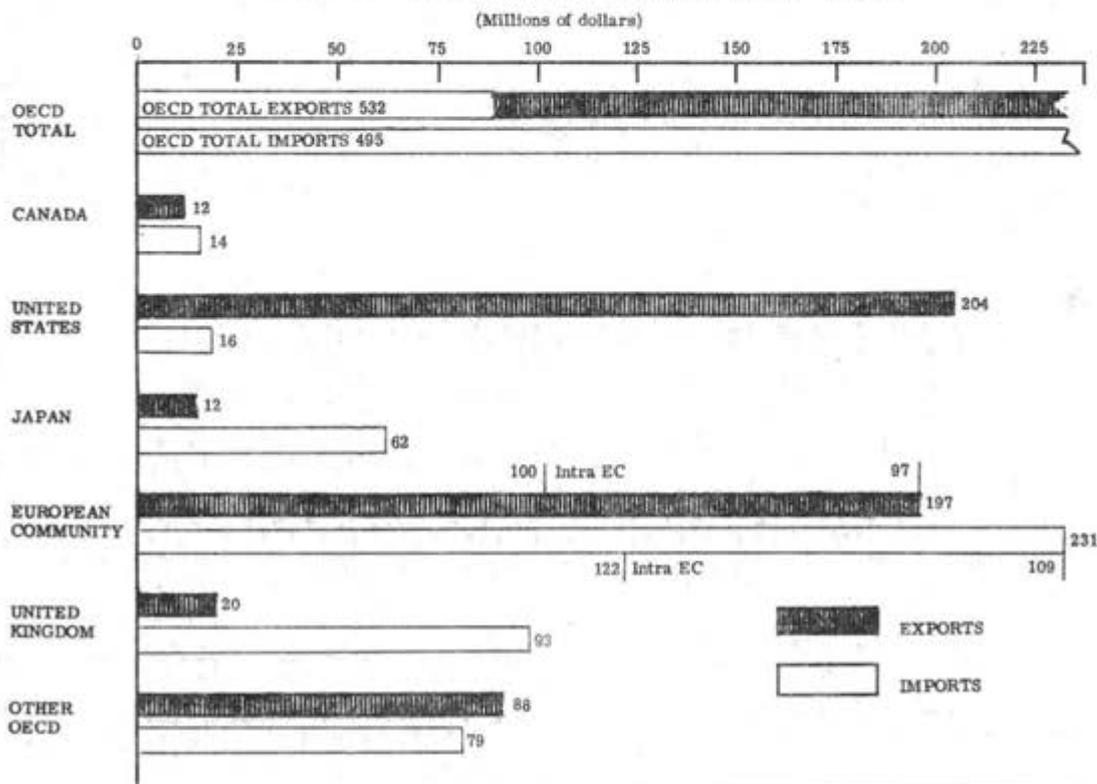
European Community has almost 73 percent of its fixed duty imports and the United Kingdom over 70 percent of its imports duty free. Canada has 46 percent and the United States 44 percent of imports duty free. Another quarter of Canadian imports fall in the duty range between 5.1 and 10 percent, and 43 percent of U.S. imports are dutiable in the range between 0.1 and 5.0 percent. Only the United States and Japan have imports dutiable above 20 percent ad valorem.

The United States has the most detailed tariff schedule in this subsector, with 64 lines. Canada has 52 lines, the European Community has 37, Japan has 32, and the United Kingdom has 29 lines.

Trade importance

The subsector covering other fats, oils, waxes and products is one of the least important of the categories in agricultural trade. In 1969, among the 28 agricultural product categories, the subsector ranked 16th in OECD exports and 20th in imports. In U.S. exports, the subsector ranked 5th, but only 24th in imports. The subsector accounts for about 17 percent of OECD trade in the sector for oil seeds, fats and oils, and their products. In 1969, OECD countries exported \$532 million and imported \$495 million of these products (chart A-4-H). For the GATT tariff study countries, 1970 imports were worth \$489 million, and intra-EC imports were an additional \$138 million.

Chart A-4-H. -- OECD trade in other fats, oils, waxes and products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series G, 1969.

Trade network

The five major countries account for about 84 percent of OECD exports and imports (tables A-4-M and N). Thirty-one percent of OECD exports go to non-OECD countries and slightly over one-fifth of OECD imports come from non-OECD countries. The major OECD exporters are the United States, with \$204 million of exports in 1969, and the European Community, with \$100 million of exports (plus \$97 million of intra-EC shipments). About 40 percent of U.S. exports go to less developed countries, 18 percent to Japan, and 13 percent to the European Community. The European Community ships almost two-fifths of its outside exports to LDC's, and about one-fifth to the United Kingdom. Intra-EC shipments are almost as large as outside imports or exports by the European Community.

Table A-4-M.--OECD exports of other fats, oils, waxes and products 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	532	12	204	12	<u>1/</u> 197	20	88
OECD total-----	358	11	120	4	141	11	71
Canada-----	13	-	12	X	X	X	1
United States---	8	1	-	2	4	X	1
Japan-----	44	3	37	-	2	X	2
European Community----	<u>1/</u> 156	2	27	2	97	4	24
United Kingdom--	72	3	22	X	18	-	29
Other OECD-----	65	2	22	X	20	7	14
Non-OECD total----	163	1	84	7	44	11	15
LDC's-----	141	X	80	6	36	8	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 6 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-4-N.--OECD imports of other fats, oils, waxes and products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	495	14	16	62	1/ 231	93	79
OECD total-----	387	14	6	48	172	77	70
Canada-----	12	-	1	2	3	6	X
United States---	121	13	-	42	29	19	18
Japan-----	5	X	2	-	2	X	1
European Community-----	1/ 159	X	1	3	109	20	26
United Kingdom--	12	X	1	1	6	-	4
Other OECD-----	78	1	1	X	23	32	21
Non-OECD total----	104	X	10	12	56	15	11
LDC's-----	61	X	9	4	40	3	5

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community, the United Kingdom and Japan are the major importers. Most of the imports by Canada and Japan are supplied by the United States, and the United States was the source of nearly one-fourth of imports by the Community from outside countries in 1969. The United States and the European Community together supply about 42 percent of imports by the United Kingdom.

Trade-agreement concessions

For each of the five major countries, average MFN tariffs on January 1, 1972, were lower than averages on pre-trade-agreement base dates. The averages are compared in the following tabulation, where the figures given are simple arithmetic averages. The 1972 figure for Japan does not reflect unilateral reductions made on about one-fourth of Japanese rate provisions in this subsector in 1972.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	24.8	8.6
European Community	<u>1/</u> 8.4	<u>1/</u> 6.1 (plus variable levies)
United Kingdom	9.5	7.7
Japan	13.5	8.5
Canada	15.0	9.3

GATT concessions cover 97 percent of U.S. rate provisions in this subsector. About 84 percent of EC provisions are fully covered under GATT, and an additional 3 percent are partially covered. For the United Kingdom 17 percent are fully covered, and 10 percent partially covered. Almost 85 percent of Japan's provisions are under the GATT, but only about one-fourth of Canada's provisions.

Each of the members of the European Community negotiated tariff concessions under the GATT prior to the adoption of the Common External Tariff. Of the total of 129 such concessions, 56 were at rates above the CXT rate, 57 were below the CXT rate, and 16 were at the CXT rate.

Tariff rates on edible lard on January 1, 1972, are compared with pre-trade-agreement levels in table A-4-0. The United States has had no tariff reductions on lard; the rates of the United Kingdom, Japan, and Canada have been lowered from pre-trade-agreement levels. The fixed duty of the European Community has been replaced by a variable levy.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the tariff lines which continued to be subject to fixed duties alone; it does not include any tariff lines subject to a variable levy.

Table A-4-D.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on edible lard

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	29.1% AVE <u>2/</u>	29.1% AVE <u>2/</u>	29.1% AVE <u>2/</u>	177.50
Canada-----	18.0% AVE <u>3/</u>	15.7% AVE <u>4/</u>	9.0% AVE <u>5/</u>	1300-1
European Community--	20%	Variable levy <u>6/</u>	Variable levy <u>6/</u>	15.01 A II
United Kingdom-----	10%	Free	Free	15.01 (A)
Japan-----	10%	11.0% AVE <u>7/</u>	8.8% AVE <u>8/</u>	15.01-1 (1)

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Percent is ad valorem equivalent of specific rate of duty (3 cents per pound), calculated on 1971 import values.

3/ Percent is ad valorem equivalent of specific rate of duty (2 cents per pound), calculated on 1971 import values.

4/ Percent is ad valorem equivalent of specific rate of duty (1.75 cents per pound), calculated on 1971 import values.

5/ Percent is ad valorem equivalent of specific rate of duty (1 cent per pound), calculated on 1971 import values.

6/ Autonomous rate fixed duty replaced by variable levies.

7/ Percent is ad valorem equivalent of specific rate of duty (15 yen per kilogram), calculated on 1970 import values.

8/ Percent is ad valorem equivalent of specific rate of duty (12 yen per kilogram), calculated on 1970 import values.

Agricultural Sector A-5

BEVERAGES AND SPIRITS

Beverages and spirits include beer, wine, vermouth, and other alcoholic beverages; fruit and vegetable juices; waters, lemonade and flavored carbonated drinks, ice and snow; and nearly all other beverages except coffee, tea, and milk. ^{1/} (Coffee and tea are discussed in sector A-1, "Foodstuffs"; milk is discussed in sector A-6, "Dairy Products.")

MFN tariffs

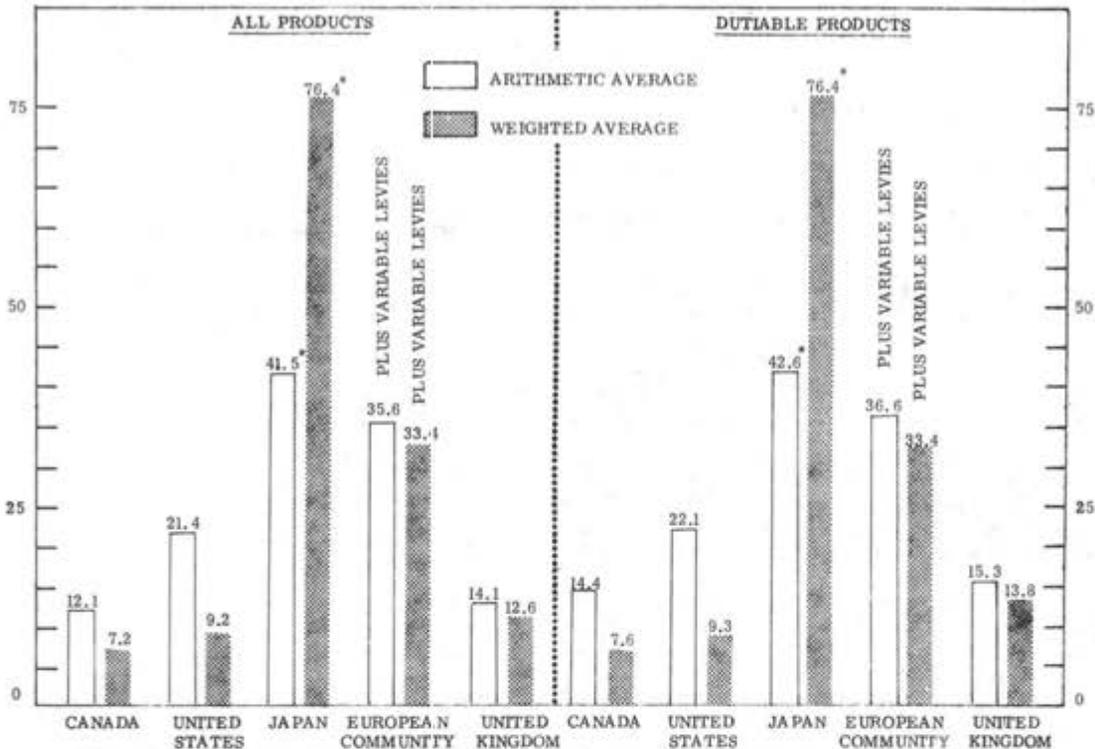
Average MFN tariffs maintained by the five major countries for beverages and spirits are spread over an extremely wide range. There are few duty-free provisions and very few duty-free MFN imports. Consequently, each country's averages for all products and for dutiable products alone do not differ significantly. Canada has the lowest averages; Japan has the highest. Arithmetic average Canadian duties are 12.1 percent ad valorem for all products and 14.4 percent ad valorem for dutiable products alone. Japanese arithmetic average duties are 41.5 percent for all products and 42.6 percent for dutiable products. For weighted average tariffs the range is even wider, from Canadian weighted averages of 7.2 and 7.6 percent to Japanese weighted average duties of 76.4 (see chart A-5-A).

^{1/} For the specific coverage of this sector, see BTN headings 20.07; and 22.01-22.09.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart A-5-A. -- Average MFN tariff rates on beverages and spirits

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (most of which amounted to 20 percent) made in 1972 on about three-fourths of the rates in this sector; several of the rates became duty-free, one was reduced by 20 percent, and one other, by 48 percent.

Source: Compiled from national tariffs and trade statistics.

The European Community averages (which reflect fixed duties only) are all between 33 and 36 percent ad valorem. The EC averages do not include items subject to variable levies, which apply to 32 of the 105 EC tariff lines for this sector, but covered a negligible percentage of EC imports in 1970. ^{1/} Arithmetic average tariffs of the United States are at 21.4 and 22.1 percent ad valorem. U.S. weighted average tariffs are just over 9 percent ad valorem, about 2 percentage points higher than weighted average tariffs of Canada, and several percentage points lower than weighted average tariffs of the United Kingdom.

^{1/} In addition to EC lines covered by variable levies, over 10 percent of the EC tariff lines for this sector are subject to a countervailing fee under certain conditions.

The tariff provisions of each of the five major countries for beverages and spirits are distributed over a wide range of duty levels. Each of the five has a few duty-free provisions and each has rates above 50 percent ad valorem (table A-5-A). Most Japanese provisions are in duty ranges above 15 percent ad valorem, with approximately one-fifth in each of two rate ranges (20.1-25 percent and 30.1-40

Table A-5-A.--Distribution, by duty level, of MFN tariff provisions for beverages and spirits

Duty level	(In percent)				
	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	15.7	3.5	2.4	2.7	7.9
0.1-5.0 percent----	25.5	21.1	2.5	2.8	23.7
5.1-10.0 percent---	17.6	22.8	-	-	31.6
10.1-15.0 percent--	15.7	15.8	-	10.9	7.9
15.1-20.0 percent--	11.8	8.7	9.7	23.3	7.8
20.1-25.0 percent--	3.9	3.5	19.5	23.3	2.7
25.1-30.0 percent--	-	3.5	9.8	5.5	5.2
30.1-40.0 percent--	3.9	10.6	22.0	5.5	2.7
40.1-50.0 percent--	3.9	1.7	17.0	10.9	5.2
Over 50 percent----	2.0	8.8	17.1	15.1	5.3
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 31 percent of EC provisions, covering a negligible amount of EC imports in this sector in 1970.

percent) and 17 percent of provisions in each of the two ranges above 40 percent. Although Canada, the United States, and the United Kingdom each have provisions in the higher duty ranges, the heaviest concentration of United Kingdom provisions is in the 0.1-5 percent and 5.1-10 percent ranges, while the United States and Canada have the highest concentration of their provisions in the three ranges between 0.1 and 15 percent ad valorem. The European Community has nearly 47 percent of its fixed duty provisions evenly divided between the 15.1-20 and 20.1-25 percent ranges, 11 percent of its provisions in

the 40.1-50 percent duty bracket and 15 percent of provisions dutiable above 50 percent ad valorem.

Preferential tariffs are significant in three of the five major countries. Preferential treatment was accorded 8 percent of Canadian imports, 37 percent of EC imports and one-fourth of United Kingdom imports in 1970.

The distribution of MFN imports of beverages and spirits, by duty level, is shown in table A-5-B. Approximately 40 percent of Canadian

Table A-5-B.--Distribution, by duty level, of MFN imports of beverages and spirits

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	3.7	0.6	-	0.1	8.2
0.1-5.0 percent----	42.5	5.2	-	3.4	39.1
5.1-10.0 percent----	23.0	65.9	-	-	16.8
10.1-15.0 percent--	12.1	27.1	-	24.8	14.3
15.1-20.0 percent--	4.1	.3	5.5	6.7	.6
20.1-25.0 percent--	13.9	.3	7.9	15.2	-
25.1-30.0 percent--	-	-	.7	5.0	.3
30.1-40.0 percent--	.7	-	3.6	8.4	3.0
40.1-50.0 percent--	-	.6	19.3	2.9	17.7
Over 50 percent----	-	-	63.0	33.5	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 31 percent of EC provisions, covering a negligible amount of EC imports in this sector in 1970.

and United Kingdom imports are dutiable in the 0.1-5 percent ad valorem duty range. Nearly 17 percent of United Kingdom imports, 23 percent of Canadian imports and nearly two-thirds of U.S. imports are dutiable in the 5.1-10 percent ad valorem range. Nearly two-thirds of Japan's imports pay duties higher than 50 percent ad valorem, and one-fifth bear rates between 40 and 50 percent. The Community has over one-third of its

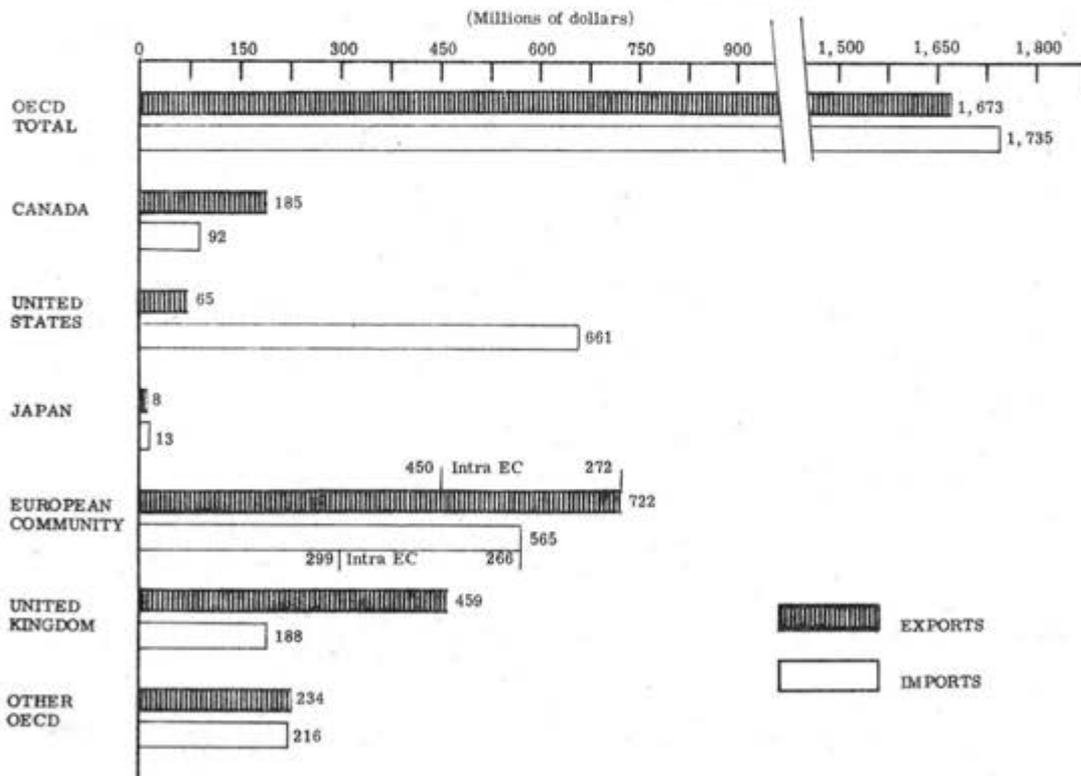
fixed duty imports entering at rates above 50 percent ad valorem, and about one-fourth paying rates between 10.1 and 15 percent.

The European Community has the most detailed tariff schedule in this sector, with 105 lines. The United States has 57 tariff lines, Canada has 51, Japan has 41, and the United Kingdom has 38.

Trade importance

In 1969, trade in beverages and spirits accounted for 7.9 percent of OECD agricultural exports and 5.4 percent of imports, and the sector ranked fifth in exports among the nine agricultural sectors and sixth in imports. Both exports and imports increased by 19 percent in 1970.

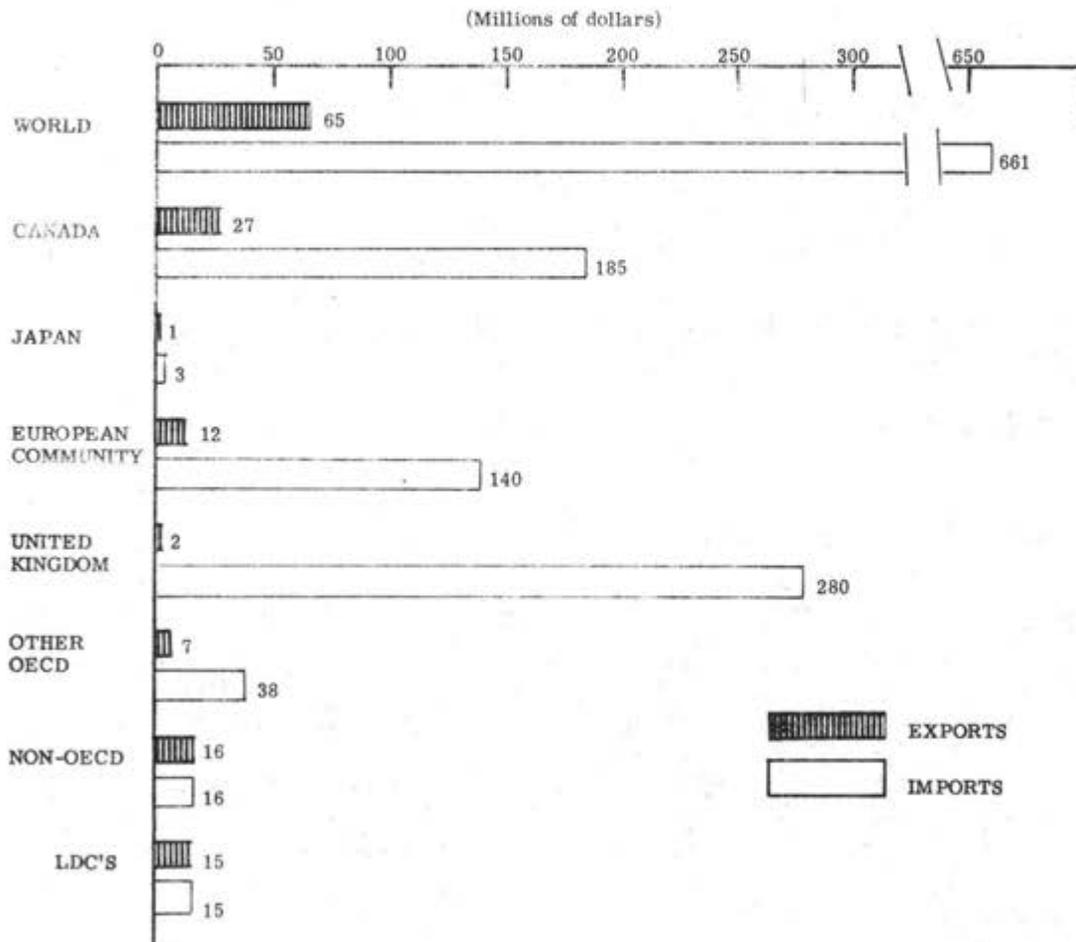
Chart A-5-B. -- OECD trade in beverages and spirits, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

For the United States, this is the least important of the nine agricultural sectors in exports, but the fourth most important in imports, accounting for nearly 12 percent of U.S. agricultural imports in 1969. Chart A-5-B shows the relative importance of trade in beverages and spirits for each of the five major countries and for OECD countries as a whole. The U.S. trade pattern is shown in chart A-5-C.

Chart A-5-C. -- United States trade in beverages and spirits, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, imports by the 13 GATT tariff study countries were valued at \$1.7 billion. Intra-EC shipments were an additional \$380 million. OECD imports in 1970 were valued at \$2 billion, exports at \$2.1 billion.

Trade network

The bulk of the international trade in beverages and spirits is in spirits and wines, most of which have distinct characteristics, and are the products of certain countries or regions. Net importers of beverages and spirits are the United States and Japan, while the United Kingdom, the European Community, and Canada are net exporters.

Trade between OECD countries comprises 82 percent of OECD exports and 85 percent of imports. The United Kingdom and the European Community account for over 70 percent of OECD exports (table A-5-C). The United States is the major market for both countries, absorbing 28 percent of EC exports to outside countries and 46 percent of United Kingdom exports. Intra-EC exports are equal to 60 percent of EC shipments to outside destinations. After the United States, non-OECD countries as a group make up the largest market, receiving over one-fourth of United Kingdom exports and nearly one-fourth of external exports by the Community. Canada is the third largest exporter, shipping \$185 million in 1969, almost all of which went to the United States. The United States is a comparatively small exporter, with its major markets in Canada, less developed countries, and the European Community, in that order.

Table A-5-C.--OECD exports of beverages and spirits, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,673	185	65	8	<u>1/</u> 722	459	234
OECD total-----	1,365	181	49	3	606	344	182
Canada-----	72	-	27	X	26	15	4
United States---	545	178	-	2	126	213	26
Japan-----	14	X	1	-	4	8	1
European Community-----	<u>1/</u> 408	1	12	X	272	64	59
United Kingdom--	141	X	2	X	83	-	56
Other OECD-----	185	2	7	1	95	44	36
Non-OECD total----	300	4	16	5	110	115	50
IEC's-----	255	4	15	5	93	93	45

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States is the largest importer of beverages and spirits. U.S. entries are more than twice the level of imports from outside sources by the European Community, the second largest importer (table A-5-D). Major suppliers of U.S. imports are the United Kingdom (42 percent of the total), Canada (28 percent), and the European Community (21 percent).

Intra-EC imports (over half of which are wine) are almost as large as EC imports from outside countries. Half of imports by the Community from outside sources come from less developed countries; among developed countries, the United Kingdom is the largest Community supplier. The United Kingdom accounts for over 10 percent of OECD imports; almost

Table A-5-D.--OECD imports of beverages and spirits, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,735	92	661	13	<u>1/</u> 565	188	216
OECD total-----	1,479	77	646	12	395	157	192
Canada-----	186	-	185	X	1	X	-
United States---	53	27	-	1	12	4	9
Japan-----	3	X	-	-	X	X	X
European Community-----	<u>1/</u> 624	26	140	3	266	89	100
United Kingdom--	397	18	280	7	52	-	40
Other OECD-----	216	6	38	1	64	64	43
Non-OECD total----	254	16	16	2	166	32	22
LDC's-----	221	11	15	1	154	25	15

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of origin figures may not add to total imports from the world.

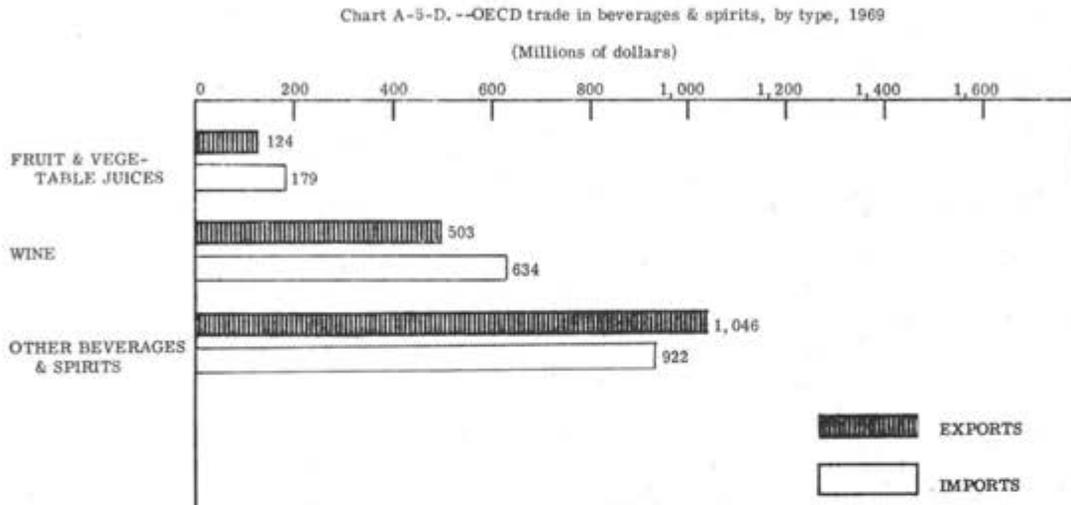
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

half of United Kingdom entries come from the European Community, 34 percent from "other" OECD countries, and most of the rest from non-OECD sources. Over three-quarters of Canadian imports come from three sources, the United States (29 percent), the European Community (28 percent), and the United Kingdom (20 percent). Japan has only negligible imports, which are supplied mostly by the United Kingdom and the European Community.

Trade composition

The beverages and spirits sector is divided into three subsectors: fruit and vegetable juices, wine, and other beverages and spirits. As

shown in chart A-5-D, the third subsector is the most important, accounting for 63 percent of OECD exports and 53 percent of imports of beverages and spirits. Wine is the second most important subsector. Fruit and vegetable juices made up only about 10 percent of total imports in the sector and 7 percent of exports.



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

The tabulation below compares arithmetic average MFN tariffs for beverages and spirits on pre-trade-agreement base dates with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. The U.S. average has undergone a reduction of 74 percent. The Japanese 1972 average shown below does not reflect unilateral reductions ranging from 20 to 100 percent made in 1972 on about three-fourths of the Japanese rates for this sector.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	82.3	21.4
European Community ^{1/}	38.2	35.6 (plus variable levies)
United Kingdom	16.2	14.1
Japan	63.6	41.5
Canada	32.0	12.1

Each of the five major countries has negotiated some GATT concessions on beverages and spirits. GATT concessions cover 97 percent of U.S. tariff lines, 83 percent of Japanese lines, approximately two-thirds of EC lines and less than 2 percent of Canadian lines. Over 18 percent of United Kingdom lines are fully covered by GATT concessions and about 45 percent are covered in part.

Each of the members of the European Community had made tariff concessions on beverages and spirits in their national schedules prior to the establishment of the Common External Tariff. There was a total of 175 of these concessions, of which 80 were above the CXT rate; 92 were below the CXT rate; and 3 were at the CXT rate.

Trade complaints

Few products can equal alcoholic beverages in the degree to which production and distribution are subject to such extensive

^{1/} For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 73 tariff lines which continue to be subject to fixed duties alone; it does not include the 32 EC tariff lines subject to a variable levy.

governmental controls and special taxation throughout the world. It is not surprising, therefore, that the beverage sector should be among those in which a large number of complaints--well over 400--were received in the Tariff Commission's survey of trade barriers. All but a few of the complaints in the beverage sector dealt with the difficulties of trade in alcoholic beverages.

Virtually every developed country and 32 developing nations were named in the complaints. The 10 countries mentioned most frequently were Japan, Mexico, France, West Germany, the United Kingdom, the United States, Canada, Italy, Denmark, and Brazil.

Roughly 40 percent of the complaints dealt with taxes, tariffs, and other charges on imports; one-fourth dealt with quotas, licensing practices and embargoes; about 10 percent concerned government monopolies or state trading, and another 10 percent concerned standards (chiefly labelling requirements). Customs procedures and valuation practices gave rise to about 7 percent of the complaints.

Import duties.--The height of import duties maintained by 14 countries, the European Community, and the Central American Common Market on beer and other malt beverages was the object of several complaints. In addition to the European Community, four other developed countries were included in these complaints. Japan was cited as having a duty of 20 percent ad valorem; the European Community, 24 percent; Canada, 12.5 cents per gallon plus a duty on the bottle;

Australia, \$1.36 per gallon, or 27.5 percent ad valorem on beer containing over 2 percent alcohol; and the United Kingdom, basically 69 cents per gallon plus supplements for alcoholic content. ^{1/} The duties imposed on whiskey and other distilled spirits by the European Community and seven other developed nations (including the United States) plus 14 developing countries were considered by respondents to the Commission's survey to be objectionably high. A domestic producers association reported that the increase in United Kingdom and Danish duties on fruit juices, as a result of entry of these two countries into the European Community, will be detrimental to U.S. fruit juice exports to these countries. Also, a charge of tariff discrimination was made by distilled beverage producers against members of customs unions and free trade areas in general, but particularly the European Community and the European Free Trade Area.

Taxes and other nontariff charges on imports.--A very large number of countries have a variety of excise, consumption, or special taxes on alcoholic beverages which are levied equally on domestic and imported products. Respondents in the Commission's survey complained of the severity of the taxes in nine western European countries, South Africa, Australia, New Zealand, Canada, Japan, the United States, and 18 developing nations as limiting

^{1/} The dollar and cents charges given for Canada, Australia, and the United Kingdom are those reported by the complainants, presumably based on currency exchange rates in effect in early 1972.

exports to those countries. U.S. whiskey producers complained that imported blended whiskeys are not subject to the 30 cents per proof gallon rectifying tax assessed on blended whiskey produced in the United States. U.S. brewers, distillers, and wine producers objected to foreign border taxes levied on their exports, principally those encountered as part of the value-added tax systems used in many European countries. Prior import deposit requirements, and port and statistical taxes, stamp taxes, and consular fees were the cause of objections against several (principally developing) countries.

A few complaints were received concerning discriminatory tax treatment. U.S. whiskey producers have voiced repeated and strong objections to the French imposition of higher excise taxes on grain spirits (produced in limited quantities in France) than are imposed upon brandies and other spirits produced from fruit.

Several importers and representatives of foreign producers consider the manner in which U.S. excise taxes and import duties are assessed on whiskey and other spirituous beverages, to discriminate against the importer of bottled spirits and favor the importer of bulk spirits and the producer and bottler of domestic spirits. Internal revenue taxes and import duties are assessed on a proof-gallon basis, or on a wine-gallon basis if the beverage is below proof at the time the tax is levied. In the domestic production process, the tax is determined at a time when the

beverage is at or about proof and before it has been cut to bottling strength (usually 84 to 86 proof). For spirits imported in bulk to be bottled in the United States, the tax is also determined before the spirit has been cut for bottling. However, imported bottled spirits have already been cut to below proof, and hence are taxed on a wine-gallon basis.

The practical consequence of the U.S. wine-gallon/proof-gallon system is that bottlers who import in bulk and U.S. manufacturers can produce about 16 percent more distilled spirits, by volume, per excise tax dollar than the foreign producer who exports his spirits to the United States in bottles. The bulk importer enjoys a similar advantage with respect to the import duty compared with the importer of bottled spirits. The system results in a margin of protection for the domestic producer of about \$1.85 per gallon over and above the normal import duty.

Quantitative restrictions, embargoes and licensing practices.--
Austria, France, Denmark, and Switzerland drew complaints for quantitative limitations on imports of wine; Japan on cranberry juice; and India, Mexico, New Zealand, and Madagascar on distilled spirits. Until very recently, the United Kingdom maintained quotas on imports of rum and citrus juices from dollar areas.

Embargoes or practices which had the effect of embargoes on malt beverages and distilled liquors were the object of complaint against 15 LDC's, Canada, and New Zealand. Beer producers reported that some provinces in Canada would not permit sale of their product;

New Zealand was reported to have an absolute embargo on white spirit derivatives, such as gin and vodka.

Complaints were made against numerous countries for requiring a license for the importation of alcoholic beverages. Eleven developing countries were specifically named in the complaints as were the following developed nations: Canada (some provinces only), Denmark, France, West Germany, Norway, Switzerland, Japan, New Zealand, South Africa, the Soviet Union, Spain, and the United States. Mexico was particularly criticized in several complaints as being "uncooperative" in the granting of licenses.

Among other forms of specific limitations on trade reported to the Commission, the European Community controls the price of imported wine through the reference price system in the Community's Common Agricultural Policy for wine. If the price control measures fail to protect Common Market wines, imports may be terminated entirely by cessation of issuance of import certificates.

Mexico requires that packaging material for sale of distilled spirits be locally produced. The Dominican Republic, Korea, Tunisia, and (formerly) Japan were reported to limit foreign exchange for importation of distilled spirits. Spain confines imports of whiskey and other distilled spirits to amounts specified in bilateral agreements. The "tied house" system of retail distribution used in the United Kingdom and West Germany for malt beverages was reported as a restrictive business practice which limits the ability of foreign brewers to sell in those markets. Other practices which drew objections were the

higher markup used in selling U.S. whiskey in Canadian provincial liquor stores and in Mexico; the French prohibition against advertising grain spirits (spirits made from other materials may be advertised); and the refusal of several countries to grant an exclusive appellation of origin (United States) privilege to products sold as bourbon whiskey.

Government monopolies and state trading practices.--Many countries confine the distribution and sale of alcoholic beverages to government monopolies or state trading organizations. Several complaints were made against state trading practices in several Canadian provinces. U.S. producers of distilled spirits reported difficulties in getting the provincial liquor boards to carry their products, especially in the amount and brand varieties which the producers felt were justified by market potential. U.S. brewers report that in several Canadian provinces sale of U.S. beer is confined to the state-owned liquor stores, whereas Canadian beers can be sold in other retail outlets. Other developed countries which were included in complaints against state trading or government monopolies were Austria, Finland, Iceland, Japan, Norway, Sweden, Switzerland, and the United States (in 18 states).

Labelling requirements and other standards.--Many countries maintain elaborate labelling requirements for food products and alcoholic beverages. The following labelling requirements in the countries named were considered objectionable or unnecessary by respondents in the Commission's survey concerned with trade in fruit juices and other

nonalcoholic beverages: Importer's name and address on the label (Argentina, Chile, Mexico, and New York State); declaration number on the label (Bolivia, Brazil, Mexico, Venezuela); the label translated into Portuguese (Brazil); date of importation on the container (Japan); packaging date on the label (Venezuela); net contents shown only in metric units (Japan). U.S. producers of distilled spirits and wines complained of the complexity and diversity of labelling requirements in practically every developed country of the world and numerous LDC's. A British exporter of whiskey to the United States felt the time required to obtain label approvals in the United States was unnecessarily long. Beverage producers considered the French requirement that the name of the country of origin be embossed in the end of the can was especially costly and burdensome to their efforts to ship to the French market.

The so-called "appellations of origin" regulations, prevalent in several European countries, have long presented problems to American wine producers, and such regulations are considered by U.S. producers to be a serious nontariff barrier to U.S. wine exports. These regulations grow out of bilateral and multilateral agreements between a small group of countries consisting principally of the wine producing countries of Western Europe. The agreements provide for the international registration of wine appellations (i.e., names) by place of origin in producing countries, and that wine entering commerce in signatory countries will be labelled in accordance with internationally registered

appellations of origin. In granting registry of appellation, the wine is identified with respect to geography of origin and certain qualities or characteristics. The net result of these agreements is to provide exclusive labels to signatory countries in the marketing of designated wines.

Under the appellations of origin agreements, for example, the name "Port" is reserved to wines produced in Portugal; the name "Chianti" to wines produced in the province of Toscana, Italy; the names "Sauterne" and "Champagne" to wines produced in the Bordeaux and Champagne districts of France, respectively; and the name "Sherry" to wines produced in Spain. U.S. wine producers market domestic wines under all of these names, but U.S. regulations require that the products be clearly labeled as to origin, such as "California Burgundy," "New York State Sherry," etc. U.S. wine producers maintain that the laws and regulations of the United States relating to the labelling of American-produced wines provide ample protection to the foreign consumer and to the foreign producer against any possibility of confusing U.S. products with wines of other countries and, therefore, the prohibition in the appellations of origin requirements are unnecessary and excessive protective services. U.S. wine producers contend that a label bearing the designation "California," "New York," or "American" is easily understood throughout the world and cannot possibly be construed as being the product of a foreign producer.

Another complaint in the area of standards is that imported wines can be sold in the European Community only if they meet minimum standards (i.e., for alcohol and acid content, sweetening, and the amount of sulphur dioxide, etc.) as well as certain "supplementary conditions" under which each lot of imported wine must be accompanied by (1) a sworn statement, issued by an official agency of the country of origin, furnishing proof that the wine meets the standards for production and delivery of wine for direct human consumption in that country; and (2) a certificate of analysis stating that the wine has been prepared in accordance with methods prescribed by the EC Commission or officially used in any member state of the Community. EC regulations also stipulate that wines be blended only with other wines of the same region and at that place; this effectively prohibits blending of American wine with that produced in the Common Market. A West German requirement that beer be made only from malted barley limits imports of U.S. beer, which often contains other grains such as corn, rice and sorghum as well.

Other types of standards which caused complaints were the following: Japan requires crown corks and screw caps on fruit juice and fruit concentrate containers; West Germany has mandatory sizes for containers; EC standards for containers for liquid foods are based on the metric system (which the complainant stated was "not feasible" for U.S. products); and specifications of numerous countries on container sizes for whiskey and other distilled spirits and the amount of liquid to be contained therein (so-called "standards of fill"--e.g., if a $\frac{4}{5}$ quart bottle is used, it must be filled to contain exactly $\frac{3}{4}$ liter);

age requirements of Japan, New Zealand, South Africa, the United Kingdom, Hong Kong, Israel, and Spain for whiskey and certain other distilled spirits; proof restriction (usually to 86 proof or below) for distilled spirits in Austria, West Germany, Hong Kong, India, Italy, Mexico, and Singapore; U.S. cooperage standards; and the official registration of food or beverage products in numerous countries.

Customs procedures and practices.--Complaints in the area of customs procedures concerned the burdensome necessity of preparing or furnishing the numerous special documents required by many countries for customs clearances, particularly of alcoholic beverages, most of which are required in connection with compliance with health standards or labelling regulations. U.S. exporters felt that documentation requirements of U.S. Customs on shipments abroad were excessive. Mexico was reported to assess duties on fruit juices based on artificial and arbitrary values rather than the actual value of the imported article.

Subsidies.--U.S. wine producers complained of the difficulty in competing in the U.S. market and abroad with foreign wines produced and/or exported with governmental assistance. In the major wine producing countries of Europe are found programs of governmental support which include the following: Subsidized advertising and promotion programs; guaranteed prices to producers; storage of surpluses (which annually exceed the entire consumption of wine and brandy by the U.S. market) paid for by the government, stabilization of domestic markets by the control of the movement of wine to the market; purchases by

government of surplus wine and brandy; and rigid governmental import controls on foreign wine and brandy entering the domestic markets.

Very few of the large number of trade complaints received by the Tariff Commission against trade barriers in the beverages sector were accompanied by estimates of the trade importance of the reported barriers. Only 21 respondents estimated the effect that a removal of the trade barriers discussed above would have. Two indicated that a removal of the barriers would result in a moderate increase in trade, and 19 indicated that removal would result in a significant trade increase. In six cases, producers stated that more than one trade barrier would have to be removed before trade would increase. While the percent figures for the estimated trade increases ranged from about 475 to 1,750 percent, the value of the estimated trade increases in dollars only totaled \$4.5 million.

Beverages and Spirits Other than Wine and
Fruit and Vegetable Juices

This subsector covers beer, whiskey, and other alcoholic beverages (except grape wine); waters for drinking, lemonade, carbonated soft drinks, and other nonalcoholic beverages, and preparations, and ice and snow. 1/

MFN tariffs

The important beverages in this subsector characteristically tend to be subject to high rates of duty. There are few duty-free provisions and only negligible duty-free imports in the subsector; consequently, there is little difference between each country's averages for all products and dutiable products only.

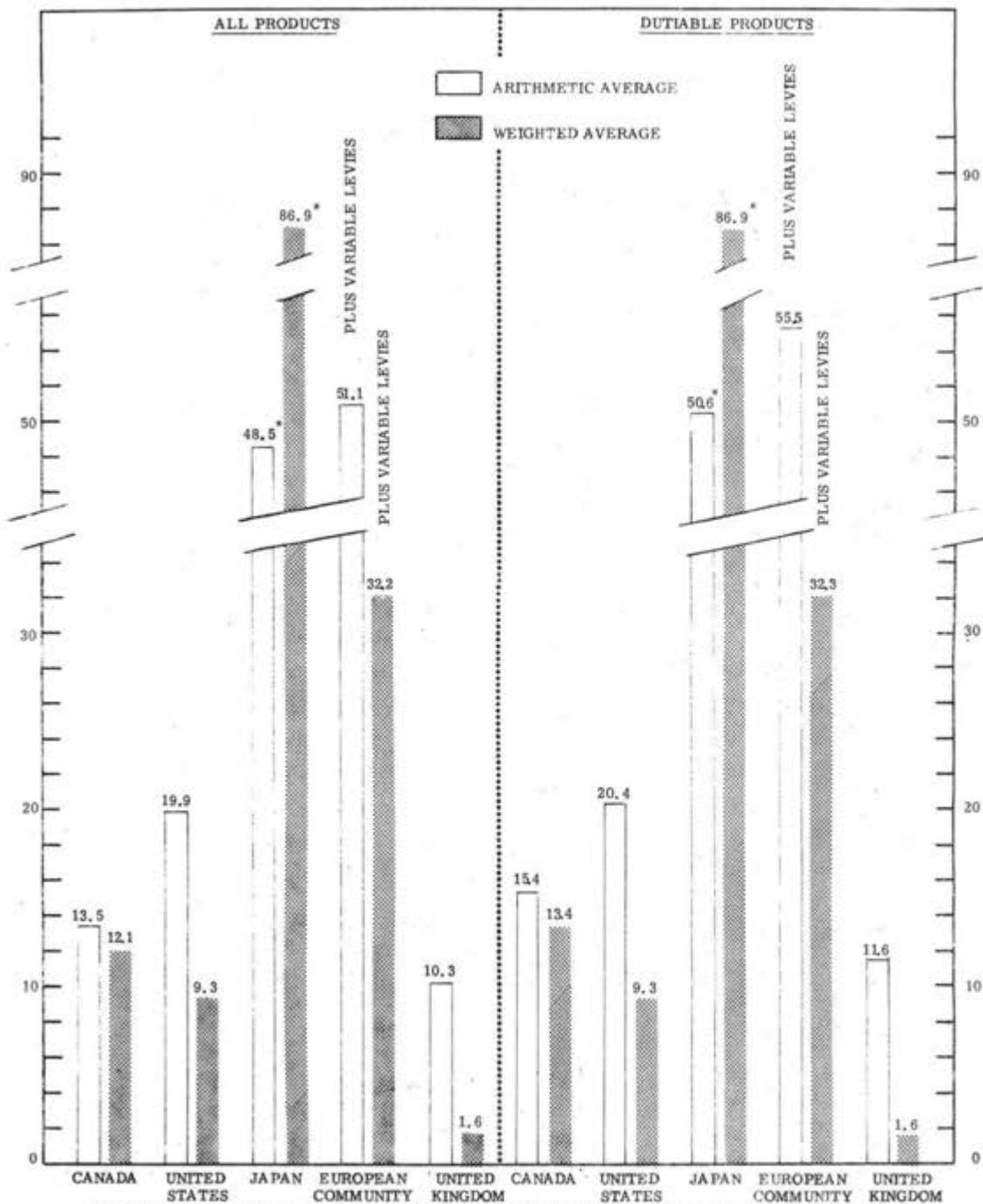
Average MFN tariffs of the five major countries for beverages in this subsector are spread over a range extending from 1.6 percent ad valorem (the United Kingdom's weighted average) to 86.9 percent (Japan's weighted average); arithmetic averages run from the United Kingdom's 10.3 percent ad valorem to the European Community's averages of 51.1 percent (all products) and 55.5 percent (dutiable products) (see chart A-5-E). The EC averages do not reflect any tariff lines subject to variable levies, which cover 4 of the 29 EC provisions for this subsector, but only a negligible part of EC imports. 2/ The U.S. weighted average tariff of 9.3 percent is the second lowest of the five countries,

1/ For the specific coverage of this subsector, see BTW headings 22.01-22.03; 22.07-22.09.

2/ In addition to tariff lines under variable levies, the European Community has one tariff line with countervailing fees, applicable in addition to customs duties under certain conditions.

Chart A-5-E. -- Average MFN tariff rates on beverages and spirits, other than juices and wine

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (most of which amounted to 30 percent) made in 1972 on nearly all the Japanese rates in this sector; several of the rates became duty-free, one was reduced by .8 percent, and one other, by 45 percent.

Source: Compiled from national tariffs and trade statistics.

while Canada has the second lowest arithmetic averages, (13.5 percent ad valorem on all products and 15.4 percent on dutiable products alone).

Each of the five countries' tariff schedules for beverages in this subsector have rates ranging from duty free to over 50 percent ad valorem (table A-5-E). Half of U.S. rates are evenly divided between the

Table A-5-E.--Distribution, by duty level, of MFN tariff provisions for beverages and spirits other than juices and wine

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	12.5	2.8	4.2	8.0	11.1
0.1-5.0 percent----	20.8	25.0	4.1	8.0	33.3
5.1-10.0 percent---	16.7	25.0	-	-	38.9
10.1-15.0 percent--	16.7	11.1	-	12.0	-
15.1-20.0 percent--	16.6	8.3	8.4	8.0	-
20.1-25.0 percent--	4.2	2.8	4.1	12.0	5.6
25.1-30.0 percent--	-	2.8	4.2	4.0	5.5
30.1-40.0 percent--	8.3	13.9	29.2	8.0	-
40.1-50.0 percent--	-	2.7	29.1	12.0	-
Over 50 percent----	4.2	5.6	16.7	28.0	5.6
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 14 percent of EC provisions, covering a negligible amount of EC imports in this subsector in 1970.

two rate ranges extending from 0.1 to 10 percent ad valorem, and most of the remainder fall in the 10.1-15 percent ranges or the 30.1-40 percent range. Three-fourths of Japan's provisions bear rates above 30 percent. One-third of the provisions of the United Kingdom have duties of 5 percent or less; about 39 percent of provisions are in the 5.1-10 percent range, and 11 percent are free. Over one-fifth of Canadian provisions are dutiable in the 0.1-5 percent ad valorem duty bracket; half of Canada's provisions are evenly divided in the three brackets between

5.1 and 20 percent ad valorem. The European Community has the largest percentage of tariff provisions dutiable above 50 percent ad valorem (28 percent of provisions) and has 12 percent of its provisions in each of the following ranges: 10.1-15 percent, 20.1-25 percent and 40.1-50 percent ad valorem.

For three of the five major countries, imports at preferential rates are significant. Preferential treatment was accorded 49 percent of United Kingdom imports, 16 percent of EC imports from outside countries, and 14 percent of Canadian imports in 1970.

The distribution, by duty level, of the five major countries' MFN imports of beverages in this subsector are shown in table A-5-F. Almost

Table A-5-F.--Distribution, by duty level, of MFN imports of beverages and spirits other than juices and wine

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	5.3	-	-	0.2	-
0.1-5.0 percent----	14.1	5.8	-	6.9	92.0
5.1-10.0 percent---	6.2	63.9	-	-	8.0
10.1-15.0 percent--	23.3	29.2	-	45.4	-
15.1-20.0 percent--	10.5	.1	4.5	.3	-
20.1-25.0 percent--	38.6	.4	-	13.6	-
25.1-30.0 percent--	-	-	.1	3.3	-
30.1-40.0 percent--	2.0	-	4.6	15.6	-
40.1-50.0 percent--	-	.6	26.4	5.8	-
Over 50 percent----	-	-	64.4	8.9	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 14 percent of EC provisions, covering a negligible amount of EC imports in this subsector in 1970.

two-thirds of U.S. imports pay duties between 5.1 and 10 percent ad valorem; and most of the remainder bear rates in the 10.1-15 percent range. Over 90 percent of United Kingdom imports are dutiable at

rates between 0.1 and 5 percent ad valorem, and no United Kingdom imports pay duties above 10 percent. Almost two-thirds of Japan's imports pay duties higher than 50 percent ad valorem, and most of the remainder are in the rate range of 40.1-50 percent ad valorem. Imports of Canada and the European Community are more widely dispersed among the duty ranges. Canada has 39 percent of imports dutiable between 20.1 and 25 percent ad valorem, with lesser concentrations in lower ranges. Over 90 percent of imports by the European Community are dutiable at rates above 10 percent ad valorem, with 45 percent of imports dutiable between 10.1 and 15 percent, 16 percent dutiable at rates between 30.1 and 40 percent, and nearly 9 percent of imports dutiable above 50 percent ad valorem.

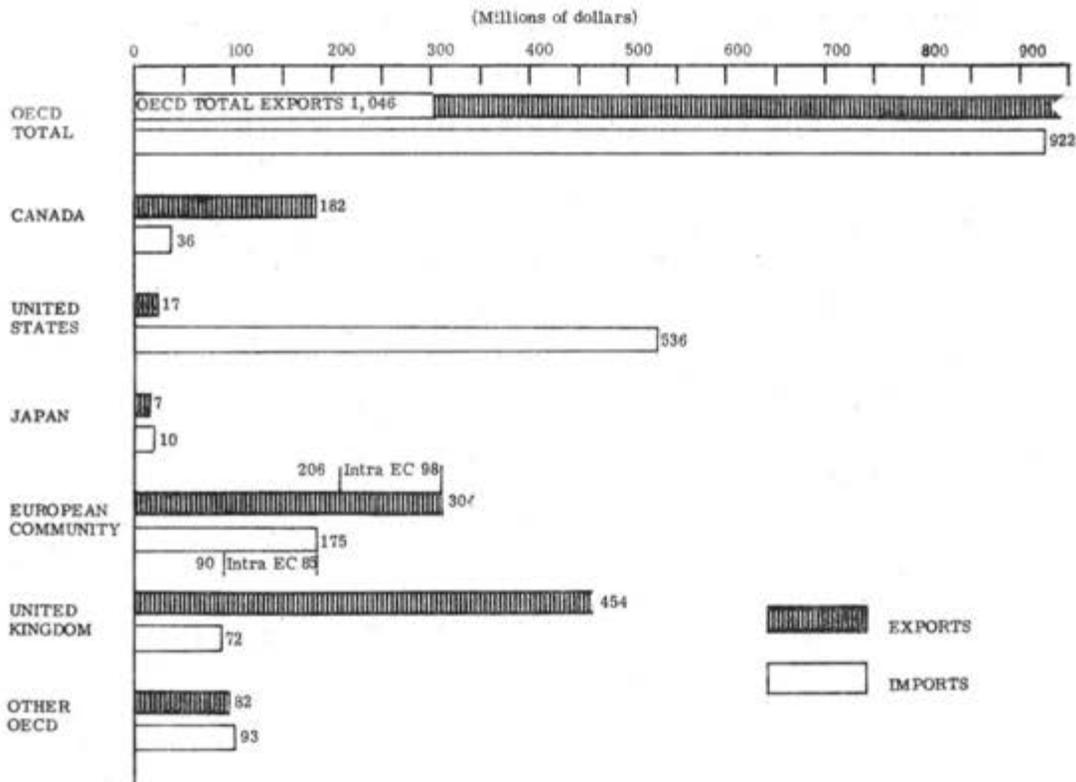
The United States has the most complex tariff schedule for beverages in this subsector, with 36 lines. The European Community has 29 lines, Canada and Japan each have 24 lines, and the United Kingdom has 18 lines.

Trade importance

Beverages and spirits other than juices and wine ranked 5th in 1969 OECD exports among the 28 agricultural subsectors and 15th in imports, accounting for nearly 5 percent of OECD agricultural exports, but less than 3 percent of imports. In U.S. trade, exports in the subsector rank 23rd, but imports rank 5th among the 28 agricultural subsectors, accounting for over 9 percent of U.S. agricultural imports.

As shown in chart A-5-F, the United States and Japan are net importers of products of this subsector, while the other three major countries are net exporters.

Chart A-5-F.-- OECD trade in beverages and spirits, other than juices and wines, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1970.

In 1970, imports of beverages and spirits other than juices and wine by the 13 GATT tariff study countries were valued at \$916 million. Intra-EC shipments were an additional \$11½ million. OECD imports in 1969 were valued at \$922 million, exports at \$1 billion.

Trade network

The United Kingdom is the largest exporter of beverages other than fruit juices and wines, exporting \$454 million in 1969 (table A-5-G).

Table A-5-G.--OECD exports of beverages and spirits,
other than juices and wine, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,046	182	17	7	<u>1/</u> 304	454	82
OECD total-----	825	179	10	3	227	342	64
Canada-----	28	-	3	X	10	15	-
United States---	452	176	-	2	50	213	11
Japan-----	11	X	-	-	2	8	1
European Community-----	<u>1/</u> 181	1	4	X	98	64	14
United Kingdom--	61	-	1	X	34	-	26
Other OECD-----	92	2	2	1	33	42	12
Non-OECD total----	218	3	7	4	75	112	17
LDC's-----	184	3	6	4	66	90	15

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community is the second largest exporter, with \$206 million (plus \$98 million of intra-EC shipments), and Canada is third, with \$182 million. The United States and Japan are not significant exporters. Nearly half of United Kingdom exports go to the United States, nearly one-fifth to less developed countries, and about 14 percent to the European Community.

Canada ships nearly all of its exports to the United States. The European Community sends one-fourth of its external exports to the

United States, 17 percent to the United Kingdom, and nearly one-third to less developed countries. EC internal exports are equal to almost 50 percent of EC shipments to outside destinations.

The United States is by far the major importer, entering in 1969 \$280 million worth of the products of this subsector from the United Kingdom, \$183 million from Canada, and \$51 million from the European Community (table A-5-H). The three countries together supplied over

Table A-5-H.—OECD imports of beverages and spirits, other than juices and wine, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	922	36	536	10	<u>1/</u> 175	72	93
OECD total-----	875	31	528	9	153	64	90
Canada-----	184	-	183	X	1	X	-
United States---	13	4	-	X	4	2	3
Japan-----	3	X	3	-	X	X	X
European Community-----	<u>1/</u> 213	9	51	2	85	32	34
United Kingdom--	394	17	280	7	52	-	38
Other OECD-----	68	1	11	X	11	30	15
Non-OECD total----	46	5	8	1	21	7	4
IDC's-----	39	4	8	X	19	6	2

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

95 percent of U.S. imports. The European Community is the second largest importer, with 1969 entries of \$90 million from outside countries (plus \$85 million of intra-EC shipments), followed by the United Kingdom with \$72 million, Canada with \$36 million, and Japan with \$10 million.

Trade-agreement concessions

The tabulation below presents arithmetic average MFN tariffs on beverages and spirits other than juices and wine on pre-trade-agreement base dates compared with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. Although average tariff levels of each of the five major countries have undergone significant reductions, the January 1, 1972, average tariffs remain high, especially for the European Community and Japan. The figure shown for Japan does not reflect unilateral reductions (mostly by 20 percent) made in 1972 on nearly all the Japanese tariff rates in this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	79.4	19.9
European Community ^{1/}	68.8	51.1 (plus variable levies)
United Kingdom	17.5	10.3
Japan	81.1	48.5
Canada	22.0	13.5

Each of the five major countries has made concessions under the GATT on some of its tariff lines for beverages and spirits other than juices and wine. Although less than 5 percent of Canadian lines are covered by GATT concessions, nearly 92 percent of Japanese lines and over 97 percent of U.S. lines are covered. For the European Community,

^{1/} For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community is the average of the 25 tariff lines which continue to be subject to fixed duties alone; it does not include the four EC tariff lines subject to a variable levy.

69 percent of tariff lines are fully covered and 14 percent are partially covered by GATT concessions, while for the United Kingdom, 27 percent of tariff lines are fully covered and 18 percent are covered in part.

Each of the members of the European Community had negotiated national tariff concessions under the GATT for products of this sub-sector prior to the establishment of the EC's Common External Tariff. These concessions totaled 35, of which the 31 were at rates higher than the CXT rate, while only 2 were below the CXT rate.

Changes in tariff rates for beer made from malt are shown in table A-5-I. Tariffs of four of the five countries have undergone

Table A-5-I.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on beer made from malt

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	42.4% AVE ^{2/}	10.6% AVE ^{3/}	5% AVE ^{4/}	167.05
Canada-----	45.0% AVE ^{5/}	33.3% AVE ^{6/}	33.3% AVE ^{6/}	14700-1
European Community--	30%	30%	24%	22.03
United Kingdom-----	12.5% AVE ^{7/}	112.8% AVE ^{8/}	112.8% AVE ^{8/}	22.03 (A)
Japan-----	50%	3%	20%	22.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of specific rate of duty (50 cents per gallon), calculated on 1971 import values.

^{3/} Percent is ad valorem equivalent of specific rate of duty (12.5 cents per gallon), calculated on 1971 import values.

^{4/} Percent is ad valorem equivalent of specific rate of duty (6 cents per gallon), calculated on 1971 import values.

^{5/} Percent is ad valorem equivalent of specific rate of duty (77 cents per gallon), calculated on 1971 import values.

^{6/} Percent is ad valorem equivalent of specific rate of duty (57 cents per gallon), calculated on 1971 import values.

^{7/} Percent is ad valorem equivalent of specific rate of duty (\$1 5s.3d. per bulk barrel), calculated on 1971 import values, for beer not exceeding 1027° specific gravity. Also subject to an excise duty of \$1 4s. (11.8 percent ad valorem equivalent).

^{8/} Percent is ad valorem equivalent of specific rate of duty (\$11 7s.6d. per bulk barrel), calculated on 1971 import values, for beer not exceeding 1030° specific gravity. Also subject to special charges and rebates in effect.

reduction since pre-trade-agreement base dates, while the United Kingdom tariff has increased to about 9 times the pre-trade-agreement base date level. Japan and the United States had tariff reductions both before and during the Kennedy Round. The Japanese rate decreased from 50 percent ad valorem to 20 percent; and the U.S. rate decreased from about 42 percent ad valorem equivalent (AVE) to 5 percent.

The Canadian rate decreased prior to the Kennedy Round from 45 percent ad valorem to 33.3 percent. The EC rate decreased from 30 percent ad valorem to 24 percent during the Kennedy Round. On January 1, 1972, tariff rates on beer made from malt ranged from 5 percent to 112.8 percent ad valorem.

Wine

Wine includes grape must, in fermentation or with fermentation arrested; wine of fresh grapes; and vermouths and other wines of fresh grapes flavored with aromatic extracts. ^{1/} Excluded from this subsector is wine from fruit other than grapes.

MFN tariffs

None of the five countries have any duty-free MFN tariff provisions for wine; average MFN tariffs for all products are, therefore, equivalent to those for dutiable products. (chart A-5-G). Canada has the lowest average tariffs on wine, with an arithmetic average of 16.1 percent ad valorem and a weighted average of 6.6 percent. The United States has the second lowest average tariffs, with an arithmetic average of 17.4 percent and a weighted average of 8.8 percent. United Kingdom average tariffs are slightly above 20 percent ad valorem. Both the European Community and Japan have weighted averages higher than arithmetic averages, reflecting imports in the higher portions of their duty ranges. ^{2/} Arithmetic and weighted average tariffs of the European Community are 31.3 and 37.9 percent ad valorem, respectively. Arithmetic and weighted average tariffs of Japan are 61.1 (arithmetic) and 64.7 percent ad valorem (weighted).

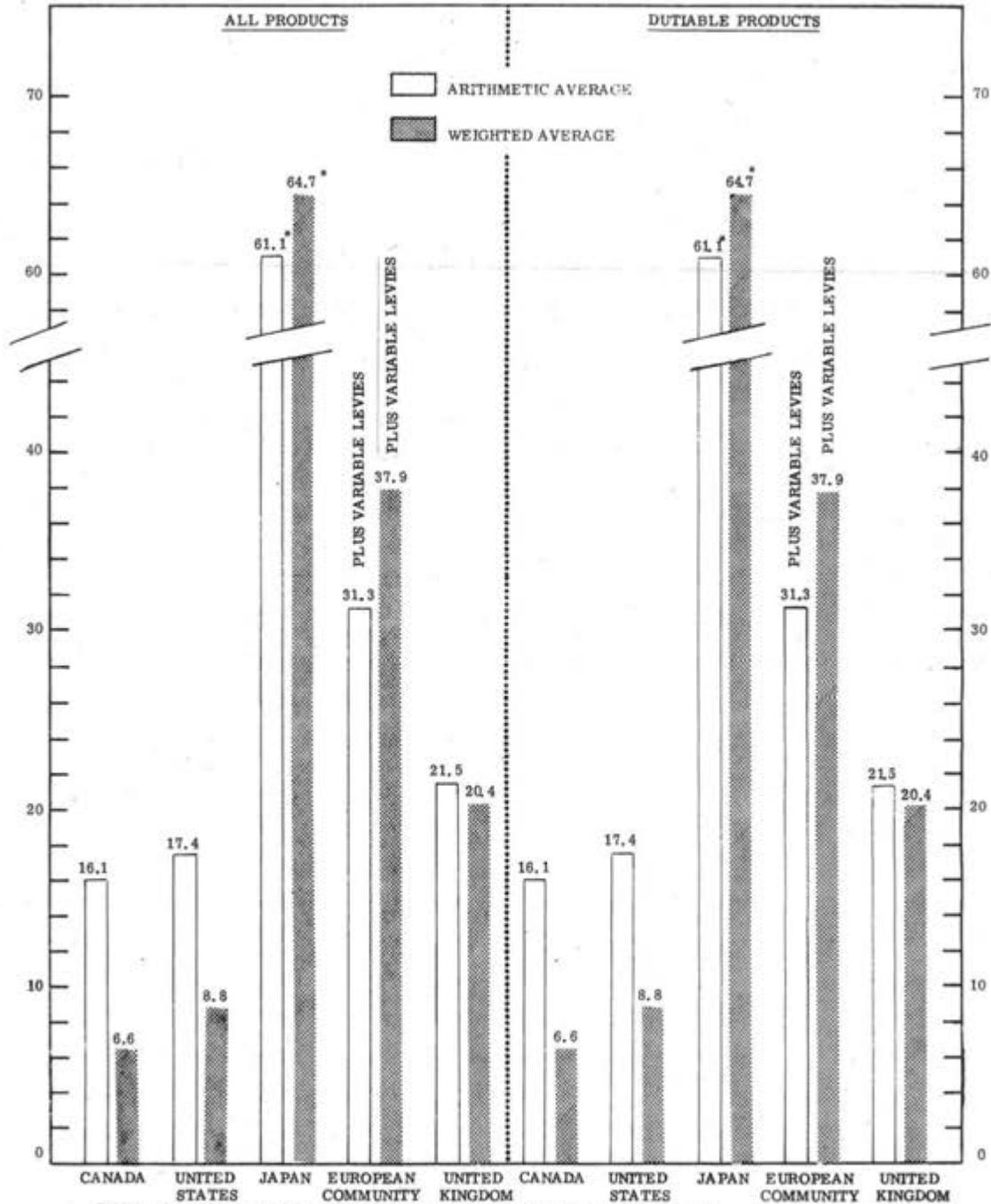
The United States and Canada have two-thirds of their tariff provisions for wine equally divided between the 5.1-10 and 10.1-15 percent

^{1/} For the specific coverage of this subsector, see BTN headings 22.04-22.06.

^{2/} In about half of EC tariff lines for wine, countervailing fees in addition to customs duties are applicable under certain conditions. The fees are applicable if imported wine has a value lower than the official reference price; the effect of the fee is the same as a variable levy.

Chart A-5-G. -- Average MFN tariff rates on wine

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 20 percent made in 1972 on three-fourths of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

ad valorem duty ranges. The remainder of Canadian provisions are equally divided between the duty range 0.1-5 percent and 40.1-50 percent ad valorem, and the remainder of U.S. provisions are evenly divided in three rate brackets: 15.1-20 percent, 30.1-40 percent, and over 50 percent ad valorem. Over three-fourths of European Community provisions are equally divided in four brackets: 10.1-15, 15.1-20, 20.1-25, and over 50 percent ad valorem. United Kingdom provisions cover a wide duty range, but the greater part are dutiable at rates below 20 percent ad valorem, with nearly 29 percent of provisions in the 5.1-10 percent ad valorem range. All Japanese provisions have rates exceeding 50 percent ad valorem. (see table A-5-J).

Table A-5-J.--Distribution, by duty level, of MFN tariff provisions for wine

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	16.7	-	-	-	7.1
5.1-10.0 percent---	33.3	33.3	-	-	28.6
10.1-15.0 percent--	33.3	33.4	-	19.0	14.3
15.1-20.0 percent--	-	11.1	-	19.1	14.3
20.1-25.0 percent--	-	-	-	19.0	-
25.1-30.0 percent--	-	-	-	9.6	7.1
30.1-40.0 percent--	-	11.1	-	9.5	7.2
40.1-50.0 percent--	16.7	-	-	4.8	14.3
Over 50 percent----	-	11.1	100.0	19.0	7.1
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} The system of variable levies now used under the EC's Common Agricultural Policy to support prices for wine was not in force when these data were assembled.

In 1970, preferential tariff treatment was accorded to over half of EC wine imports from outside sources, over 8 percent of Canadian imports and 7 percent of United Kingdom imports.

The United States and Canada enter most of their imports at rates between 5.1 and 10 percent ad valorem. (table A-5-K). Roughly three-fifths of United Kingdom imports are distributed in the three

Table A-5-K.--Distribution, by duty level, of MFN imports of wine

(In percent)					
Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	14.3	-	-	-	20.2
5.1-10.0 percent----	70.6	78.5	-	-	19.9
10.1-15.0 percent--	15.1	20.2	-	5.5	23.8
15.1-20.0 percent--	-	1.3	-	2.7	1.0
20.1-25.0 percent--	-	-	-	18.9	-
25.1-30.0 percent--	-	-	-	7.3	.5
30.1-40.0 percent--	-	-	-	1.6	5.1
40.1-50.0 percent--	-	-	-	.1	29.5
Over 50 percent----	-	-	100.0	63.9	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} The system of variable levies now used under the EC's Common Agricultural Policy to support prices for wine was not in force when these data were assembled.

rate brackets between 0.1 and 15 percent ad valorem; nearly 30 percent of United Kingdom imports are in the 40.1 to 50 percent ad valorem range. All of Japan's imports and nearly two-thirds of EC imports are assessed duties greater than 50 percent ad valorem.

The European Community has the most detailed tariff schedule for wine, with 21 lines. The United Kingdom has 14 lines; Canada has 12; the United States has 9; and Japan has 3.

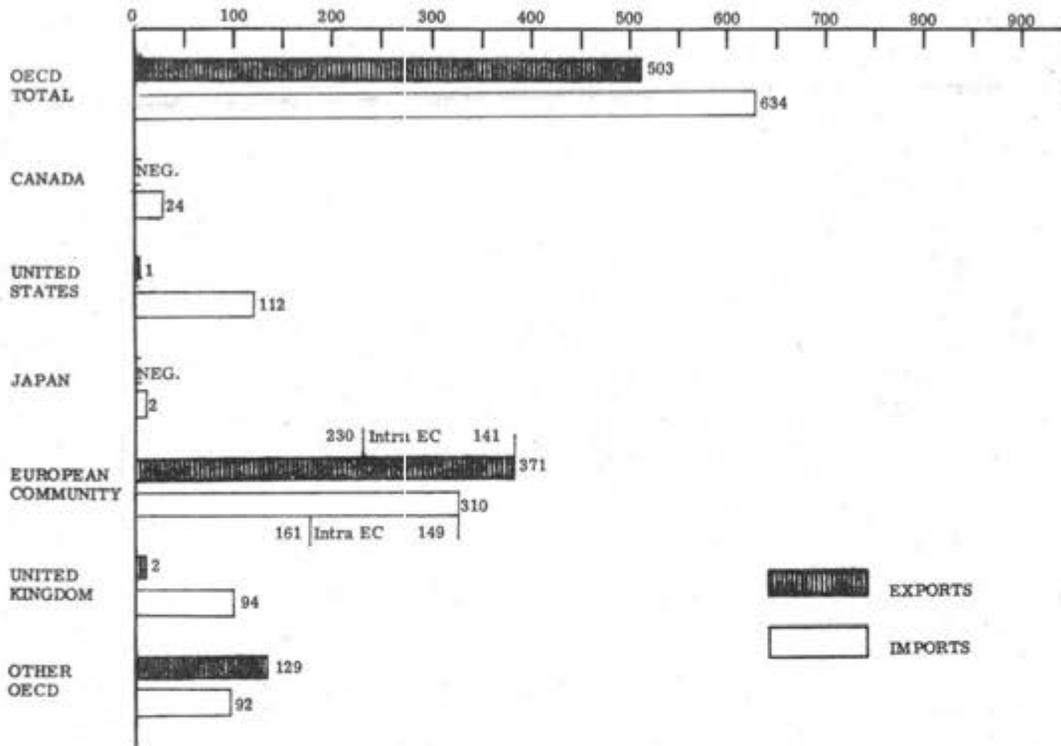
Trade importance

Among the 28 agricultural subsectors, wine ranked 17th in OECD exports and imports in 1969, accounting for 2.4 percent of OECD agricultural exports and 2 percent of imports. Wine is the least important of the 28 agricultural subsectors in U.S. exports and ranks 15th in

imports, accounting for nearly 2 percent of U.S. agricultural imports. As shown in chart A-5-H, the European Community and the "other" OECD

Chart A-5-H.-- OECD trade in wine, 1969

(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

countries are net exporters of wine, while the other four major countries are net importers.

In 1970, imports of wine by the 13 GATT tariff study countries were valued at \$572 million. Intra-EC shipments were an additional \$221 million. OECD imports in 1969 were valued at \$634 million, exports at \$503 million.

Trade network

Practically speaking, the European Community is the only exporter among the five major countries (table A-5-L). EC exports are sent to

Table A-5-L.-- OECD exports of wine, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	503	X	1	X	<u>1/</u> 371	2	129
OECD total-----	435	X	1	X	335	X	99
Canada-----	19	-	1	-	19	X	3
United States---	85	X	-	X	73	X	12
Japan-----	2	-	X	-	2	X	-
European Community-----	<u>1/</u> 177	X	X	-	141	X	36
United Kingdom--	73	X	X	-	46	-	27
Other OECD-----	79	X	-	X	58	-	21
Non-OECD total----	64	X	X	X	32	2	30
IPC's-----	56	X	X	X	25	2	29

1/ includes intra-EC shipments.

X = Less than \$500,000.

Note.--Due to rounding, country of destination figures may not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

many different countries, but the other four countries under study absorb nearly 60 percent of the total EC outside shipments. The United States is the largest market for EC exports, taking about one-third of EC external shipments. Intra-EC exports were equal to over 60 percent of EC shipments to outside destinations in 1969.

Imports of wine are significant for most of the five countries (table A-5-M). The European Community is the largest importer; entering

Table A-5-W.-- OECD imports of wine, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	634	24	112	2	<u>1/</u> 310	94	92
OECD total-----	499	22	111	2	194	86	84
Canada-----	X	-	X	-	X	X	-
United States---	1	1	-	X	X	X	-
Japan-----	X	-	X	-	X	X	-
European Community-----	<u>1/</u> 368	17	87	1	149	54	60
United Kingdom--	1	1	X	-	X	-	-
Other OECD-----	129	3	24	1	45	32	24
Non-OECD total---	134	3	2	X	114	9	6
LDC's-----	120	X	1	X	109	5	5

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

\$161 million from outside sources in 1969 (intra-EC shipments were an additional \$149 million). Over two-thirds of EC outside imports come from less developed countries; most of the remaining EC external imports come from "other" OECD countries. Each of the other four countries relies on the European Community for at least half of its wine imports, and most of the remaining supplies come from "other" OECD countries. The United States is the second largest importer (\$112 million in 1969), followed by the United Kingdom (\$94 million), Canada (\$24 million), and Japan (\$2 million).

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariffs for wine on pre-trade-agreement base dates are compared with arithmetic average rates on January 1, 1972. Large decreases have occurred in U.S. and

Canadian average rates, but there has been no significant change in EC or Japanese averages and the United Kingdom average tariff shows an increase of over 45 percent. The January 1, 1972, average tariff for Japan does not reflect Japanese unilateral reductions by 20 percent made in 1972 on three-fourths of the Japanese rates in this subsector.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	44.0	17.4
European Community	31.0	31.3
United Kingdom	14.8	21.5
Japan	61.1	61.1
Canada	60.4	16.1

Three of the five major countries have made GATT concessions on their tariff provisions for wine. GATT concessions cover all U.S. tariff wine provisions and approximately one-fourth of EC tariff lines. For the United Kingdom, over 21 percent of tariff lines are fully covered and over 71 percent are partially covered by GATT concessions.

Except for Italy, each of the members of the European Community negotiated national tariff concessions under the GATT prior to the establishment of the EC's Common External Tariff. These concessions totaled 77, of which 37 were above the CXT rate, 39 were below the CXT rate, and 1 was at the CXT rate.

Changes in duty rates for still wine in retail-size containers which have occurred since pre-trade-agreement base dates are shown in table A-5-N. Although none of the five countries had tariff reductions in the Kennedy Round, the United States and Canada each had substantial tariff reductions prior to the Kennedy Round. Japan and the United Kingdom, on the other hand, had very substantial increases in their

Table A-5-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on wine of fresh grapes: still wine in retail size containers ^{1/}

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{2/}	MFN rate ^{2/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	30.6% AVE ^{3/}	9.2% AVE ^{3/}	9.2% AVE ^{3/}	167.30
Canada-----	56.1% AVE ^{4/}	16.8% AVE ^{4/}	16.8% AVE ^{4/}	16310-1
European Community--	18.3% AVE ^{5/}	18.3% AVE ^{5/}	18.3% AVE ^{5/}	22.05 C 1 a
United Kingdom-----	22.4% AVE ^{3/}	77.7% AVE ^{3/}	77.7% AVE ^{3/}	22.05 A 1 b
Japan-----	50%	121% AVE ^{6/}	121% AVE ^{6/}	22.05-2

^{1/} Tariff descriptions used by the various countries for this commodity are not exactly comparable. The categories used are those most similar to TSUS item 167.30, still wine not over 14 percent alcohol in containers holding not over one gallon.

^{2/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{3/} Ad valorem equivalent of specific rates of revenue duty calculated on 1971 import values.

^{4/} Ad valorem equivalent specific rates of duty calculated on 1969 import values.

^{5/} Ad valorem equivalent of "12 units of account". The EC's Common External Tariff originally established a fixed rate, later supplemented by countervailing fees, applicable under certain conditions to imports under this tariff heading.

^{6/} Ad valorem equivalent of specific rate of duty calculated on 1972 import values.

tariffs prior to the Kennedy Round. The EC fixed tariff showed no change from the autonomous (pre-trade-agreement) rate. On January 1, 1972, tariffs on still wine in retail size containers ranged from 9.2 percent ad valorem equivalent for the United States to 121 percent for Japan. The European Community and Canada had ad valorem equivalents between 15 and 20 percent, while the United Kingdom rate was nearly 78 percent ad valorem equivalent.

Fruit and Vegetable Juices

Fruit and vegetable juices include sweetened or unsweetened juices which are not fermented and contain no spirits. 1/

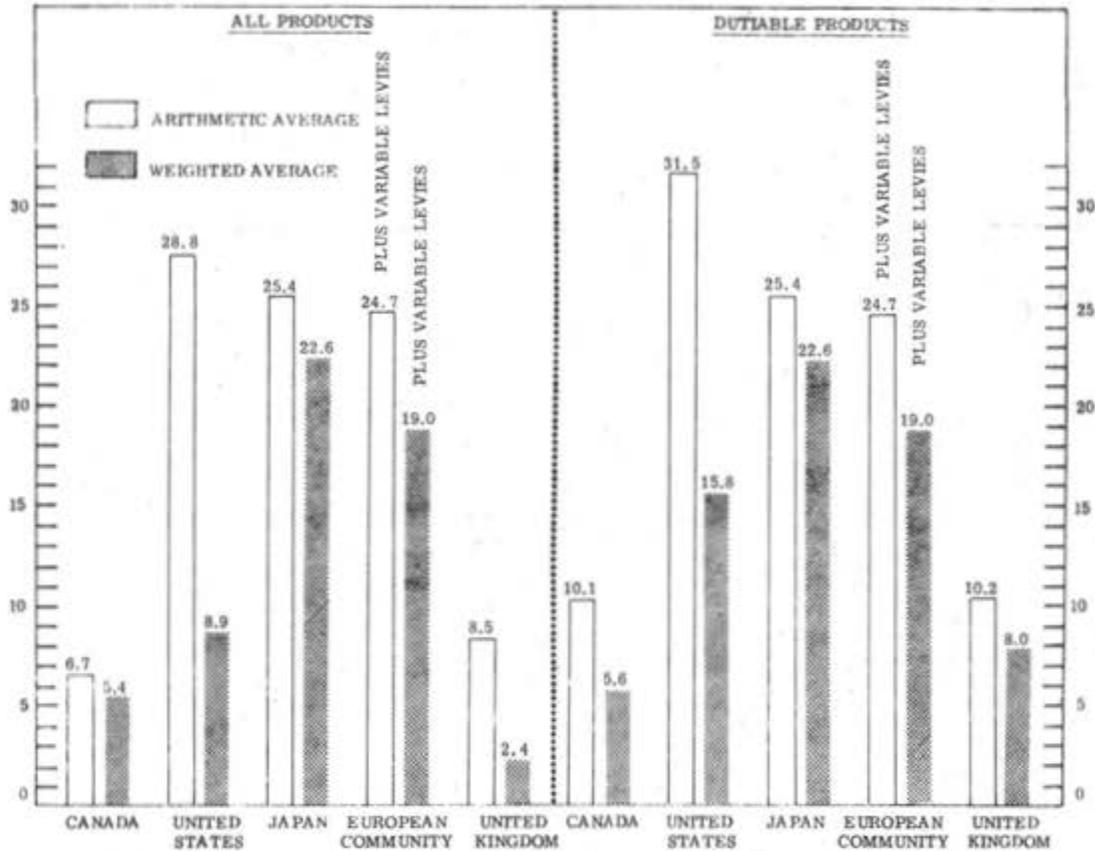
MFN tariffs

Among arithmetic average MFN tariff levels for fruit and vegetable juices maintained by the five major countries, the averages of the United States are the highest (28.8 percent ad valorem on all products and 31.5 percent on dutiable products alone). Japan and the European Community have arithmetic averages of about 25 percent ad valorem, as shown in chart A-5-I. Canada and the United Kingdom have arithmetic average tariffs considerably lower than the other three countries; Canada's all products average is 6.7 percent and the United Kingdom's is 8.5 percent; and both countries have arithmetic average tariffs just over 10 percent ad valorem for dutiable products alone. The U.S. weighted average tariff is 8.9 percent for all products and 15.8 percent for dutiable products. Japan's weighted averages are both 22.6 percent ad valorem; those of the European Community are both 19 percent. EC average tariffs shown in the chart reflect only tariff lines for which no variable levies are applicable. Variable levies are assessed on 28 of the 55 EC tariff lines for fruit and vegetable juices, but covered no EC imports in 1970. Thus, EC weighted average MFN tariffs are comparable with those of the other four countries, whereas EC arithmetic average MFN tariffs are not fully comparable.

1/ For the specific coverage of this subsector, see BTN heading 20.07.

Chart A-5-1. -- Average MFN tariff rates on fruit and vegetable juices

(Percent ad valorem)



Source: Division of Trade Policy, U.S. Customs Administration.

Canada's weighted average tariffs are about 5.5 percent ad valorem; the United Kingdom's weighted average for dutiable products is 8 percent ad valorem, and for all products is only 2.4 percent ad valorem, the lowest of the five major countries.

The U.S. high arithmetic average tariff for fruit and vegetable juices reflects the fact that nearly 17 percent of U.S. tariff provisions are at duty levels above 50 percent ad valorem (table A-5-0). On the other hand, the United States has over half of its provisions

Table A-5- O---Distribution, by duty level, of MFN tariff provisions
for fruit and vegetable juices

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	33.3	8.3	-	-	16.7
0.1-5.0 percent----	40.0	25.0	-	-	33.6
5.1-10.0 percent---	6.7	8.4	-	-	16.7
10.1-15.0 percent--	-	16.6	-	3.7	16.6
15.1-20.0 percent--	13.3	8.4	14.3	40.7	16.7
20.1-25.0 percent--	6.7	8.3	50.0	37.1	-
25.1-30.0 percent--	-	8.3	21.4	3.7	-
30.1-40.0 percent--	-	-	14.3	-	-
40.1-50.0 percent--	-	-	-	14.8	-
Over 50 percent----	-	16.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 51 percent of EC provisions in this subsector. No imports entered the Community under variable levy provisions in 1970.

in ranges below 15 percent ad valorem (one-fourth are in the 0.1-5 percent ad valorem range). All Japanese provisions and nearly all EC fixed duty provisions are in duty ranges above 15 percent ad valorem. Half of Japan's provisions are in the 20.1-25 percent ad valorem range, and four-fifths of European Community provisions are divided between the ranges of 15.1-20 percent and 20.1-25 percent ad valorem.

One-third of Canadian provisions, nearly 17 percent of United Kingdom provisions, and over 8 percent of U.S. provisions are free of duty. Canada has the largest concentration of its dutiable provisions in the range of 0.1-5 percent ad valorem. The United Kingdom has one-third of its provisions in the 0.1-5 percent bracket.

Preferential tariff treatment is significant in fruit and vegetable juice imports of three of the five major countries. In 1970,

11 percent of European Community imports from outside sources, 13 percent of United Kingdom imports, and over one-fourth of U.S. imports entered with preferential treatment. Canada had a negligible amount of preferential imports; Japan had none.

The United Kingdom, the United States, and Canada enter large percentages of their imports of fruit and vegetable juices duty free or at rates no higher than 5 percent ad valorem (table A-5-P). 1/

Table A-5- P.--Distribution, by duty level, of MFN imports of fruit and vegetable juices

(In percent)

Duty level	Canada	United States	Japan	European Community <u>1/</u>	United Kingdom
Free-----	4.9	43.3	-	-	66.6
0.1-5.0 percent----	88.1	47.0	-	-	11.8
5.1-10.0 percent----	4.8	-	-	-	21.6
10.1-15.0 percent--	-	.5	-	-	-
15.1-20.0 percent--	1.1	2.1	20.1	100.0	-
20.1-25.0 percent--	1.1	1.6	72.2	-	-
25.1-30.0 percent--	-	-	6.5	-	-
30.1-40.0 percent--	-	-	1.3	-	-
40.1-50.0 percent--	-	-	-	-	-
Over 50 percent----	-	5.5	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 51 percent of EC provisions in this subsector. No imports entered the Community under the variable levy provisions in 1970.

Two-thirds of United Kingdom imports enter duty free and no United Kingdom imports pay duties above 10 percent ad valorem. Nearly 90 percent of Canadian imports pay duties between 0.1 and 5 percent ad valorem. The United States enters 43 percent of its imports duty free; another 47 percent are assessed duties in the 0.1-5 percent bracket. Japanese imports pay duties between 15.1 and 40 percent ad valorem, with over 72 percent of imports falling in the 20.1-25

1/ In addition to imports for which the U.S. tariff rate is free, most of the duty collected on U.S. imports of orange juice in recent years has been subsequently refunded under the drawback provisions.

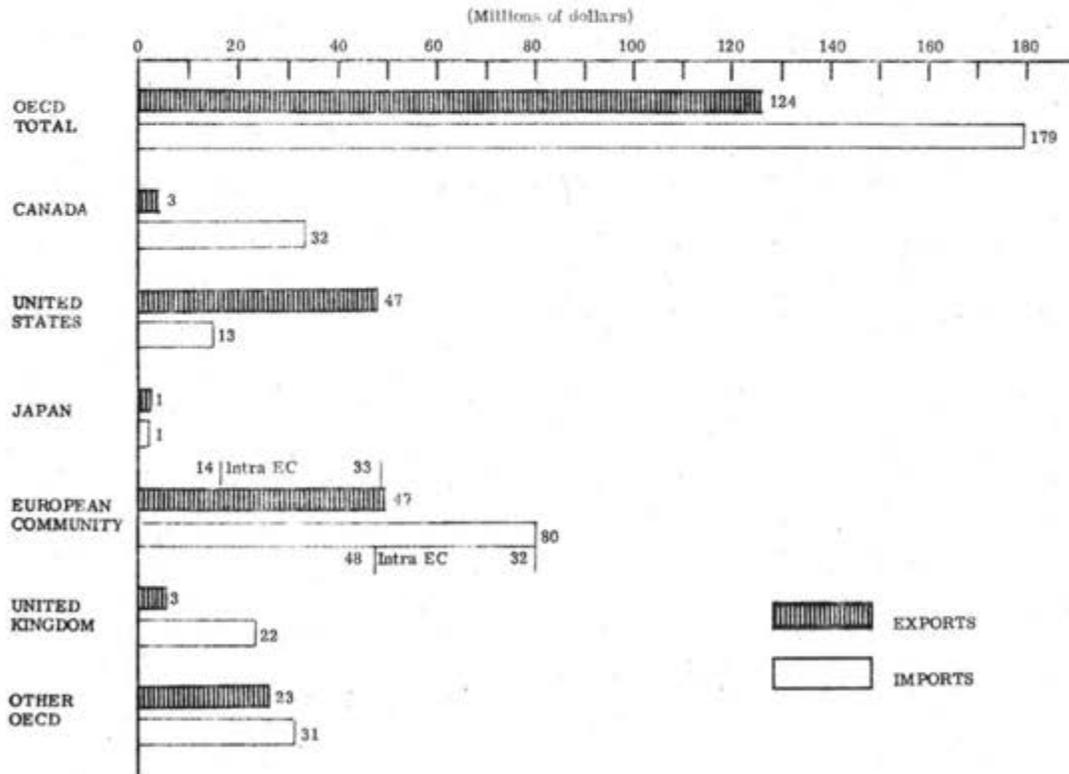
percent ad valorem range. All imports by the European Community entered in the 15.1-20 percent ad valorem bracket.

The European Community has by far the most complex tariff schedule in this subsector, with 55 lines, Canada has 15 lines; Japan has 14; the United States has 12; and the United Kingdom has 6.

Trade importance

Fruit and vegetable juices comprise one of the least important of the 28 agricultural subsectors, ranking 25th in OECD exports and imports. Trade in the subsector accounts for slightly over half of 1 percent of total OECD agricultural exports and imports. For the United States,

Chart A-5-J. -- OECD trade in fruit and vegetable juices, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series 1, 1969.

the subsector ranks 16th in exports and 26th in imports, accounting for nearly 1 percent of U.S. agricultural exports in 1969. As shown in chart A-5-J, OECD countries as a whole are net importers of fruit and vegetable juices, whereas the United States is a net exporter.

Imports of fruit and vegetable juices by the 13 GATT tariff study countries were valued at \$172 million in 1970. Shipments among members of the European Community were an additional \$45 million. OECD imports in 1969 were valued at \$179 million, exports at \$124 million.

Trade network

Over 40 percent of OECD imports of fruit and vegetable juices are supplied by non-OECD countries, with over one-third of total imports coming from less developed countries. On the other hand, only 15 percent of OECD exports go to non-OECD countries.

Among the five major countries, the United States is the principal exporter, shipping \$47 million in 1969, and accounting for nearly 38 percent of OECD exports. Nearly half of U.S. exports go to Canada, 17 percent to the European Community, and 19 percent to less developed countries. The European Community is the second largest exporter, shipping \$14 million to outside destinations. Intra-EC shipments are more than twice as large as EC external shipments (table A-5-Q).

The European Community is the major importer, entering \$48 million in 1969 from outside sources (generally non-OECD countries) (table A-5-R). Intra-EC imports are equal to about two-thirds of EC imports from outside countries. The United States supplies 17 percent of EC

Table A-5-Q.-- OECD exports of fruit and vegetable juices, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	124	3	47	1	<u>1/</u> 47	3	23
OECD total-----	105	2	38	X	44	2	19
Canada-----	25	-	23	X	1	X	1
United States---	8	2	-	X	3	X	3
Japan-----	1	-	1	-	X	X	-
European Community-----	<u>1/</u> 50	X	8	-	33	X	9
United Kingdom--	7	X	1	X	3	-	3
Other OECD-----	14	X	5	-	4	2	3
Non-OECD total----	18	1	9	1	3	1	3
LDC's-----	15	1	9	1	2	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-5-R.-- OECD imports of fruit and vegetable juices, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	179	32	13	1	<u>1/</u> 80	22	31
OECD total-----	105	24	7	1	48	7	18
Canada-----	2	-	2	-	X	X	-
United States---	39	22	-	1	6	2	6
Japan-----	X	X	X	-	X	X	-
European Community-----	<u>1/</u> 43	X	2	X	32	3	6
United Kingdom--	2	X	X	X	X	-	2
Other OECD-----	19	2	3	X	8	2	4
Non-OECD total----	74	8	6	1	31	16	12
LDC's-----	62	7	6	1	26	14	8

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

imports from outside countries. Canada's imports are supplied chiefly by the United States; United Kingdom imports come principally from non-OECD countries (largely LDC's). The United States and Japan are not large importers of fruit and vegetable juices.

Trade-agreement concessions

The tabulation below shows arithmetic average MFN tariffs for fruit and vegetable juices on pre-trade-agreement base dates compared with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. The largest reduction has occurred in the U.S. arithmetic average, decreasing by three-fourths from the pre-trade-agreement rate, but the U.S. 1972 average remained the highest of those shown below.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	115.9	28.8
European Community <u>1/</u>	26.0	24.7 (plus variable levies)
United Kingdom	15.0	8.5
Japan	34.0	25.4
Canada	25.0	6.7

Except for Canada, each of the major countries has made GATT concessions on its tariffs for fruit and vegetable juices. GATT concessions cover about 92 percent of U.S. tariff provisions, 86 percent of Japanese

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT. The January 1, 1972 figure for the Community is the average only of the 27 tariff lines which continue to be fixed duties alone; it does not include the 28 EC tariff lines subject to a variable levy.

lines, and about three-fourths of EC lines for the subsector. For the United Kingdom, 17 percent of tariff lines are fully covered and 83 percent are partially covered by GATT concessions.

Each of the members of the European Community had negotiated national tariff concessions for fruit and vegetable juices under the GATT prior to the establishment of the EC's Common External Tariff. The total of these national concessions was 63, of which 12 were above the CXT rate and 51 were below the CXT rate.

Rates of duty for orange juice on January 1, 1972, are compared with rates applicable on pre-trade-agreement base dates in table A-5-S. The United States had the highest pre-trade-agreement tariffs for orange juice, and the highest duties on concentrated orange juice on January 1, 1972. The U.S. duty on concentrated orange juice, although reduced by 50 percent before the Kennedy Round, remained relatively high, yielding an ad valorem equivalent of over 90 percent.

For the past several years, most of the duty collected on U.S. imports of orange juice has been later refunded under the drawback provisions. Imported orange juice (mostly frozen concentrated orange juice from Brazil, Mexico and the West Indies) is mixed with domestic juice to meet U.S. commercial standards and generally sold in the United States. Under drawback regulations, 99 percent of the duty paid on imports may be refunded for re-export claims filed within eight years. The bulk of exports on which drawbacks are obtained consists of domestically produced orange juice substituted for imported frozen concentrated orange juice.

The European Community had the second highest pre-trade-agreement tariffs and the highest 1972 tariffs for unconcentrated orange juice, plus additional duties for added sugar. The European Community had small reductions in fixed duties for concentrated orange juice both prior to and during the Kennedy Round, but added variable levies for sugar content above specified amounts. Canadian duties underwent the greatest reductions of the five countries; the January 1, 1972, Canadian duty on orange juice was one-fifth of the pre-trade-agreement rate.

U.S. tariffs had undergone reductions of 50 percent for concentrated orange juice and nearly 70 percent for other orange juice prior to the

Table A-5-S.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on orange juice

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	93.3%; 186.4% AVE ^{2/}	26.6% AVE ^{3/} ; 93.2% AVE ^{4/}	26.6% AVE ^{3/} ; 93.2% AVE ^{4/}	165.30, .35
Canada-----	25%	7.5%	5% ^{5/}	15202-1
European Community--	21%; 42%	20% ^{6/} ; 42% ^{1/}	19% ^{6/} ; 42% ^{1/}	20.07 A III, B II (a) 1, (b) 1
United Kingdom-----	10%	Free; 3%	Free; 3%	20.07 (A)(1)
Japan-----	30%; 35%	25%; 30%	25%; 30%	20.07-1

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percents are ad valorem equivalents of a specific rate of duty (70 cents per gallon), calculated on 1971 actual or estimated import values.

^{3/} Percent is ad valorem equivalent of a specific rate of duty (20 cents per gallon), calculated on 1971 estimated unit value.

^{4/} Percent is ad valorem equivalent of a specific rate of duty (35 cents per gallon), calculated on 1971 import values; virtually all U.S. imports of orange juice entered, as concentrated orange juice, at this rate.

^{5/} Due to a temporary suspension of the rate since February 1973, Canadian imports of orange juice now enter free of duty.

^{6/} Rate applies to orange juice with specific gravity less than or equal to 1.33 at 15 degrees C. Subject to variable levies in addition to fixed duties for added sugar exceeding to natural sugar content (13 percent by weight) of orange juice. If value is less than or equal to \$32.55 per 100 kg. (1972 exchange conversion) and added sugar is less than or equal to 30 percent by weight, the post-Kennedy Round rate is bound under the GATT and the combined fixed rate and variable levy may not exceed 19.2 percent ad valorem.

^{1/} Rate applies to orange juice with specific gravity greater than 1.33 at 15 degrees C. When value is less than or equal to \$32.55 per 100 kg. (1972 exchange conversion) and added sugar exceeds 30 percent by weight, there is a variable levy in addition to the fixed duty.

Kennedy Round. The United Kingdom, with the lowest base-rate duties on orange juice, reduced its tariffs prior to the Kennedy Round to duty free for orange juice with less than 20 percent added sweeteners and to 3 percent ad valorem for orange juice with more than 20 percent of added sweeteners. Japanese rates decreased from 30 and 35 percent ad valorem to 25 and 30 percent ad valorem prior to the Kennedy Round. On January 1, 1972, MFN fixed tariffs on orange juice ranged from free to 93 percent ad valorem in the schedules of the five countries.

Agricultural Sector A-6

DAIRY PRODUCTS

Dairy products include fresh or preserved milk, butter, cheese, and curd. ^{1/}

MFN tariffs

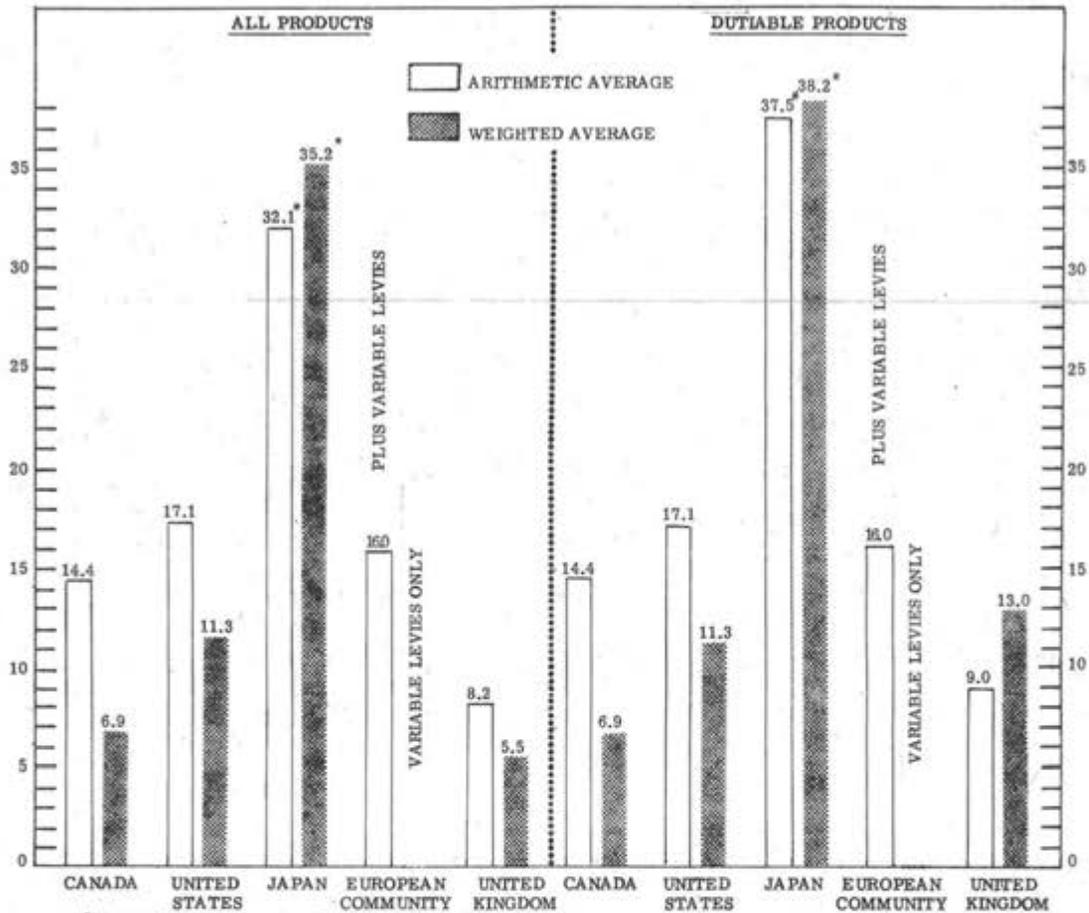
Average MFN tariffs on dairy products for the five major countries are presented in chart A-6-A. Average tariffs given for the European Community are not comparable with averages of the other four countries because variable levies charged on EC imports are not included in the averages. Variable levies, which are used to shield the internal market price from import competition, were applied to all but one of the 63 EC tariff provisions for dairy products, and covered nearly 100 percent of Community imports when data for this study were assembled. ^{2/}

Arithmetic average MFN tariffs for all dairy products (combined free and dutiable) range from 8.2 percent to 32.1 percent ad valorem; weighted averages range from 5.5 percent to 35.2 percent. The United Kingdom has the lowest average tariffs, and Japan has the

^{1/} For specific coverage of this sector, see BTN headings 04.01-04.04. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

^{2/} In 1970 the EC average ad valorem equivalent of variable levies applicable to milk powder with fat content of 1.5 percent or less was 150 percent ad valorem. For Cheddar cheese, the ad valorem equivalent was 133 percent. For butter, with 85 percent or less fat, the variable levy was equivalent to 480 percent ad valorem. The one fixed duty EC tariff line which remained when basic data for this study was assembled was subsequently changed to a variable levy at a later date.

Chart A-6-A.-- Average MFN tariff rates on dairy products
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging between 22 percent and 71 percent made in 1972 on three-fourths of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

highest. Canada's arithmetic average is 14.4 percent ad valorem; the weighted average is 6.9 percent. The United States has an arithmetic average of 17.1 percent ad valorem and a weighted average of 11.3 percent.

For dutiable products only, averages of Canada, the United States, and the European Community are the same as their averages for all products (they have no duty-free provisions for dairy products). The dutiable product averages of Japan are a few percentage points

higher than the all products averages; the United Kingdom weighted dutiable products average is 7.5 percentage points higher than the weighted all products average.

The distribution of MFN tariff provisions for the five major countries for dairy products is shown in table A-6-A. Two-fifths

Table A-6-A.--Distribution, by duty level, of MFN tariff provisions for dairy products

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	-	-	14.3	NA	9.1
0.1-5.0 percent---	-	3.3	-	NA	9.1
5.1-10.0 percent---	16.7	40.0	-	NA	72.7
10.1-15.0 percent--	33.3	21.7	-	NA	9.1
15.1-20.0 percent--	50.0	11.7	-	NA	-
20.1-25.0 percent--	-	3.3	7.1	NA	-
25.1-30.0 percent--	-	5.0	21.5	NA	-
30.1-40.0 percent--	-	10.0	21.4	NA	-
40.1-50.0 percent--	-	-	35.7	NA	-
Over 50 percent----	-	5.0	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 98 percent of EC provisions, covering nearly 100 percent of EC imports in this sector in 1970.

of the U.S. provisions bear duties of 5.1 to 10 percent ad valorem; 22 percent have duties in the 10.1-15 percent range; and virtually all of the remainder pay duties ranging from 15.1 to over 50 percent ad valorem. Half of the Canadian provisions have rates between 15.1 and 20 percent; one-third are in the 10.1-15 percent range. Almost three-fourths of United Kingdom provisions are in the 5.1-10 percent rate range. Over one-third of Japan's provisions fall in the 40.1-50 percent bracket, and about two-fifths are equally divided between the two brackets ranging from 25.1 to 40 percent ad valorem.

In 1970, nearly 5 percent of Canadian imports and 22 percent of United Kingdom imports were accorded preferential tariff treatment. The other major countries had no preferential imports.

Nearly 77 percent of United Kingdom imports enter free of duty; most of the remainder paid duties ranging from 10.1 to 15 percent ad valorem. Sixty-two percent of Japanese imports pay duties in the 30.1-40 percent ad valorem range, and most of the remainder pay duties between 40.1 and 50 percent ad valorem. Ninety percent of Canadian imports and nearly 70 percent of U.S. imports are dutiable at rates between 5.1 and 10 percent ad valorem (see table A-6-B).

Table A-6-B.--Distribution, by duty level, of MFN imports of dairy products

(In percent)

Duty level	Canada	United States	Japan	European Community ^{1/}	United Kingdom
Free-----	-	-	7.8	NA	76.8
0.1-5.0 percent----	-	-	-	NA	2.6
5.1-10.0 percent---	90.1	69.6	-	NA	2.7
10.1-15.0 percent--	2.9	18.7	-	NA	17.9
15.1-20.0 percent--	7.0	8.0	-	NA	-
20.1-25.0 percent--	-	.3	-	NA	-
25.1-30.0 percent--	-	3.4	.3	NA	-
30.1-40.0 percent--	-	-	62.0	NA	-
40.1-50.0 percent--	-	-	29.9	NA	-
Over 50 percent----	-	-	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

^{1/} Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 98 percent of EC provisions, covering nearly 100 percent of EC imports in this sector in 1970.

The European Community has the most detailed tariff schedule for dairy products, with 63 tariff lines, followed by the United States, with 60 lines. Japan has 14 tariff lines, the United Kingdom has 11, and Canada has 6.

World production

The production of milk by the five major countries and nine other major Western producers ^{1/} amounted to 408 billion pounds in 1970. Over one-third of the output was consumed as fluid milk, nearly another third was churned into butter, and about 17 percent was made into cheese; the remainder was canned or manufactured into ice cream, dried whole milk, and other products. Production in 1970 of milk in the five countries under study was as follows:

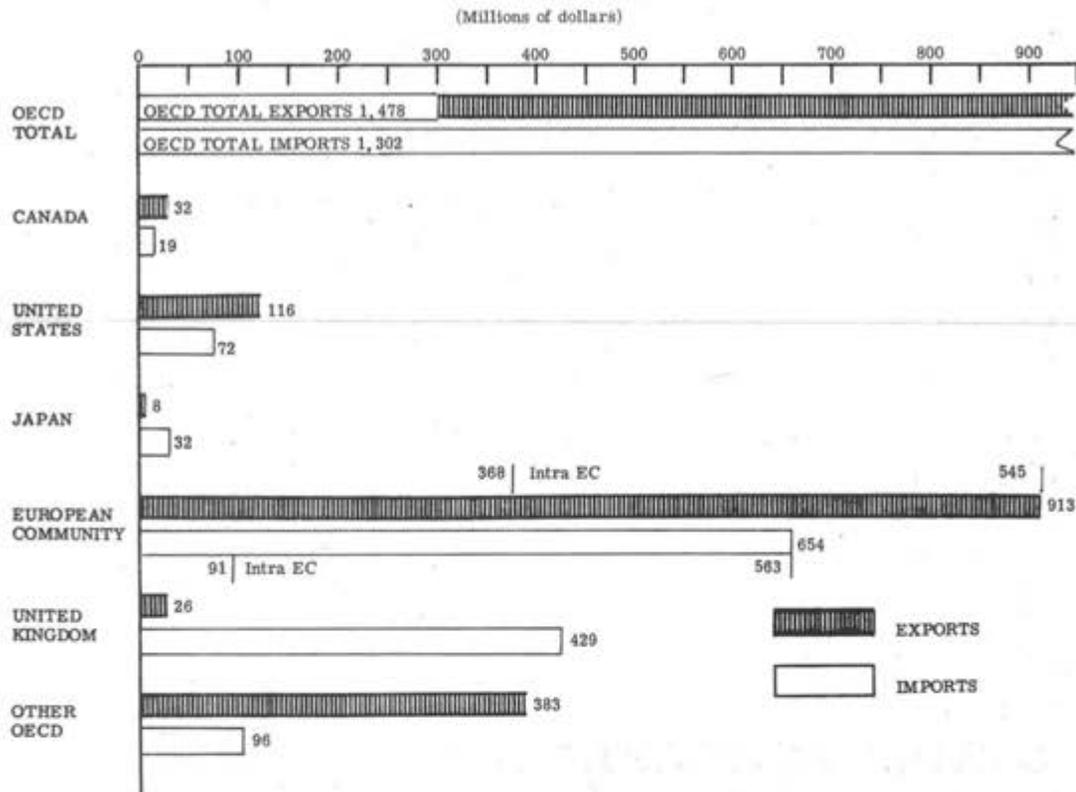
	<u>Billion pounds</u>
European Community	161
United States	117
United Kingdom	27
Canada	19
Japan	11

Trade importance

Dairy products is one of the less important of the nine agricultural sectors, ranking 6th in exports and 8th in imports in OECD trade. Dairy products account for nearly 7 percent of OECD agricultural exports and about 4 percent of imports. For the United States, the sector ranks 7th in exports and 8th in imports among the nine agricultural sectors, accounting for about 2 percent of U.S. agricultural exports and slightly over 1 percent of imports. As shown in chart A-6-B, the United Kingdom and Japan are net importers of dairy products, while the other three major countries are net exporters. The value and pattern of U.S. trade in dairy products is shown in chart A-6-C.

^{1/} The nine other producers are Austria, Denmark, Greece, Ireland, Norway, Sweden, Switzerland, Australia, and New Zealand.

Chart A-6-B. -- OECD trade in dairy products, 1969



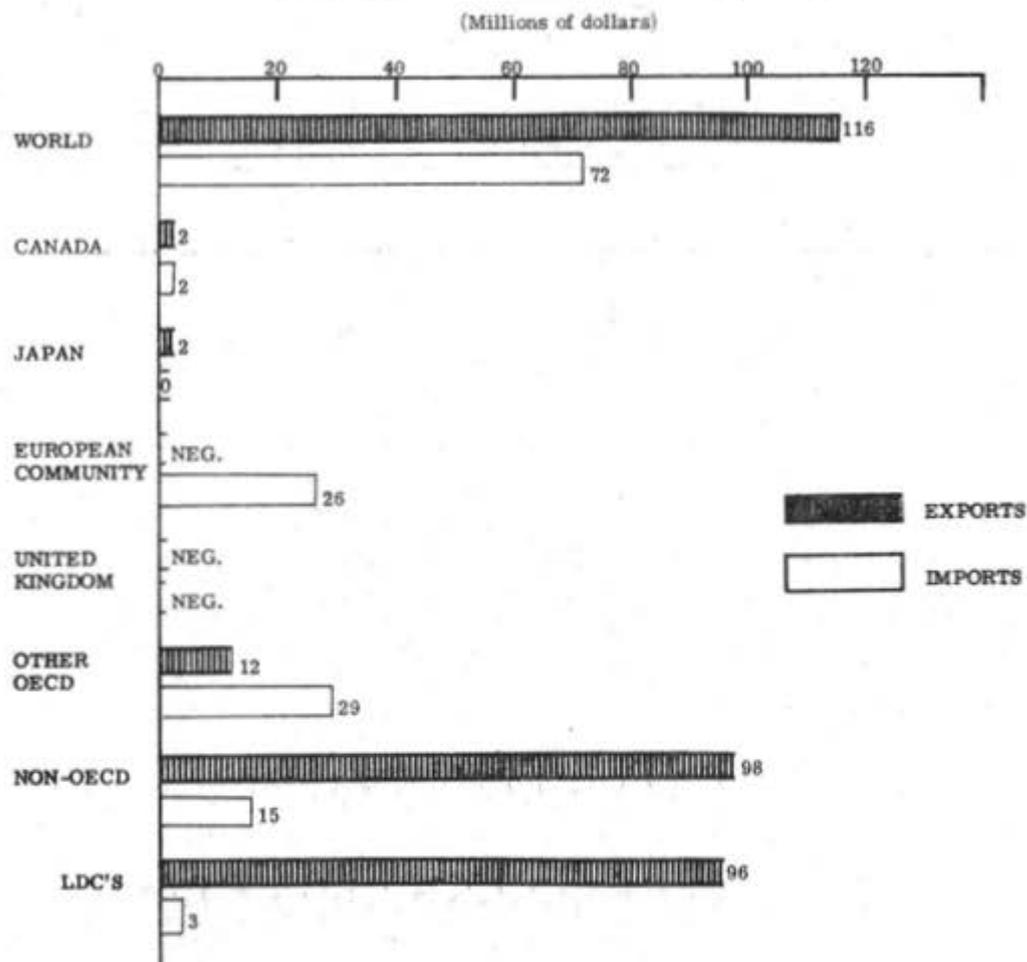
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

In 1970, imports of dairy products by the 13 GATT tariff study countries were valued at \$757 million. Intra-EC shipments were an additional \$655 million. OECD imports in 1970, which include intra-EC trade, were valued at \$1.5 billion, exports at \$1.7 billion.

Trade network

The five countries account for nearly three-fourths of OECD exports of dairy products (table A-6-C). The major exporter is the European Community, shipping \$368 million in 1969 to outside destinations (intra-EC exports are 50 percent greater than EC outside exports). The United States is the second largest exporter, with \$116 million

Chart A-6-C.-- United States trade in dairy products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

of exports in 1969. Less developed countries absorb 28 percent of OECD total exports, nearly 57 percent of EC exports to outside countries, and nearly 83 percent of U.S. exports. The largest markets for EC external exports among the five major countries are the United Kingdom (9 percent) and the United States (8 percent).

"Other" OECD countries and non-OECD developed nations supply nearly equal portions of OECD imports, together accounting for over 40 percent of total OECD entries (table A-6-D).

Table A-6-C.--OECD exports of dairy products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,478	32	116	8	<u>1/</u> 913	26	383
OECD total-----	994	16	16	-	666	6	290
Canada-----	15	-	2	-	6	X	7
United States---	58	2	-	-	29	X	27
Japan-----	13	1	2	-	6	-	4
European Community-----	<u>1/</u> 640	2	X	-	545	2	91
United Kingdom--	180	9	X	-	32	-	139
Other OECD-----	88	2	12	-	48	4	22
Non-OECD total----	439	16	98	8	214	20	83
IDC's-----	419	15	96	8	209	20	71

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-6-D.--OECD imports of dairy products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,302	19	72	32	<u>1/</u> 654	429	96
OECD total-----	1,019	17	57	15	649	189	92
Canada-----	17	-	2	1	2	10	2
United States---	5	3	-	1	X	X	1
Japan-----	X	-	-	-	X	-	-
European Community-----	<u>1/</u> 700	7	26	7	563	33	64
United Kingdom--	4	X	X	X	1	-	3
Other OECD-----	293	7	29	6	83	146	22
Non-OECD total----	281	1	15	16	4	240	5
IDC's-----	9	X	3	X	1	4	1

1/ Includes intra-EU shipments.

X = Less than \$500,000.

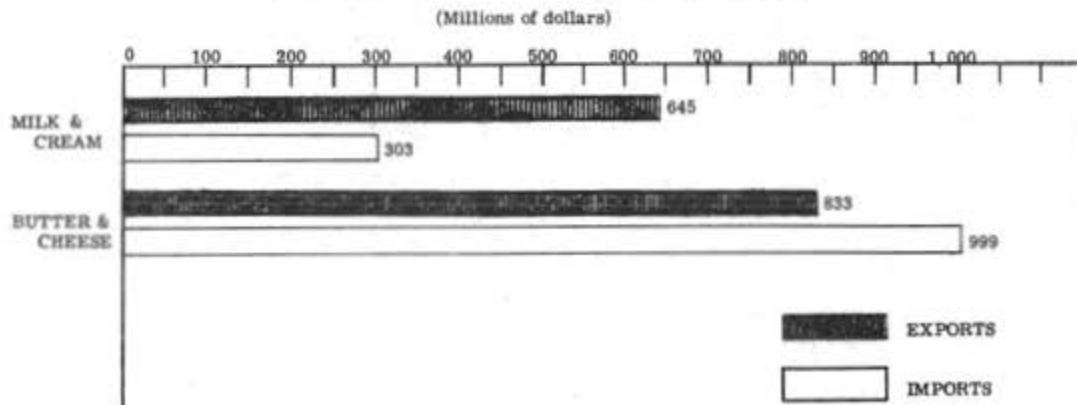
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The European Community accounts for half of OECD imports of dairy products, but most of the EC trade consists of intra-EC shipments. Setting intra-EC trade aside, the United Kingdom is by far the principal importer, entering almost 5 times the amount of EC imports from outside sources. Over half of the United Kingdom imports are supplied by non-OECD developed countries and most of the remainder by "other" OECD countries. "Other" OECD countries and the European Community are the largest suppliers of U.S. and Canadian imports. Japan receives half of its imports from developed non-OECD countries.

Trade composition

Dairy products are divided into two subsectors: Fresh and preserved milk and cream; and butter and cheese. For each of the five major countries, exports of milk and cream are considerably more important than exports of butter and cheese (excluding intra-EC trade); and imports of butter and cheese are more important than imports of milk and cream. In total OECD trade, both exports and imports of butter and cheese are more important than those of milk and cream (see chart A-6-D).

Chart A-6-D. -- OECD trade in dairy products, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Trade-agreement-concessions

The tabulation below compares pre-trade-agreement arithmetic average MFN tariffs for dairy products with arithmetic average rates in effect on January 1, 1972, for each of the five countries. The 1972 figure for the European Community reflects only one tariff line, for which there has been no reduction from the base-date rate. For Japan, the January 1, 1972, figure does not reflect unilateral reductions by 22 to 71 percent made in 1972 on three-fourths of the Japanese MFN rates for dairy products.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	27.5	17.1
European Community <u>1/</u>	21.4	16.0 (plus variable levies)
United Kingdom	19.9	8.2
Japan	27.9	32.1
Canada	29.2	14.4

GATT concessions cover some tariff lines for dairy products in the schedules of each of the five major countries. Over 98 percent of U.S. tariff lines and about half of Japanese and United Kingdom lines are covered. Ten percent of Canada's lines are fully covered by GATT concessions and 30 percent are partially covered. Less than 2 percent of EC tariff lines for dairy products are fully covered by GATT concessions and less than 8 percent are partially covered.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect concessions under the GATT, but a few of which are subject to ceilings as a result of earlier GATT concessions. The post-trade-agreement figure for the Community reflects only the one tariff line which continued to be subject to a fixed duty alone; it does not include the 62 tariff lines subject to a variable levy. Subsequently, the fixed rate shown was also replaced by a variable levy.

Each of the members of the European Community had made some GATT tariff concessions for dairy products in their national tariff schedules prior to the establishment of the EC's Common External Tariff. Of the 29 national GATT concessions, 22 were below rates established by the CXT, while only 6 were above CXT rates, and 1 at the level of the CXT rate.

Trade complaints

Although international trade in dairy products is rather deeply layered in practices considered to be nontariff barriers, relatively few complaints were received by the Tariff Commission in this sector. In most developed countries, the dairy sector is one of the most highly price-supported sectors in the economy. To protect domestic prices from lower-priced foreign supplies, various measures have been employed to regulate foreign trade, and virtually all dairy products fall within some kind of import restriction. The measures used by the five countries under review include: Quantitative restrictions such as embargoes, absolute and tariff-rate quotas, and stringent licensing requirements (the United States, Canada, the United Kingdom, Japan, and individual members of the European Community); variable levies and minimum import prices (the European Community), and state trading (Japan). Some countries (e.g., the United Kingdom and the United States) have negotiated voluntary agreements with foreign suppliers from time to time to control shipments to their markets.

Overproduction has caused surplus stocks of butter, cheese, and non-fat dry milk to accumulate in some major producing countries. One

outlet for surplus stocks is the export market. Inasmuch as internal market prices are frequently higher than world prices, subsidies must be employed to encourage exports. The United States, Canada, and the European Community have implemented export programs to move stocks and to aid food-needy countries. Subsidized exports may present a barrier to exports of third countries and can cause serious dislocations in traditional trade patterns.

Virtually all of the 86 complaints received from producers and traders of dairy products against policies or practices which they considered to be barriers to trade were against developed countries. The majority of less developed countries are located in equatorial latitudes and do not conduct much international trade in perishable dairy products. Half of the complaints were directed at the Scandinavian countries, Austria and Switzerland where dairy products presently and historically have always been an important industry; 20 percent were directed at the United States. Thirty percent of the complaints concerned quantitative restrictions and licensing; 20 percent were against nontariff levies and fees; and 20 percent concerned subsidies and other governmental involvement in trade.

Quantitative restrictions and licensing.--The majority of complaints concerning quantitative limitations were directed against U.S. Section 22 quotas; particularly cited were U.S. quotas on evaporated and sweetened condensed milk, dried milk, butter, fresh or sour cream, and Edam and Gouda processed cheese. The increase in dairy imports was estimated by the respondents to be at least 50 percent if Section 22 quotas were removed. Canada was reported to

have quotas on butter and milk powder; Japan on dairy products, except fresh milk (below 13 percent fat content) and natural cheese; Norway on milk, cream, and cheese; Austria and the European Community on fresh milk; West Germany on casein for food or fodder; the United Kingdom on butter, milk, and cream (with some products embargoed), and on cheese imports from East European countries; and Switzerland on milk and cheese, contingent upon the sale of Swiss domestic dairy output. Denmark was reported to issue licenses permitting importation of milk, cream, and butter only from certain favored countries.

Licenses are required by many countries for imports of dairy products. In some cases, such as Swedish licenses for dairy imports from the Americas, the licenses are only a formality. In many cases, however, licenses are used to restrict imports, often in conjunction with a formal quota. Countries requiring licenses for some or all of their dairy imports include Austria, New Zealand, South Africa, Tanzania, the United Kingdom, Denmark, Ireland, India, Sweden, and Norway.

Quantitative controls on some imports of dairy products are used by each of the five major countries, although such controls are not a principal tool for import restriction by the European Community. Other countries employing quantitative restrictions for dairy imports include Austria, Finland, Ireland, Tanzania, Yugoslavia, Norway, Spain, and Switzerland.

Nontariff charges on imports.--Variable levies applied to imports by the European Community, Austria, Sweden, and Denmark were reported

to eliminate international price competition from the markets of those countries. For the European Community, Austria, and Sweden, all imported dairy products are subject to variable levies; nearly two-thirds of Danish imports of dairy products were subject to variable levies in 1970. Used as a protective device to insulate internal market prices against the disruptive influence of imports, variable levies can reach extremely high levels (see examples of ad valorem equivalents for EC variable levies at the beginning of this sector). Another problem mentioned in relation to these levies is the uncertainty caused by frequent changes in the levies.

Other complaints against nontariff charges on imports were made against Turkey and Mexico. Turkey was reported to have supplementary charges (levies) which increase the prices of dairy imports, thereby limiting U.S. sales. U.S. producers complained that the Mexican surtax of 3 percent on dairy products virtually eliminates U.S. dairy product exports to that country.

Subsidies and other governmental participation in trade.---Agricultural subsidies under the European Community's Common Agricultural Policy were criticized as being a means to improve the EC share in world and U.S. markets. Also specifically cited as detrimental to trade was government control of the importation of butter in Canada, Japan, Switzerland, and Austria; preserved milk in Japan; and powdered whole and nonfat milk in Switzerland.

Miscellaneous practices.--U.S. producers complained that other countries manipulate prices of their exports as a subterfuge to evade value requirements in U.S. import quotas. It was also alleged that foreign governments permit large scale misbranding of products, thereby evading U.S. import quotas. The development and exportation of so-called "subterfuge" products specifically designed to evade U.S. import controls was also a source of complaint.

Special certificates are required for the importation of butter into the United Arab Republic. New Zealand and Australian health standards for butter were reported stricter for non-Commonwealth countries. Japanese regulations permitting only specified additives to be used for flavoring, preserving, and improving food appearance were felt to hamper trade. Conversely, foreign complainants felt U.S. label and content regulations discriminate against all European food items in consumer size containers. The state of New York insists the importers name and address appear on foodstuffs and packaged goods; this regulation is not applicable to domestic producers. The standards established under the U.S. Federal Import Milk Act of 1927 for imported milk and yoghurt sold in the United States were felt to impede U.S. dairy imports.

Respondents in the Commission's survey were requested to give an assessment of the trade effect of the barriers which they reported. In the dairy products sector, 21 complaints were accompanied by a statement that a "small" trade increase would be expected if the reported

barrier were removed; in 15 cases a "moderate" increase was expected, and in 4 cases a "significant" increase. Very few of these assessments were accompanied by an estimate of the dollar value of the expected trade increase if the barrier were removed. The few estimates which were submitted ranged from \$2,000 to \$20 million annually and totaled almost \$30 million.

Milk and Cream, Fresh or Preserved

The subsector for fresh or preserved milk or cream includes fresh, evaporated, condensed, or dry milk and cream, buttermilk, skimmed milk, sour milk, sour cream, yoghurt, and whey. 1/

MFN tariffs

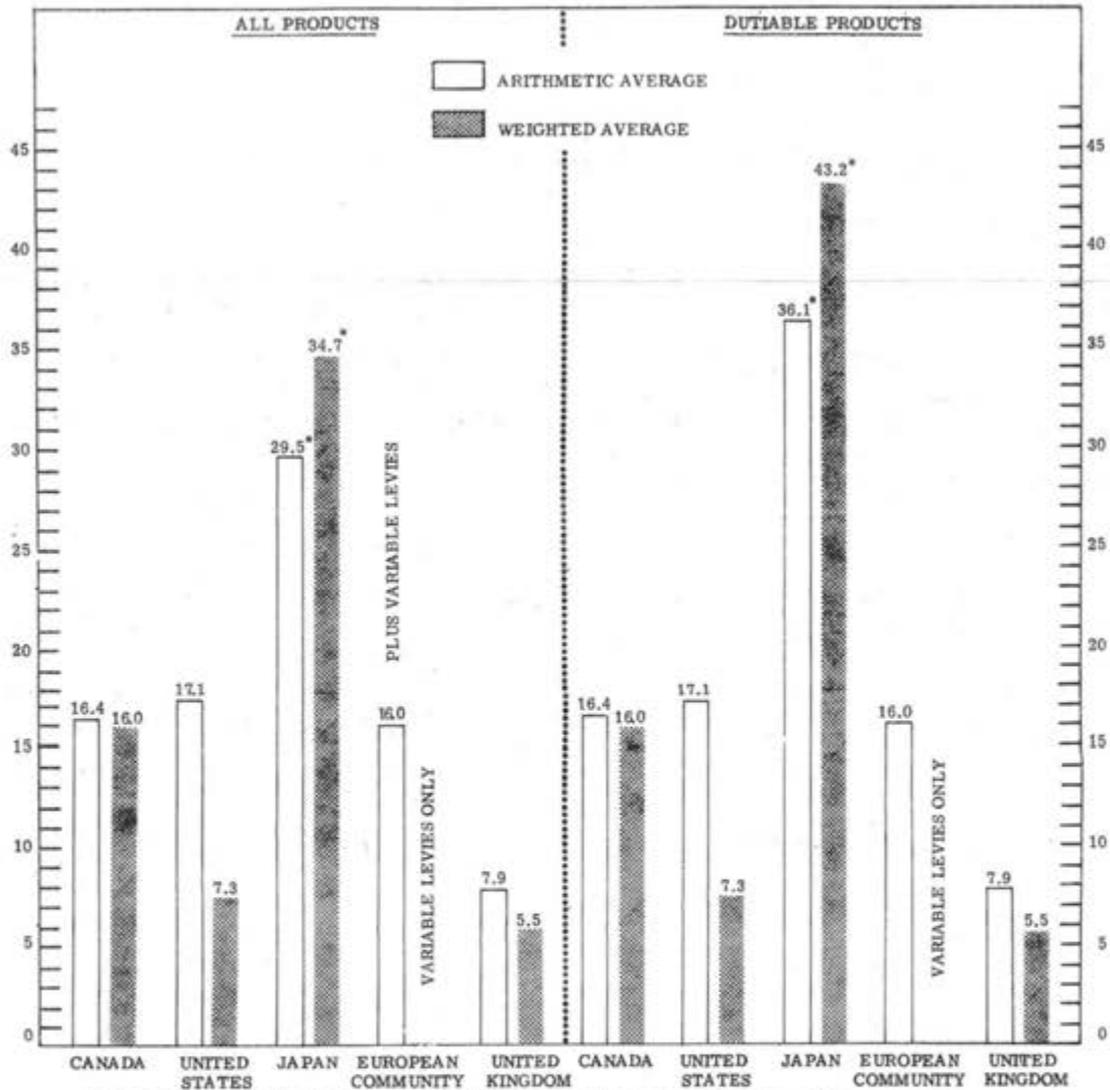
In the tariff schedule of the European Community in the base year for which tariff data for this report were prepared, variable levies covered all but one of the 38 tariff provisions for the subsector, 2/ and EC imports in 1970 entered totally under the variable levy provisions. These levies are not included in the calculation of average EC tariffs in chart A-6-E, and thus the EC averages are not comparable to averages for the other four countries. No EC imports entered under fixed duty rates in 1970 (hence the EC weighted average duty calculations become zero).

Of the other four countries, only Japan has any duty-free provisions. Consequently, for the United States, Canada, and the United Kingdom, average MFN tariffs on all products are equal to averages on dutiable products alone. The United Kingdom, with a weighted average tariff of 5.5 percent ad valorem and an arithmetic average of 7.9 percent has the lowest tariffs of the four countries. Canada has the second

1/ For the specific coverage of this subsector, see BTN headings 04.01 and 04.02.

2/ The remaining fixed rate was subsequently changed to a variable levy.

Chart A-6-E. -- Average MFN tariff rates on fresh or preserved milk and cream
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging between 22 percent and 55 percent made in 1972 on two-thirds of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

lowest arithmetic average tariff (16.4 percent) among the four nations, and the United States has the second lowest weighted average tariff (7.3 percent ad valorem). Japan has the highest average tariffs, with an arithmetic average tariff of 29.5 percent and a weighted average tariff of 34.7 percent ad valorem on all products. On dutiable products

alone, the Japanese arithmetic average rises to 36.1 percent ad valorem, and the weighted average to 43.2 percent.

Provisions for milk and cream in the tariff schedules of Canada and the United Kingdom are concentrated in a few value ranges, whereas the rates of Japan and the United States are more dispersed. U.S. rates range from less than 5 percent ad valorem to over 50 percent (see table A-6-E). Nearly 86 percent of United Kingdom MFN provisions are

Table A-6-E.--Distribution, by MFN duty level, of MFN tariff provisions for fresh or preserved milk and cream

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	-	-	18.2	NA	-
0.1-5.0 percent----	-	5.9	-	NA	14.3
5.1-10.0 percent----	-	41.2	-	NA	85.7
10.1-15.0 percent--	25.0	17.6	-	NA	-
15.1-20.0 percent--	25.0	8.8	-	NA	-
20.1-25.0 percent--	50.0	3.0	9.1	NA	-
25.1-30.0 percent--	-	5.9	27.2	NA	-
30.1-40.0 percent--	-	11.7	18.2	NA	-
40.1-50.0 percent--	-	-	27.3	NA	-
Over 50 percent----	-	5.9	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 97 percent of EC provisions, covering all of EC imports in this subsector in 1970.

dutiable in the 5.1-10 percent ad valorem range. Half of Canadian MFN provisions are in the 20.1-25 percent duty range and the rest are equally divided between the 10.1-15 and 15.1-20 percent ranges. Japan has 18 percent of its MFN provisions duty free and most of the rest in the three rate brackets ranging from 25.1 to 50 percent ad valorem. Forty-one

percent of U.S. provisions have duties in the 5.1-10 percent ad valorem range, and an additional 18 percent are between 10.1 and 15 percent ad valorem.

Preferential tariff treatment is significant in imports of Canada and the United Kingdom. Nearly 22 percent of Canadian imports and nearly 74 percent of United Kingdom imports in 1970 entered with preferential treatment.

Over half of United Kingdom MFN imports pay duties between 0.1 and 5 percent ad valorem and the rest between 5.1 and 10 percent. Eighty-four percent of Canadian MFN imports fall in the 15.1-20 percent ad valorem range. Over 95 percent of U.S. imports enter at rates between 5.1 and 10 percent ad valorem. Nearly 20 percent of Japanese imports are duty free and two-thirds bear duties between 40.1 and 50 percent ad valorem (see table A-6-F).

Table A-6-F.--Distribution, by duty level, of MFN imports of fresh or preserved milk and cream

(In percent)					
Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	-	-	19.6	NA	-
0.1-5.0 percent----	-	-	-	NA	53.3
5.1-10.0 percent---	-	95.4	-	NA	46.7
10.1-15.0 percent--	16.5	-	-	NA	-
15.1-20.0 percent--	83.5	4.6	-	NA	-
20.1-25.0 percent--	-	-	-	NA	-
25.1-30.0 percent--	-	-	.7	NA	-
30.1-40.0 percent--	-	-	13.4	NA	-
40.1-50.0 percent--	-	-	66.3	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

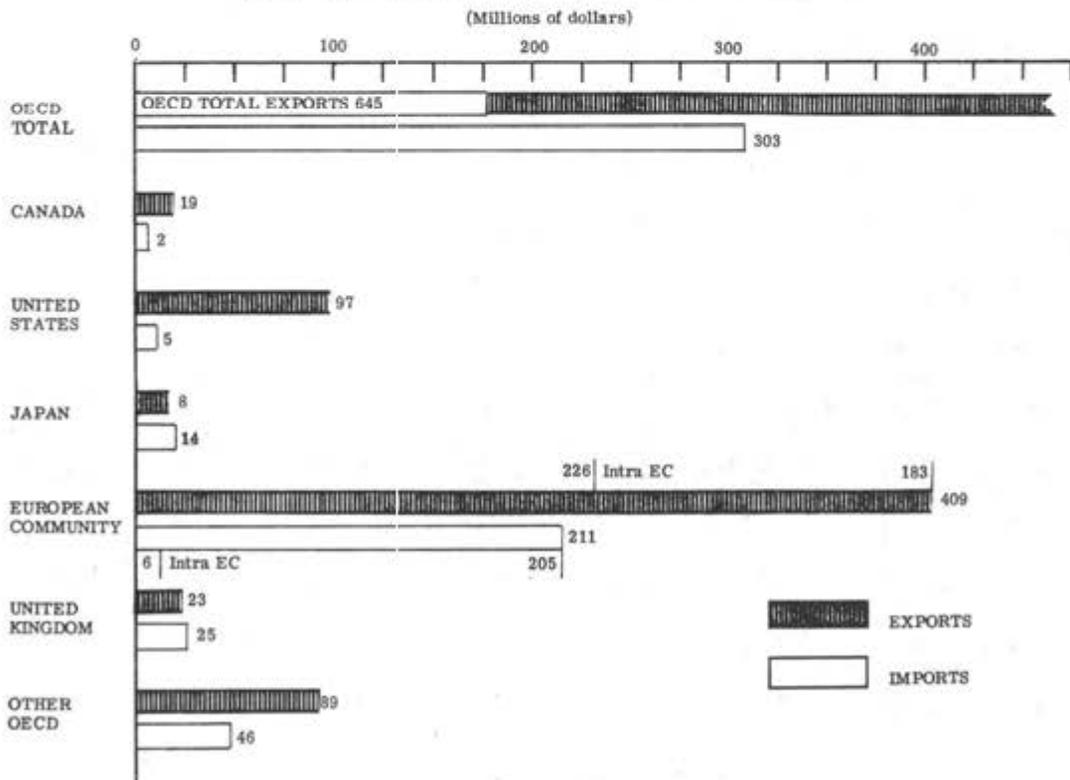
1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 97 percent of EC provisions, covering all of EC imports in this subsector in 1970.

The European Community and the United States have the most detailed tariff schedules in this subsector, the Community with 38 tariff lines and the United States with 34 lines. Japan has 11 lines, the United Kingdom has 7 lines, and Canada has 4 lines.

Trade importance

Among the 28 agricultural subsectors, trade in milk and cream does not assume great importance, ranking 14th in OECD exports and only 23rd in imports, and accounting for only 3 percent of OECD agricultural exports. For the United States, the subsector ranks 12th in exports and 27th in imports among the 28 agricultural subsectors, accounting for 1.7 percent of U.S. agricultural exports. As shown in chart A-6-F,

Chart A-6-F.-- OECD trade in fresh or preserved milk and cream, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the United Kingdom and Japan are net importers of milk and cream, while the United States, Canada and the European Community are net exporters.

Imports of milk and cream by the 13 GATT tariff study countries were valued at \$70 million in 1970. Intra-EC shipments were an additional \$178 million. OECD imports in 1969 (which include intra-EC shipments) were valued at \$303 million, exports at \$645 million.

Trade network

Over half of OECD exports go to non-OECD countries (mostly LDC's), but over 90 percent of OECD imports come from OECD sources. The European Community is the largest exporter of milk and cream, shipping \$226 million to outside destinations in 1969. Complete country of destination data are unavailable for 8 percent of EC exports. Intra-EC exports are equal to 94 percent of EC external shipments, for which destinations are known. Eighty-three percent of EC external exports go to LDC's and 11 percent to "other" OECD countries. The bulk of the exports of the other four countries, including all of Japanese exports, go to less developed countries. There is small trade among the five major countries (table A-6-G).

None of the five countries have large imports of milk and cream (table A-6-H). United Kingdom imports (\$25 million in 1969) are the largest of the five countries (if intra-EC shipments are excluded). "Other" OECD countries and non-OECD developed countries supply most of United Kingdom entries. Imports of Canada, the United States, and EC entries from outside sources are negligible; intra-EC imports, however, were \$205 million in 1969.

The striking characteristic of international trade in milk and cream is its limited volume; compared for instance, to internal trade of

Table A-6-G.--OECD exports of fresh or preserved milk and cream, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	645	19	97	8	<u>1/</u> 409	23	89
OECD total-----	249	5	8	-	213	5	18
Canada-----	1	-	1	-	X	X	X
United States---	1	1	-	-	1	X	X
Japan-----	5	1	2	-	3	X	X
European Community-----	<u>1/</u> 190	2	X	-	183	2	3
United Kingdom--	16	X	X	-	4	-	12
Other OECD-----	36	1	5	-	22	3	5
Non-OECD total----	352	14	88	8	164	18	60
LDC's-----	340	13	86	8	162	18	53

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 8 percent of EC exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-6-H.--OECD imports of fresh or preserved milk and cream, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	303	2	5	14	<u>1/</u> 211	25	46
OECD total-----	282	2	2	6	210	19	43
Canada-----	6	-	1	1	2	X	2
United States---	2	1	-	1	X	X	-
Japan-----	X	-	-	-	X	-	-
European Community-----	<u>1/</u> 250	1	X	4	205	4	36
United Kingdom--	3	-	-	X	1	-	2
Other OECD-----	21	-	1	-	2	15	3
Non-OECD total----	20	X	3	7	1	6	3
LDC's-----	1	-	X	-	1	X	-

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the European Community. Part of the reason for this lack of trade can be attributed to the nature of some products in the subsector. Fresh milk, for instance, is bulky and perishable. Nevertheless, there are fairly large exports of milk to less developed countries. Barriers to trade, both tariffs and extensive nontariff barriers, appear to adversely affect trade in milk among the five major countries.

Trade-agreement concessions

Arithmetic average MFN tariffs applicable to milk and cream on pre-trade-agreement base dates are compared in the tabulation below with arithmetic average rates on January 1, 1972, for each of the five major countries. Only the United Kingdom and Canada have had significant reductions in average duties from pre-trade-agreement levels. The EC fixed rate shown for 1972 represents a single EC rate line which has had no change from the base-date rate. The January 1, 1972, rate shown for Japan does not reflect unilateral reductions by 22 to 55 percent made in 1972 on two-thirds of Japanese rates for milk and cream.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	17.5	17.1
European Community ^{1/}	19.9	16.0 (plus variable levies)
United Kingdom	24.3	7.9
Japan	22.5	29.5
Canada	27.0	16.4

Four of the five major countries have made GATT concessions on their tariff provisions for milk and cream. GATT concessions cover 97 percent of U.S. tariff lines, 73 percent of Japanese lines, and 43 percent of United Kingdom lines. Fourteen percent of Canada's provisions are fully covered and 43 percent are partially covered by GATT concessions.

France, Italy, and West Germany had made GATT tariff concessions on provisions for milk and cream in their national tariff schedules before the establishment of the EC's Common External Tariff. Of the nine national concessions, three were above the CXT rate, one was at the CXT rate, and five were below the CXT rate.

Changes which have occurred in tariff rates for condensed or evaporated whole milk in the five major tariffs are shown in table A-6-I. None of the five countries had any reductions in duties during the

^{1/} For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were replaced (or supplemented) unilaterally by variable levies, none of which reflect concessions under the GATT. The January 1, 1972, figure for the Community reflects only the one tariff line which continued to be subject to a fixed duty alone at the time tariff data for this report was prepared; it does not include the 37 tariff lines subject to a variable levy. Subsequently, the fixed rate shown was also replaced by a variable levy.

Table A-6-I.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on condensed or evaporated whole milk

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	14.4-32.6% AVE ^{2/}	8.6-19.3% AVE ^{3/}	8.6-19.3% AVE ^{3/}	115.30-.40
Canada-----	25% AVE ^{4/}	20% AVE ^{5/}	20% AVE ^{5/}	4300-1, -2
European Community--	18%	Variable levies ^{6/}	Variable levies ^{6/}	04.02
United Kingdom-----	3.9-14.2% AVE ^{7/}	4.7%; 6% AVE ^{8/}	4.7%; 6% AVE ^{8/}	04.02 (A)(1)(a)
Japan-----	25-35%	30%	30%	04.02-1

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percents are ad valorem equivalents of specific rates of duty (1.8-2.75 cents per pound), calculated on 1971 import values.

^{3/} Percents are ad valorem equivalents of specific rates of duty (1-1.75 cents per pound), calculated on 1971 import values.

^{4/} Percent is ad valorem equivalent of specific rate of duty (3.75 cents per pound), based on estimated 1971 import value.

^{5/} Percent is ad valorem equivalent of specific rate of duty (3 cents per pound), based on estimated 1971 import value.

^{6/} Autonomous rate fixed duties replaced by variable levies.

^{7/} Percents are ad valorem equivalent of specific or compound rates of duty (5s. per cwt. - 5s. 4d. per cwt. plus 10 percent), calculated on 1971 import values.

^{8/} Percents are ad valorem equivalents of specific rates of duty (6s. - 7s. 7d. per cwt.), calculated on 1971 import values.

Kennedy Round. The European Community replaced fixed duties originally established in its Common External Tariff with variable levies developed under the EC's Common Agricultural Policy.

For the United States, Japan, and the United Kingdom, the range of tariffs became more narrow prior to the Kennedy Round. The new range of United Kingdom rates was in the lower half of the old range and the new U.S. range of tariff rates was lower than the pre-trade-agreement U.S. range. Canadian tariffs also decreased prior to the Kennedy Round. On January 1, 1972, rates of the five countries for condensed or evaporated whole milk ranged from 4.7 percent (United Kingdom) to 30 percent (Japan) ad valorem or ad valorem equivalent.

Butter and Cheese

In addition to butter and cheese, this subsector includes curd. ^{1/}

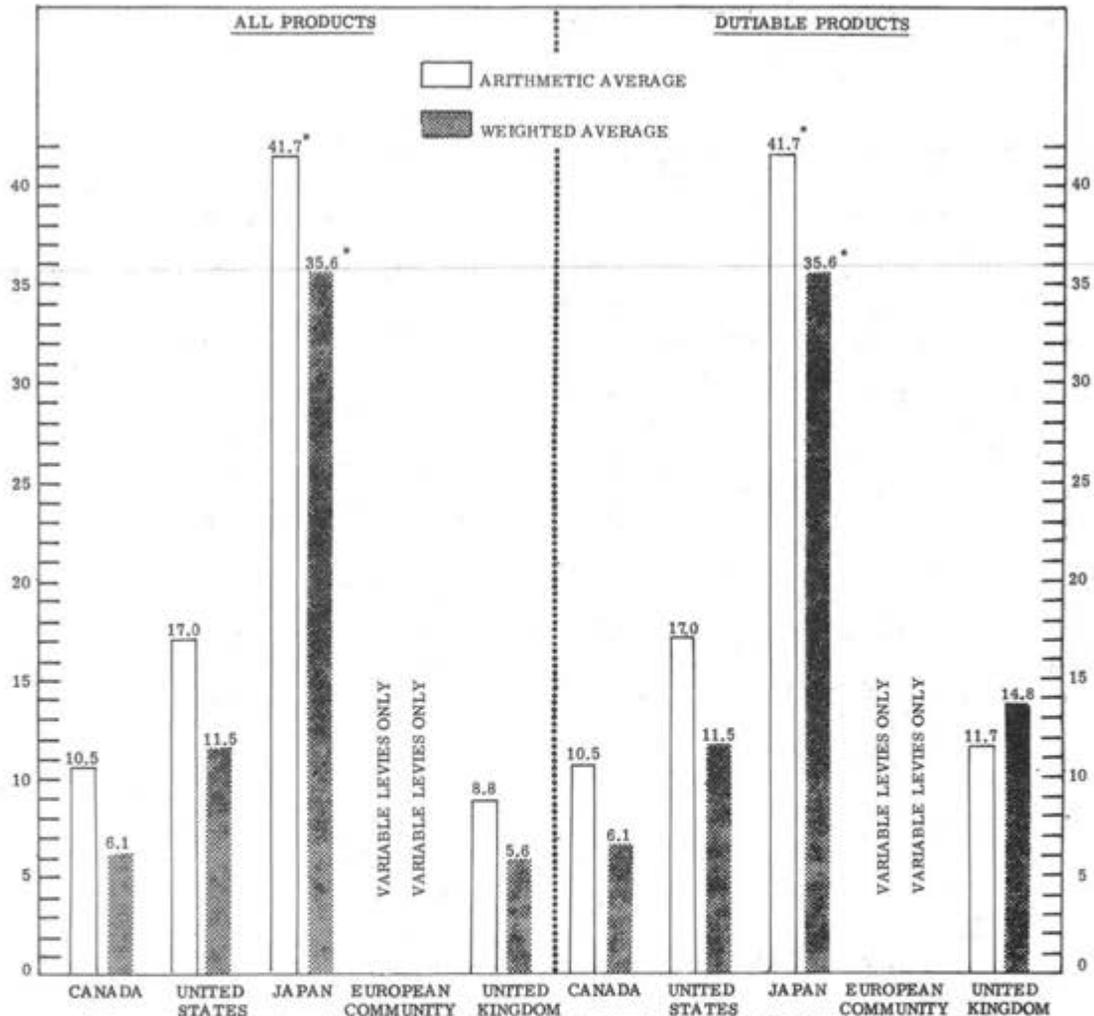
MFN tariffs

MFN tariff rates of the five major countries on butter and cheese are compared in chart A-6-G. All of the 25 tariff provisions of the European Community for butter and cheese are subject to variable levies; none are subject only to fixed duties. Consequently, in chart A-6-G it has not been possible to show EC charges on imports comparable with those of the other four major countries.

Only the United Kingdom has any duty-free MFN tariff provisions in this subsector. Consequently, for the other three countries, average tariffs for all products are equal to averages for dutiable products alone. The United Kingdom, with an arithmetic average of 8.8 percent and a weighted average of 5.6 percent ad valorem, has the lowest average tariffs on all products. Canada, with an arithmetic average tariff of 10.5 percent and a weighted average of 6.1 percent ad valorem, has the lowest average MFN tariffs on dutiable products considered alone. U.S. average MFN tariffs are more than 5 percentage points higher than comparable averages for Canada and the United Kingdom's arithmetic averages. Japan has by far the highest average MFN tariffs of the four major countries, with an arithmetic average tariff of 41.7 percent ad valorem and a weighted average of 35.6 percent.

^{1/} For the specific coverage of this subsector, see BTN headings 04.03 and 04.04.

A-6-G. --Average MFN tariff rates on butter and cheese
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging between 22 percent and 71 percent made in 1972 on Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

For Canada, Japan, and the United Kingdom, tariff provisions on butter and cheese are in a relatively narrow range of duties, as shown in table A-6-J. Half of United Kingdom provisions are in the 5.1-10 percent ad valorem range and the remainder is equally divided between the duty-free bracket and the 10.1-15 percent range. Canadian MFN tariff provisions are equally divided between the 5.1-10 and 10.1-15 percent

Table A-6-J.--Distribution, by duty level, of MFN tariff provisions for butter and cheese

(In percent)					
Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	-	-	-	NA	25.0
0.1-5.0 percent----	-	-	-	NA	-
5.1-10.0 percent----	50.0	38.5	-	NA	50.0
10.1-15.0 percent--	50.0	26.9	-	NA	25.0
15.1-20.0 percent--	-	15.4	-	NA	-
20.1-25.0 percent--	-	3.8	-	NA	-
25.1-30.0 percent--	-	3.9	-	NA	-
30.1-40.0 percent--	-	7.7	33.3	NA	-
40.1-50.0 percent--	-	-	66.7	NA	-
Over 50 percent----	-	3.8	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

1/ Variable levies apply to all EC tariff provisions.

duty ranges. U.S. rates are spread across several rate brackets ranging from 5.1 percent ad valorem to over 50 percent. However, the largest concentration of U.S. provisions (39 percent of the total) falls in the 5.1-10 percent ad valorem range, and 27 percent of provisions are in the 10.1-15 percent range. A third of Japan's provisions are in the 30.1-40 percent range and two-thirds are in the 40.1-50 percent ad valorem duty range.

In 1970, over 18 percent of United Kingdom imports of butter and cheese and a small amount of Canadian imports entered under preferential tariff treatment.

The distribution of MFN imports of butter and cheese by the five major countries, by duty level, is shown in table A-6-K. Eighty-one percent of United Kingdom imports enter duty free. Slightly over 98 percent of Canadian imports and 68 percent of U.S. imports pay duties between 5.1 and 10 percent ad valorem. About 94 percent of Japanese imports fall in the duty range of 30.1-40 percent ad valorem.

Table A-6- K.--Distribution, by duty level, of MFN imports of butter and cheese

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom
Free-----	-	-	-	NA	80.7
0.1-5.0 percent----	-	-	-	NA	-
5.1-10.0 percent---	98.2	68.4	-	NA	.5
10.1-15.0 percent--	1.8	19.6	-	NA	18.8
15.1-20.0 percent--	-	8.1	-	NA	-
20.1-25.0 percent--	-	.4	-	NA	-
25.1-30.0 percent--	-	3.5	-	NA	-
30.1-40.0 percent--	-	-	94.3	NA	-
40.1-50.0 percent--	-	-	5.7	NA	-
Over 50 percent----	-	-	-	NA	-
Total-----	100.0	100.0	100.0	NA	100.0

1/ Variable levies apply to all EC tariff provisions.

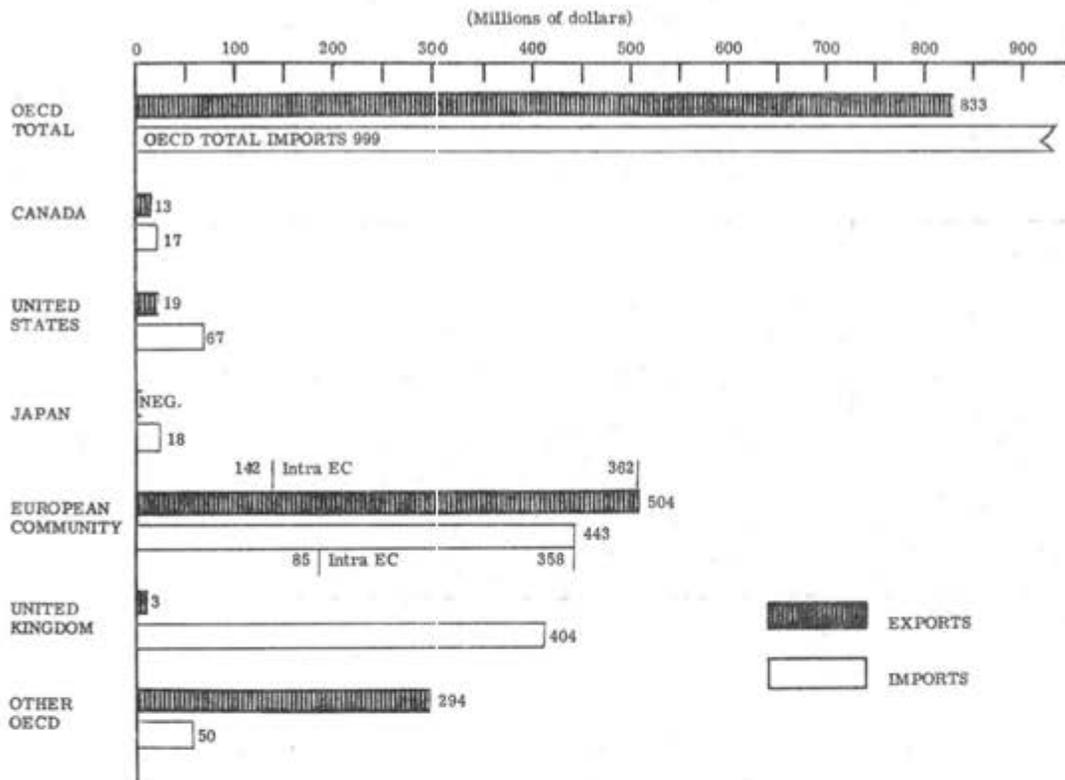
The United States with 26 tariff lines, and the European Community with 25 lines have the most complex tariff schedules for butter and cheese. The United Kingdom has 4 lines, Japan has 3, and Canada 2 lines.

Trade importance

Butter and cheese is a fairly important subsector, ranking 9th in OECD exports and 14th in imports among the 28 agricultural subsectors, and accounting for nearly 4 percent of OECD agricultural exports and over 3 percent of OECD agricultural imports in 1969. For the United States, the subsector ranks 22nd in exports and 19th in imports among the 28 agricultural subsectors, accounting for slightly over 1 percent of U.S. agricultural imports and less than 1 percent of U.S. agricultural exports. As shown in chart A-6-H, the European Community is a net exporter of butter and cheese, while the other four major countries are net importers.

Imports of butter and cheese by the 13 GATT tariff study countries were valued at \$688 million in 1970. Intra-EC shipments were an additional

Chart A-6-H. -- OECD trade in butter and cheese, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

\$477 million. OECD imports in 1969 (which include intra-EC trade) were valued at \$999 million, exports at \$833 million.

Trade network

Nearly three-fourths of OECD imports come from OECD countries and nearly 90 percent of OECD exports go to OECD countries (tables A-6-L and M). Less developed countries receive nearly 10 percent of OECD exports, but supply less than 1 percent of OECD imports. Developed non-OECD countries supply over one-fourth of OECD imports.

The European Community is the largest exporter, shipping \$142 million of exports to countries outside the Community in 1969.

Table A-6-L.-- OECD exports of butter and cheese, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	833	13	19	X	<u>1/</u> 504	3	294
OECD total-----	745	11	8	-	453	1	272
Canada-----	14	-	1	-	6	X	7
United States---	57	1	-	-	28	X	28
Japan-----	8	X	X	-	3	X	5
European Community----	<u>1/</u> 450	X	X	-	362	X	88
United Kingdom--	164	9	X	-	28	-	127
Other OECD-----	52	1	7	-	26	1	17
Non-OECD total----	87	2	10	X	50	2	23
LDC's-----	79	2	10	X	47	2	18

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-6-M.-- OECD imports of butter and cheese, 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	999	17	67	18	<u>1/</u> 443	404	50
OECD total-----	737	15	55	9	439	170	49
Canada-----	11	-	1	-	X	10	-
United States---	3	2	-	X	X	X	1
Japan-----	X	-	-	-	-	-	-
European Community----	<u>1/</u> 450	6	26	3	358	29	28
United Kingdom--	1	X	X	X	X	-	1
Other OECD-----	272	7	28	6	81	131	19
Non-OECD total----	261	1	12	9	3	234	2
LDC's-----	8	X	3	X	X	4	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Intra-EC exports are two and a half times as great as external EC shipments. The United States had 1969 exports of only \$19 million; Canada, \$13 million and the United Kingdom, \$3 million. The United States and the United Kingdom are the largest single markets for exports by the European Community, each absorbing nearly one-fifth of EC external exports. Less developed countries receive one-third of EC external exports and "other" OECD countries receive 18 percent. More than half of exports by the United States and the United Kingdom go to less developed countries and nearly 70 percent of Canadian exports go to the United Kingdom.

The United Kingdom is by far the largest importer of butter and cheese (excluding intra-EC imports), entering \$404 million in 1969. Nearly 57 percent of United Kingdom imports come from non-OECD developed countries, and nearly a third come from the "other" OECD countries. Each of the other major countries receives at least half of its imports from OECD countries. The European Community, the second largest importer, with \$85 million of imports in 1969 from outside sources, receives nearly all of its outside imports from "other" OECD countries. The United States, with \$67 million of imports, enters about 39 percent of its imports from the European Community and about 42 percent from "other" OECD countries. The European Community is also the largest single supplier for imports of Canada and Japan.

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariffs for butter and cheese on pre-trade-agreement base dates are compared with arithmetic average rates on January 1, 1972, for the five major countries. For Canada, the United States, and the United Kingdom, substantial reductions

have occurred in their average MFN rates. The average level of the Japanese tariff has increased from the pre-trade-agreement level, but the Japanese rate shown for January 1, 1972, does not reflect unilateral reductions (by 22-71 percent) made in 1972 on all of the Japanese tariff rates for butter and cheese.

	<u>Pre-trade-agreement</u> (Percent ad valorem)	<u>January 1, 1972</u>
United States	34.0	17.0
European Community <u>1/</u>	23.1	Variable levies only
United Kingdom	12.1	8.8
Japan	35.0	41.7
Canada	33.5	10.5

Three of the five major countries have made GATT concessions on their tariff provisions for butter and cheese. GATT concessions cover all U.S. provisions and three-fourths of United Kingdom lines. GATT-bound ceilings fully cover 4 percent of EC lines and partially cover 20 percent of EC tariff lines for butter and cheese.

Each of the members of the European Community had made some national GATT tariff concessions on butter and cheese prior to the establishment of the EC's Common External Tariff. Of the 20 GATT concessions in national schedules, 3 were above the CXT rate and 17 were below the CXT rate.

Tariff rates of the five major countries for cheese on pre-trade-agreement base dates and on January 1, 1972, are compared in table A-6-N.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, all of the original fixed duties for this subsector were replaced (or supplemented) unilaterally by variable levies, none of which reflect GATT concessions, but a few of which are subject to ceilings as a result of earlier GATT concessions.

Table A-6-N.--Pre-trade-agreement tariff rates compared with January 1, 1972.
MFN tariff rates on cheese

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	35%; 39.7% AVE ^{2/}	12-25% ^{3/}	6-25% ^{3/ 4/}	117.00-.85
Canada-----	11.8%; 12.7% AVE ^{5/}	5.4% AVE ^{6/}	5.4% AVE ^{6/}	1700-1, -2
European Community--	23%	Variable levies ^{7/}	Variable levies ^{7/}	04.04
United Kingdom-----	15%	10%; 15%	10%; 15%	04.04 (A)
Japan-----	35%	35%; 45%	35%; 45%	04.04

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Percent is ad valorem equivalent of a specific rate of duty (8.75 cents per pound), calculated on 1971 import values.

^{3/} Range includes an ad valorem equivalent (22.7 percent) of a specific rate of duty (5 cents per pound), calculated on 1971 import values.

^{4/} More than half of cheese imports in 1971 entered at rates of 8-10 percent ad valorem which had undergone 50 percent reductions in the Kennedy Round.

^{5/} Percents are ad valorem equivalents of specific rate of duty (7 cents per pound), calculated on estimated 1971 import values.

^{6/} Percent is ad valorem equivalent of specific rates of duty (3-3.5 cents per pound), calculated on estimated 1971 import values.

^{7/} Concessions under the GATT made by the European Community before the Kennedy Round act as ceilings on variable levy charges on glaris herb cheese (also called Schabziger) and on certain limited categories of Emmentaler, Gruyere, Sbrinz, Bergkase and Appenzell cheeses. For glaris herb cheese, the ceiling is 12 percent ad valorem. For the other cheeses mentioned, the ceiling is \$8.14 or \$21.70 per 100 kg., calculated on 1972 exchange rate conversions.

Of the five major countries, only the United States had tariff reductions during the Kennedy Round. By 1972, the United States had made tariff reductions on all categories of cheese, the reductions ranging from nearly 30 percent for Goya and Sbrinz cheeses to over 80 percent for Edam and Gouda cheese, and Gjetost cheese made from goat's milk. The U.S. arithmetic average duty in 1972 was 14 percent ad valorem compared to a pre-trade-agreement average of 35 percent ad valorem. Although Canada had no duty reductions during the Kennedy Round, Canadian duties on cheese were reduced more than 50 percent prior to the Kennedy Round,

giving Canada the lowest cheese duty rates for January 1, 1972. The United Kingdom had reductions of one-third on duties for blue veined cheese prior to the Kennedy Round. The European Community replaced fixed duties with variable levies in all tariff lines applicable to cheese. GATT concessions on glaris herb cheese and on limited categories of Emmenthaler, Gruyere, Sbrinz, Bergkase, and Appenzeller cheeses in effect impose a ceiling on the variable levies on these cheeses. The European Community made no duty reductions on cheese in the Kennedy Round.

Japan raised its tariffs on processed cheese prior to the Kennedy Round and had no duty reductions during the Kennedy Round. On January 1, 1972, duty rates on cheese ranged from 5.4 percent ad valorem for Canada to 45 percent ad valorem for Japan.

Agricultural Sector A-7

FISH, SHELLFISH, AND PRODUCTS

The sector for fish, shellfish, and products thereof includes all fresh, chilled, or frozen fish and shellfish, as well as fish and shellfish which are prepared or preserved. The items covered by the sector will hereafter be collectively referred to as fishery products. 1/ All fishery products included in this subsector must be suitable for human consumption.

MFN tariffs

Average MFN tariffs of the five major countries are shown in chart A-7-A for fishery products. For all fishery products (free and dutiable combined), arithmetic average tariffs range from 5.3 percent ad valorem to 13.4 percent ad valorem; weighted averages range from 1.6 percent to 12.3 percent (chart A-7-A). The lowest arithmetic average is held by Canada, the lowest weighted average by the United States; the European Community has the highest averages. 2/ Japan has an arithmetic average of 10.4 percent, a weighted average of 6.3 percent. The United Kingdom averages are 11.1 percent (arithmetic) and 5.9 percent (weighted). For dutiable products alone, the European Community again has the highest averages (14.7 percent and 15.7 percent). The United States has the lowest arithmetic average

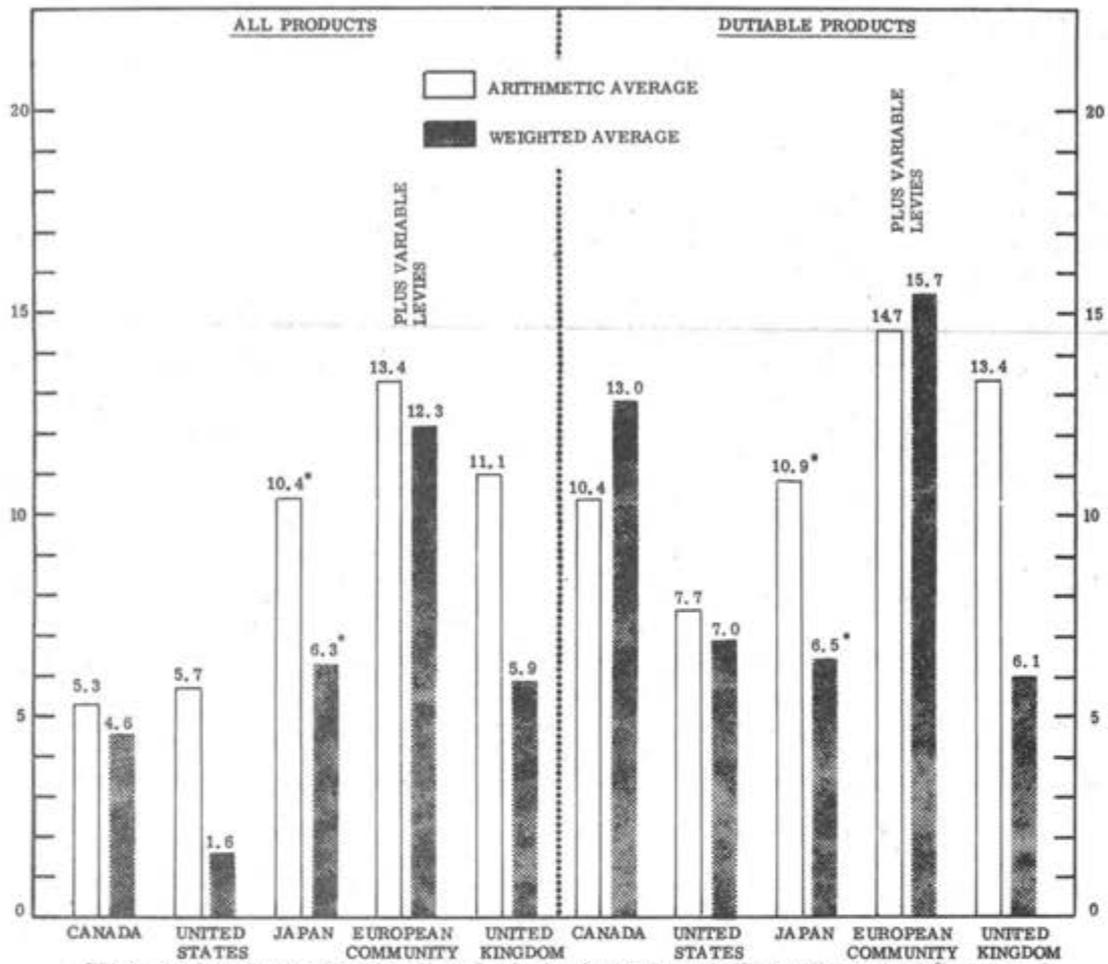
1/ For the specific coverage of this sector, see BTN chapter 3 and headings 16.04 and 16.05.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

2/ Since 1970, a small percentage of EC tariff provisions for this sector have been subject to a compensatory tax (having the effect of a variable levy) in addition to normal customs duties. The compensatory tax is designed to keep import prices below reference prices set for certain products.

Chart A-7-A. --Average MFN tariff rates on fish, shellfish and products

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by amounts ranging between 20 percent and 60 percent made in 1972 on over one-third of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

at 7.7 percent ad valorem and the United Kingdom has the lowest weighted average (6.1 percent). The greatest differences between the averages for all products and for dutiable products are in the averages of Canada and the United States.

The distribution, by duty level, of MFN provisions of the five major countries for fishery products is shown in table A-7-A. Japan, with 70 percent of provisions evenly divided between the rate ranges of 5.1-10 and 10.1-15 percent ad valorem, has the greater part of provisions dutiable

Table A-7-A.--Distribution, by duty level, of MFN tariff provisions for fish, shellfish and products

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	48.8	25.7	5.0	8.5	17.2
0.1-5.0 percent----	7.0	29.0	20.0	2.8	13.8
5.1-10.0 percent---	23.3	24.4	35.0	21.1	44.9
10.1-15.0 percent--	11.6	16.2	35.0	35.2	6.9
15.1-20.0 percent--	9.3	2.0	5.0	21.1	-
20.1-25.0 percent--	-	.7	-	8.5	-
25.1-30.0 percent--	-	1.3	-	2.8	17.2
30.1-40.0 percent--	-	.7	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

at higher rates than those assessed for the bulk of Canadian, United Kingdom or U.S. provisions. Canada has nearly half of its provisions duty free, and nearly one-fourth dutiable in the 5.1-10 percent range. The United States, with 29 percent of provisions dutiable between 0.1 and 5 percent, has about one-fourth of provisions free and about one-fourth dutiable in the 5.1-10 percent ad valorem range.

The United Kingdom has 45 percent of provisions dutiable between 5.1 and 10 percent ad valorem; the 17 percent of United Kingdom provisions dutiable between 25.1 and 30 percent ad valorem makes the United Kingdom arithmetic average tariff on all products higher than that of Japan and almost as high as the EC arithmetic average tariff on all products. The European Community has 35 percent of provisions in the 10.1-15 percent rate bracket and slightly over one-fifth of provisions in the 5.1-10 percent and the 15.1-20 percent ad valorem ranges.

In 1970, four of the five major countries accorded preferential tariff treatment to some imports of fishery products. Preferential duties were applied to 42 percent of United Kingdom imports, about 10 percent

of EC imports from outside countries, and a negligible percentage of Canadian and U.S. imports.

The distribution, by duty level, of 1970 MFN imports of fishery products is shown in table A-7-B. Canada enters nearly two-thirds of

Table A-7-B.--Distribution, by duty level, of MFN imports of fish, shellfish and products

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	65.4	77.5	2.6	22.2	5.2
0.1-5.0 percent----	3.4	2.8	70.3	3.8	42.8
5.1-10.0 percent---	13.4	17.1	21.0	16.4	50.8
10.1-15.0 percent--	3.2	2.6	6.1	26.1	.1
15.1-20.0 percent--	14.6	-	-	12.5	-
20.1-25.0 percent--	-	-	-	18.0	-
25.1-30.0 percent--	-	-	-	1.0	1.1
Total-----	100.0	100.0	100.0	100.0	100.0

its imports and the United States over three-fourths of its imports duty free. The bulk of Japanese imports (70 percent) enter in the 0.1-5 percent ad valorem duty range, while nearly all of United Kingdom dutiable imports are admitted in the 0.1-5 and 5.1-10 percent ad valorem ranges. Canada and the European Community have significant percentages of dutiable imports reaching higher levels than the other three countries; 15 percent of Canadian imports are dutiable in the 15.1-20 percent range and 18 percent of EC imports are dutiable in the 20.1-25 percent ad valorem range. Over one-fifth of EC imports are duty free.

The United States has by far the most detailed tariff schedule in this sector, with 148 lines. The European Community has 71 lines; Canada has 43 lines; the United Kingdom has 29 lines; and Japan has 20 lines.

World production

The 1970 world commercial catch of fish, shellfish, and mollusks (oysters, clams, snails, etc.) amounted to about 150 billion pounds (live weight). Some 35 to 40 percent of the total weight of the catch is reduced to inedible fish meal and oil and, hence, is not covered in this section. The principal species of fish for food on the basis of volume are cod, herring, Alaska pollock, tuna, mackerel, and shrimp. The major producers of fish for food are Japan, the Soviet Union, Peoples Republic of China, and the United States.

The United States attempts to protect its fishing interests on the high seas (beyond the 12-mile coastal waters) through bilateral agreements. Efforts are also underway to obtain agreement on a multilateral basis to develop a better balance between coastal and distant-water fishing interests.

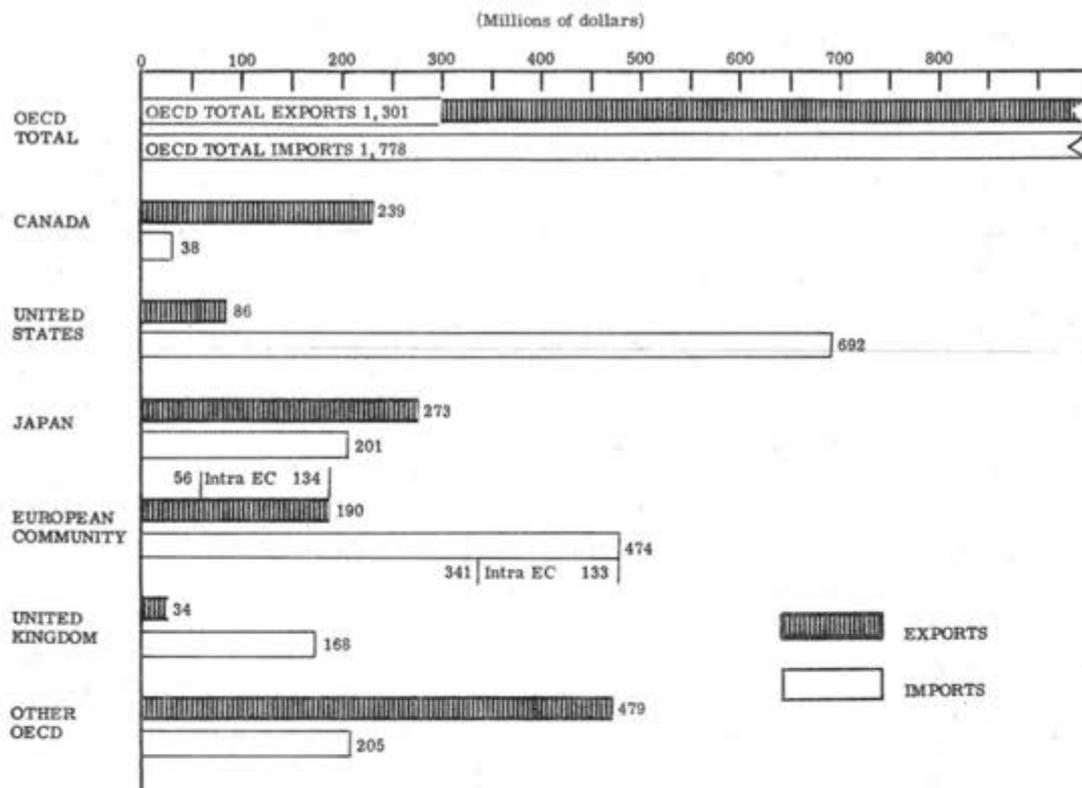
Trade importance

Among the nine agricultural sectors, fish, shellfish and their products rank eighth in OECD exports and sixth in imports, and account for about 6 percent of OECD agricultural exports and imports. For the United States, the sector also ranks eighth in exports but third in imports, accounting for about 1.5 percent of U.S. agricultural exports and about 12 percent of U.S. agricultural imports.

As shown in chart A-7-B, Canada and Japan are net exporters of fishery products, whereas the United States, the United Kingdom, and the European Community are net importers.

In 1970, imports by the 13 GATT tariff study countries were valued at \$1.9 billion. Intra-EC shipments were an additional \$157 million, or about 39 percent of the value of EC imports from countries outside the Community. OECD imports in 1969 were valued at \$1.8 billion, exports were \$1.3 billion.

Chart A-7-B. -- OECD trade in fish, shellfish and products, 1969



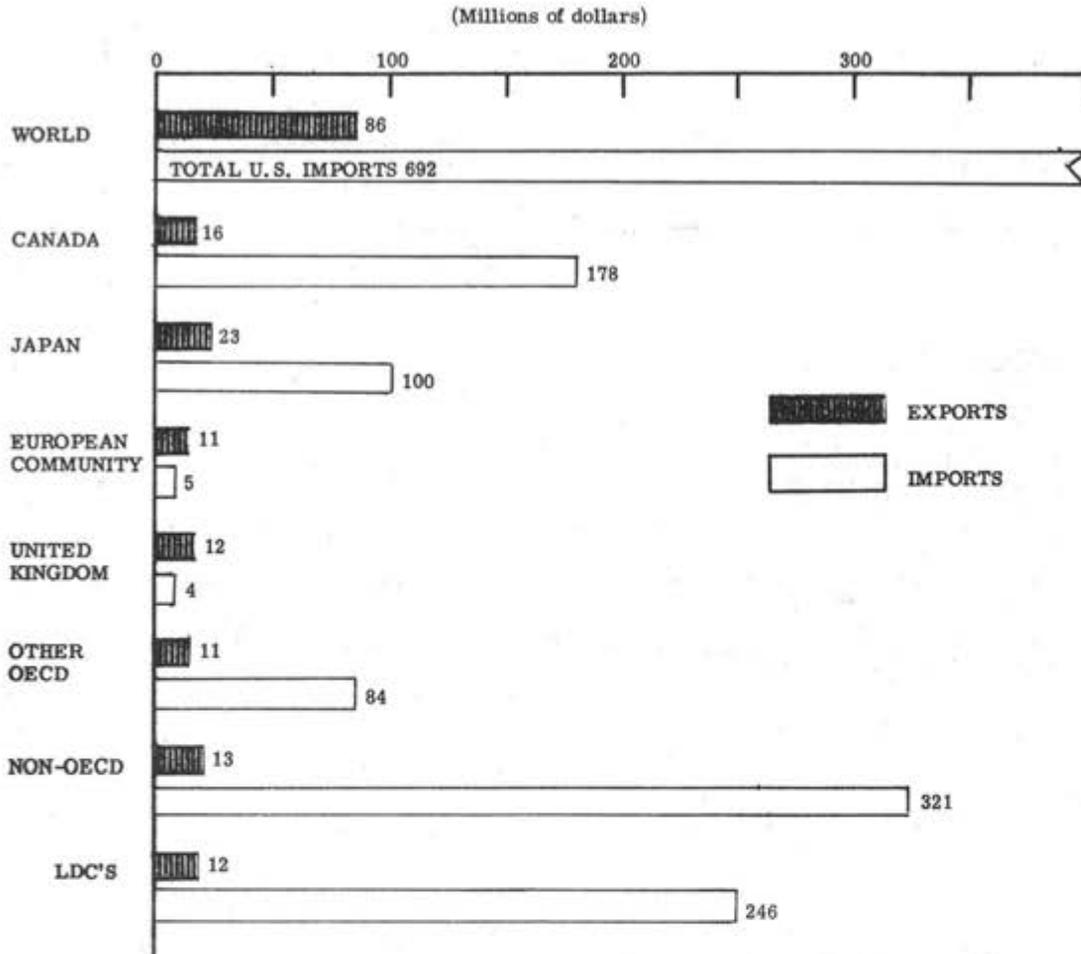
Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Trade network

The five major countries account for about two-thirds of OECD exports of fishery products, and almost 90 percent of imports. U.S. exports are relatively small, but the United States is the major importer, receiving 39 percent of total OECD imports (see chart A-7-C).

Japan is the largest exporter, shipping \$273 million in 1969 (see table A-7-C). The United States receives one-third of Japanese exports and is Japan's largest market. Over one-fourth of Japanese exports go to LDC's. The European Community and the United Kingdom are also important markets for Japan.

Chart A-7-C. --United States trade in fish, shellfish and products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Canadian exports are nearly as large as those of Japan; almost 70 percent of Canadian exports go to the United States. The United States, which exported \$86 million of fishery products in 1969, finds its largest market in Japan. EC exports to countries outside the Community (\$56 million) go largely to the smaller OECD countries or to less developed countries.

Table A-7-C.--OECD exports of fish, shellfish and products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,301	239	86	273	<u>1/</u> 190	34	479
OECD total-----	1,052	219	73	187	169	20	384
Canada-----	28	-	16	6	1	1	4
United States---	346	166	-	91	6	3	80
Japan-----	31	3	23	-	1	X	4
European Community-----	<u>1/</u> 364	16	11	44	134	12	147
United Kingdom--	129	27	12	34	8	-	48
Other OECD-----	154	7	11	12	19	4	101
Non-OECD total----	248	20	13	86	20	13	96
LDC's-----	187	16	12	71	17	4	67

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Over one-fourth of OECD imports come from less developed countries. The United States is the largest importer of fishery products, with the value of U.S. imports being twice the value of entries by the second largest importer, the European Community (excluding intra-EC shipments). Non-OECD countries (mostly LDC's) supply about 46 percent of total U.S. imports, Canada over one-fourth, and Japan about 14 percent. The bulk of EC imports from countries outside the Community come from non-OECD sources and the smaller OECD nations (table A-7-D).

The United Kingdom is the third largest OECD importer, entering \$168 million of fishery products in 1969. Japan is one of the largest suppliers to the United Kingdom, accounting for almost 25 percent of its entries. The smaller OECD countries supply over 30 percent of United Kingdom imports of fishery products.

Table A-7-D.--OECD imports of fish, shellfish and products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,778	38	692	201	<u>1/</u> 474	168	205
OECD total-----	1,155	33	371	38	384	144	185
Canada-----	238	-	178	3	17	28	12
United States---	79	21	-	23	13	14	8
Japan-----	207	7	100	-	47	40	13
European Community-----	<u>1/</u> 168	1	5	1	133	9	19
United Kingdom--	26	1	4	X	15	-	6
Other OECD-----	437	3	84	11	159	53	127
Non-OECD total----	621	5	321	164	88	24	19
IDC's-----	464	4	246	131	60	12	11

1/ Includes intra-EC shipments.

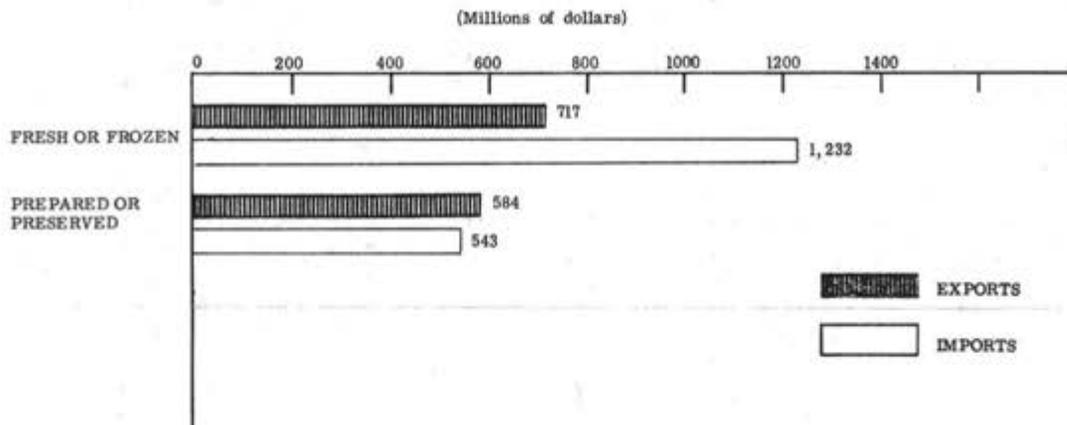
X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

The fishery products sector is divided into two subsectors: Fresh, chilled, or frozen fish and shellfish; and prepared or preserved fish and shellfish. The first subsector is only slightly more important than the second in OECD exports, but imports of fresh, chilled, or frozen fish and shellfish are twice the value of imports of prepared or preserved fish and shellfish. The relative importance of the two subsectors is shown in chart A-7-D.

Chart A-7-D.--OECD trade in fish, shellfish and products, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969

Trade-agreement concessions

In the tabulation below, arithmetic average tariffs for fishery products on January 1, 1972, are compared with average levels on pre-trade-agreement base dates for each of the five major countries. The United States and Canada have had the largest decreases in arithmetic average MFN tariffs, but the other three countries also have had significant reductions. The Japanese 1972 figure shown below does not reflect unilateral reductions by 20 percent to 60 percent made in 1972 on over one-third of Japanese provisions for fish, shellfish and their products.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	17.6	5.7
European Community	16.8	13.4
United Kingdom	16.4	11.1
Japan	15.4	10.4
Canada	23.4	5.3

In each country's tariff except for Canada, GATT concessions covered more than half of tariff provisions for fishery products. Over 98 percent of U.S. provisions and a slightly lower percentage of EC provisions are under the GATT. Fifty-five percent of Japanese tariff provisions are covered; and for the United Kingdom, about 40 percent of the tariff provisions are fully covered by GATT concessions and an equal portion is partly covered. Approximately one-third of Canadian provisions for fishery products are covered under the GATT.

The national tariff schedules of the member states of the European Community contained tariff concessions on fish, shellfish and their products negotiated under the GATT before the adoption of the Common External Tariff (CET). The total number of such concessions was 180, of which 53 were above the CET rate, 24 were at the CET rate, and 103 were below the CET rate.

Trade complaints

In the Tariff Commission's survey, 77 complaints were received from producers and traders of fish and shellfish concerning policies or practices which they considered to be barriers to trade. The complaints were about evenly divided between developed and developing countries. The largest number of complaints received concerned standards, followed by quantitative restrictions and licensing.

Standards.--About half of the complaints were against standards, primarily labelling and container requirements. Half of these were against Latin American nations, dealing with Brazilian regulations stipulating that all cans be labelled in Portuguese, Venezuelan labelling stipulations

regarding dating, and Mexican labelling stipulations requiring the name of the importer and declaration number. Among the complaints against developed countries concerning standards were objections to the requirements of West Germany on mandatory container sizes and Germany's requirement that the production date appear on the label. France requires the country of origin be embossed on the can. U.S. producers also cited as injurious Australian planned standardization of can sizes in the metric system. Japan requires the net content of food must be labelled only in the metric system; also the name of the importer and the date of importation must appear on each container. Japan stipulates only specified approved additives may be used for flavoring, preserving, and improving the appearance of food. U.S. labelling requirements differ from the Fair Packaging and Labelling Act in the state of New York. New York State insists the name and address of the importer appear on foodstuffs and packaged goods; a similar stipulation does not apply to domestic producers.

In the category of health standards, virtually all the complaints were against the United States. Some countries specifically complained of U.S. FDA standards for mercury content in swordfish and black cod; U.S. mercury guidelines for seafood and froglegs are not accepted by most other fish consuming nations. The state of Maryland prohibits entry of shellfish unless certified by the U.S. Public Health Service to be free of pollution; this stipulation applies even though shellfish have been inspected by the U.S. Food and Drug Administration.

U.S. producers considered Peruvian mandatory inspection of imports and other Latin American country regulations requiring that sanitary certificates accompany shipments of fish as obstacles to trade.

U.S. producers felt differing analytical techniques among nations for evaluating fish were detrimental to trade.

Quantitative restrictions and licensing.--Quantitative restrictions and licensing controls accounted for 30 percent of the complaints. Japan has licensing requirements on frozen squid and quotas on herring, cod, scallops, mackerel, and sardines. Dahomey embargoes all canned fish in tins of a weight over 1 kilogram. Barbados requires licenses for importation of fish and fish products, as do several Latin American countries. South Africa and New Zealand have quotas on canned shrimp. Complaints against Western Europe dealt with Danish licensing requirements for oysters, French embargoes on lake trout implemented via licensing controls, and West German quotas on carp, herring, and shrimp, also implemented via licensing.

Miscellaneous practices.--A U.S. trader complained against governmental assistance received by exporters in Japan and the European Community, and against U.S. government procurement policies. Ceylonese fish trade is controlled by government monopoly. New Zealand and South African regulations were said to discourage importation of canned shrimp. In Brazil, the minimum value (for customs valuation) is fixed by the Bank of Brazil; if foreign products are imported at a value lower than the minimum value, the customs duty is levied on the basis of the minimum value. Mexican valuations are based on an "official"

value rather than the actual value of the imported goods; artificial values are almost invariably greater than actual values. Canned clams imported into the United States are subject to valuation on the basis of the American selling price of a competitive domestic product rather than the actual value of the imported article. Egyptian documentation regulations require special import certificates. French border taxes on fish were the subject of complaint, as were the Italian sanitary tax and inspection fee.

Estimated effect of trade barriers.--Less than one-third of the complaints submitted to the Commission in the fish and shellfish sector were accompanied by an assessment of the effect on trade of the reported barriers. In the case of 15 complaints, the respondents indicated a "significant" increase in trade would be expected if the barrier were removed, 6 expected a "moderate" increase and 2 a "small" increase. None of the respondents estimating a significant increase assigned a dollar value to their estimate; respondents estimating moderate increases assigned dollar amounts ranging from \$25,000 to \$1 million annually. U.S. producers estimated their sales of canned shrimp in New Zealand and South Africa would increase "moderately" (7 percent) with the removal of internal regulations (i.e., licensing practices and quotas discouraging imports); with the removal of Japanese frozen squid licensing requirements, U.S. producers estimated squid sales would increase a "moderate" 200 percent; with the removal of U.S. standards for mercury content in fish, importers estimated swordfish sales would increase a "significant" 100 percent and sales of black cod a "significant" 167 percent.

Fresh, Chilled, or Frozen Fish and Shellfish

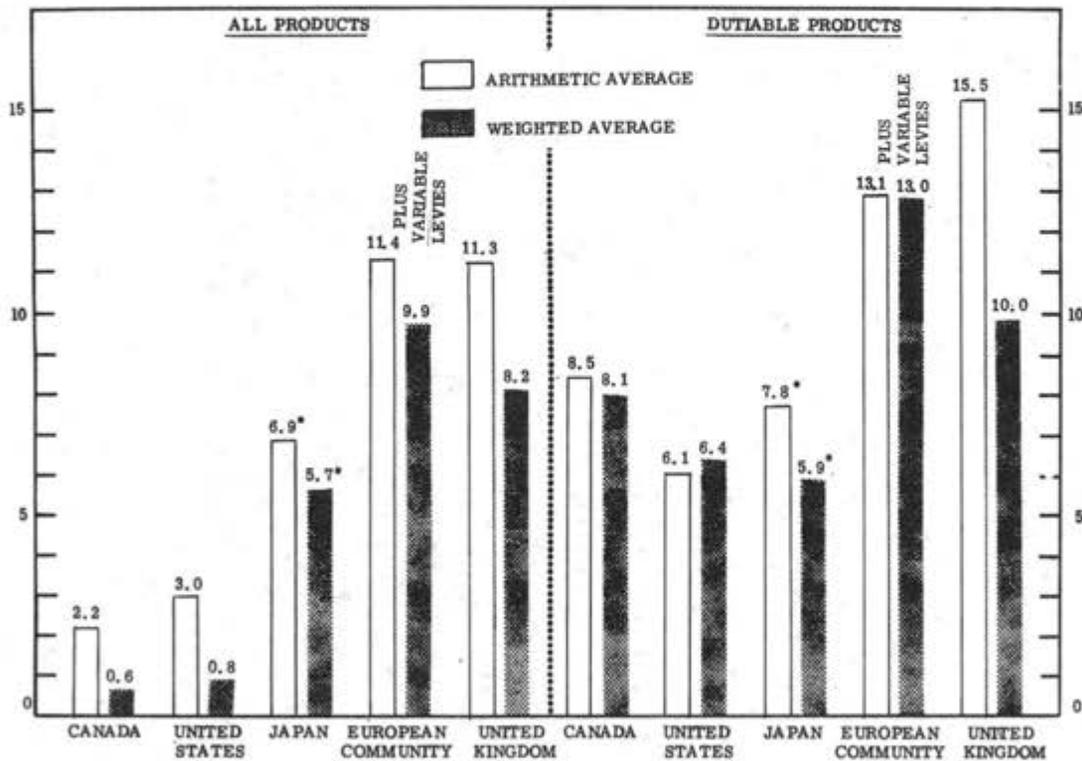
This subsector covers fish, fresh (live or dead), chilled, or frozen; and crustaceans and mollusks, fresh, chilled, frozen, salted in brine, or dried, or in shells simply boiled in water. ^{1/}

MFN tariffs

Average MFN tariffs of the five countries for fresh, chilled, or frozen fish or shellfish are shown in chart A-7-E. The United States

Chart A-7-E.--Average MFN tariff rates on fresh, chilled or frozen fish and shellfish

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reduction by 50 percent made in 1972 on 14 percent of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

^{1/} For the specific coverage of this subsector, see BTN headings 03.01 and 03.03.

and Canada have large percentages of tariff provisions and imports free of duty. Consequently, U.S. and Canadian average tariffs on all products are much lower than average tariffs on dutiable products alone. Canadian average tariffs are the lowest of the five countries on all products (2.2 percent ad valorem arithmetic, 0.6 percent weighted), followed by the United States (arithmetic average, 3 percent; weighted average, 0.8 percent). Japanese average tariffs are considerably higher, (6.9 percent arithmetic, 5.7 percent weighted), but the European Community has the highest averages on all products, with an arithmetic average tariff of 11.4 percent ad valorem and a weighted average of 9.9 percent. For all products, average tariffs of the United Kingdom are slightly below those of the European Community.

The United Kingdom has the highest arithmetic average tariff for dutiable products alone, 15.5 percent ad valorem; its weighted average is considerably lower, 10 percent ad valorem. The European Community averages for dutiable products are at 13 and 13.1 percent. Japanese dutiable product averages are not significantly different from those for all products. The United States has the lowest arithmetic average for dutiable products (6.1 percent) and Japan has the lowest weighted average (5.9 percent).

Half of U.S. tariff provisions and nearly three-fourths of Canadian MFN provisions for fresh, chilled, or frozen fish and shellfish are duty free (table A-7-E). One-fifth of U.S. provisions are dutiable between 0.1 and 5 percent ad valorem and over one-fifth of U.S. and Canadian provisions between 5.1 and 10 percent. The United Kingdom, with over

Table A-7-E.--Distribution, by duty level, of MFN tariff provisions for fresh, chilled or frozen fish and shellfish

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	73.7	50.0	11.1	12.5	26.7
0.1-5.0 percent----	-	20.6	44.5	5.0	6.6
5.1-10.0 percent---	21.0	23.5	33.3	32.5	40.0
10.1-15.0 percent--	5.3	5.9	11.1	25.0	6.7
15.1-20.0 percent--	-	-	-	17.5	-
20.1-25.0 percent--	-	-	-	7.5	-
25.1-30.0 percent--	-	-	-	-	20.0
Total-----	100.0	100.0	100.0	100.0	100.0

one-fourth of MFN tariff provisions duty free, has 40 percent of provisions dutiable between 5.1 and 10 percent ad valorem. The United Kingdom arithmetic average is the highest of the five major countries on dutiable products and the second highest on all products because one-fifth of its provisions are in the duty range of 25.1-30 percent ad valorem.

Japan has 45 percent of its provisions in the 0.1-5 percent rate bracket and both Japan and the European Community have a third of their provisions in the 5.1-10 percent bracket. The Community has one-fourth of its provisions dutiable in the 10.1-15 percent duty range and 18 percent in the 15.1-20 percent bracket.

In 1970, preferential tariff treatment was accorded some imports by three of the five major countries. Preferential duties covered a negligible percentage of U.S. imports, nearly 10 percent of EC imports from outside sources and 42 percent of United Kingdom entries.

The great bulk of U.S. and Canadian imports enter duty free. Eighty-one percent of Japan's imports pay duties between 0.1 and 5 percent ad valorem, and about 87 percent of United Kingdom imports are in

the 5.1-10 percent ad valorem bracket. EC imports are more widely dispersed among the duty ranges, with the largest portion (31 percent) in the 10.1-15 percent bracket (table A-7-F).

Table A-7-F.--Distribution, by duty level, of MFN imports of fresh, chilled or frozen fish and shellfish

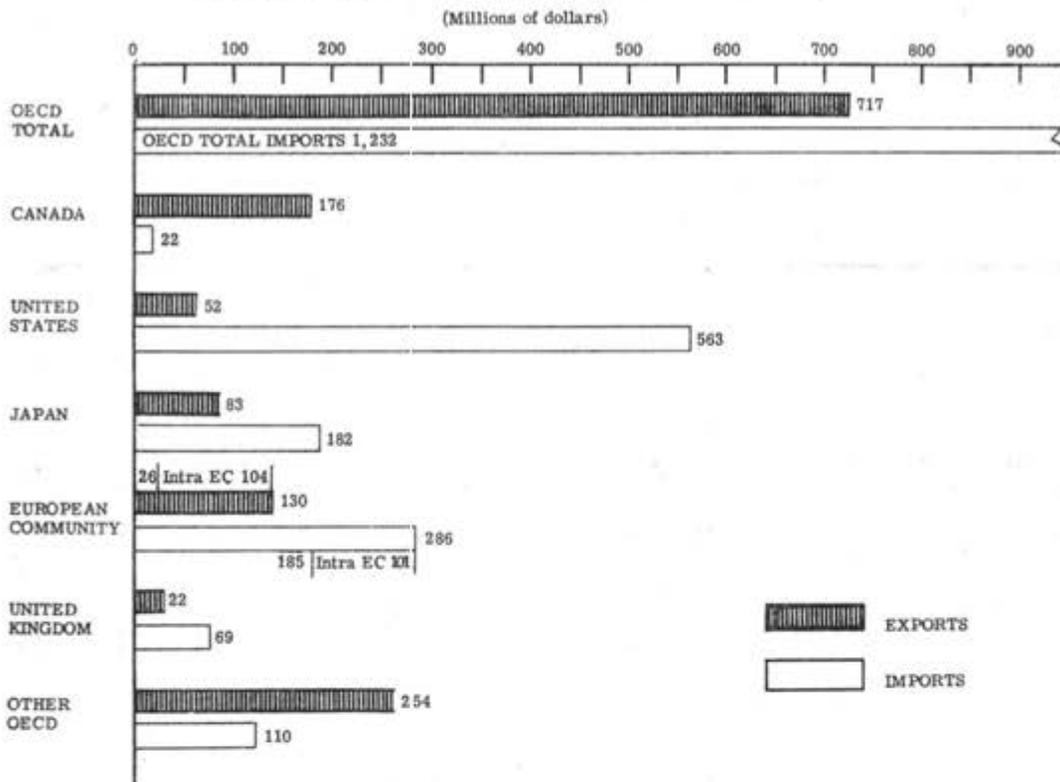
Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	91.8	87.3	2.9	25.9	11.8
0.1-5.0 percent----	-	2.0	80.6	6.3	1.0
5.1-10.0 percent---	8.2	10.7	15.0	23.3	87.2
10.1-15.0 percent--	-	-	1.5	31.2	-
15.1-20.0 percent--	-	-	-	4.3	-
20.1-25.0 percent--	-	-	-	9.0	-
Total-----	100.0	100.0	100.0	100.0	100.0

The European Community has the most detailed tariff schedule in this subsector, with 40 lines. The United States has 34 lines, Canada has 19 lines, the United Kingdom has 15 lines, and Japan has 9 lines.

Trade importance

Among the 28 agricultural subsectors, fresh, chilled, or frozen fish and shellfish ranked 13th in OECD exports and 9th in imports in 1969, accounting for over 3 percent of OECD agricultural sector exports and nearly 4 percent of agricultural imports. As shown in chart A-7-F, OECD exports are equal to less than 60 percent of the value of imports. Canada is a net exporter by a large margin, and the other four major countries are large net importers. The subsector accounts for 55 percent of OECD exports in the fishery products sector and 69 percent of imports. For the United States, the subsector ranked 14th in exports

Chart A-7-F. -- OECD trade in fresh, chilled or frozen fish and shellfish, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

and 3rd in imports among the 28 agricultural subsectors in 1969, accounting for almost 10 percent of U.S. agricultural imports but only a small percentage of exports.

Imports of fresh, chilled, or frozen fish and shellfish in 1970 by the 13 GATT tariff study countries were valued at \$1.3 billion. Intra-EC shipments were an additional \$121 million. OECD imports in 1969 were valued at \$1.2 billion, exports at \$717 million.

Trade network

The five major countries account for nearly two-thirds of OECD exports and over 90 percent of imports. Only about one-tenth of OECD

exports go to non-OECD countries, but over two-fifths of OECD imports come from non-OECD sources, with 32 percent originating in less developed countries.

Among the five major countries, Canada is the only significant exporter (the European Community has a substantial amount of intra-EC exports, but only \$26 million of external shipments in 1969). Over 85 percent of Canada's exports go to the United States (table A-7-G).

Table A-7-G.--OECD exports of fresh, chilled, or frozen fish and shellfish, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	717	176	52	83	<u>1/</u> 130	22	254
OECD total-----	652	175	43	60	127	15	232
Canada-----	12	-	9	1	X	X	2
United States---	245	152	-	35	2	2	54
Japan-----	22	3	15	-	X	X	4
European Community-----	<u>1/</u> 234	10	7	16	104	10	87
United Kingdom--	52	6	4	3	5	-	34
Other OECD-----	87	4	8	5	16	3	51
Non-OECD total----	65	1	9	24	4	7	20
LDC's-----	37	X	9	21	3	1	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States is by far the largest importer of fresh, chilled or frozen fish and shellfish, entering \$563 million in 1969, or over 45 percent of total OECD imports (table A-7-H). Over half of U.S. imports come from non-OECD countries, mostly less developed nations. Canada is the largest supplier of U.S. imports among the five major countries, supplying 28 percent of total U.S. entries. European Community imports

Table A-7-H.--OECD imports of fresh, chilled, or frozen fish and shellfish, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,232	22	563	182	<u>1/</u> 286	69	110
OECD total-----	718	18	266	24	247	60	103
Canada-----	180	-	156	2	10	7	5
United States---	45	15	-	12	9	3	6
Japan-----	75	1	47	-	19	2	6
European Community-----	<u>1/</u> 124	X	3	2	101	7	11
United Kingdom--	20	X	3	X	12	-	5
Other OECD-----	274	2	57	8	96	41	70
Non-OECD total----	512	4	297	158	38	9	6
IDC's-----	396	3	226	129	28	6	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

from outside sources (\$185 million in 1969) are at about the same level as Japan's imports. Intra-EC shipments are equal to more than half of EC outside entries. Over 70 percent of Japan's imports (\$182 million total) come from less developed countries.

Trade-agreement concessions

The following tabulation shows arithmetic average tariffs for fresh, chilled, or frozen fish and shellfish on pre-trade-agreement base dates compared with average MFN tariffs in effect on January 1, 1972, for each of the five major countries. Each of the five countries shows a reduction in average tariffs during the period. The 1972 average for Japan does not reflect unilateral reductions of 50 percent made in 1972 on 14 percent of the Japanese tariff lines for this subsector.

Pre-trade-agreement January 1, 1972
(Percent ad valorem)

United States	6.9	3.0
European Community	16.1	11.4
United Kingdom	20.0	11.3
Japan	12.5	6.9
Canada	14.5	2.2

All of the five major countries have made GATT concessions on a substantial proportion of their tariff provisions for this sub-sector. GATT concessions cover well over 90 percent of U.S. tariff lines and nearly as large a percentage of EC tariff lines. Approximately 40 percent of Canadian and Japanese tariff lines are covered by GATT concessions. One-third of United Kingdom lines are partially covered under the GATT and 40 percent are fully covered.

The national tariff schedules of all of the members of the European Community contained tariff concessions on fresh, chilled, or frozen fish and shellfish before the adoption of the Common External Tariff. The total number of these concessions was 94, of which 28 were above the CXT rate, 11 were at the CXT rate, and 55 were below the CXT rate.

Table A-7-I shows duty reductions which have occurred on fresh, chilled, or frozen fillets of Atlantic ocean perch, cod, cusk, haddock, hake, and pollock. Neither the United Kingdom, with a duty of 10 percent ad valorem, nor the United States, with a duty of 6 percent ad valorem equivalent had duty reductions from pre-trade-agreement levels. Canada, which had the lowest pre-trade-agreement duty, had

Table A-7-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on fresh, chilled, or frozen fillets of Atlantic ocean perch, cod, cusk, haddock, hake, and pollock

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	6% AVE ^{2/}	6% AVE ^{2/}	6% AVE ^{2/}	110.55
Canada-----	3.4% AVE ^{3/}	1.7% AVE ^{3/}	Free	11500-1 (part)
European Community--	18%	16.8%; 18%	15%; 18%	03.01 B I C 2, ⁴
United Kingdom-----	10%	10%	10%	03.01 C 2
Japan-----	10%	10%	5%	03.01 2 B

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalents of specific rates of duty calculated on 1971 import values.

^{3/} Ad valorem equivalents of specific rates of duty calculated on 1969 import values.

duty reductions both prior to and during the Kennedy Round, with the Kennedy Round reduction making Canadian imports duty free.

Japan, which had no reductions prior to the Kennedy Round, had a 50 percent tariff reduction in the Kennedy Round. The European Community had duty reductions on frozen fish fillets both prior to and during the Kennedy Round. On January 1, 1972, duty rates on the above mentioned fresh, chilled, or frozen fish fillets ranged from free to 18 percent ad valorem.

Prepared or Preserved Fish and Shellfish

Prepared or preserved fish and shellfish include fish which are salted, in brine, dried or smoked, or otherwise prepared or preserved fish (including caviar and caviar substitutes); and prepared or preserved crustaceans and mollusks. ^{1/}

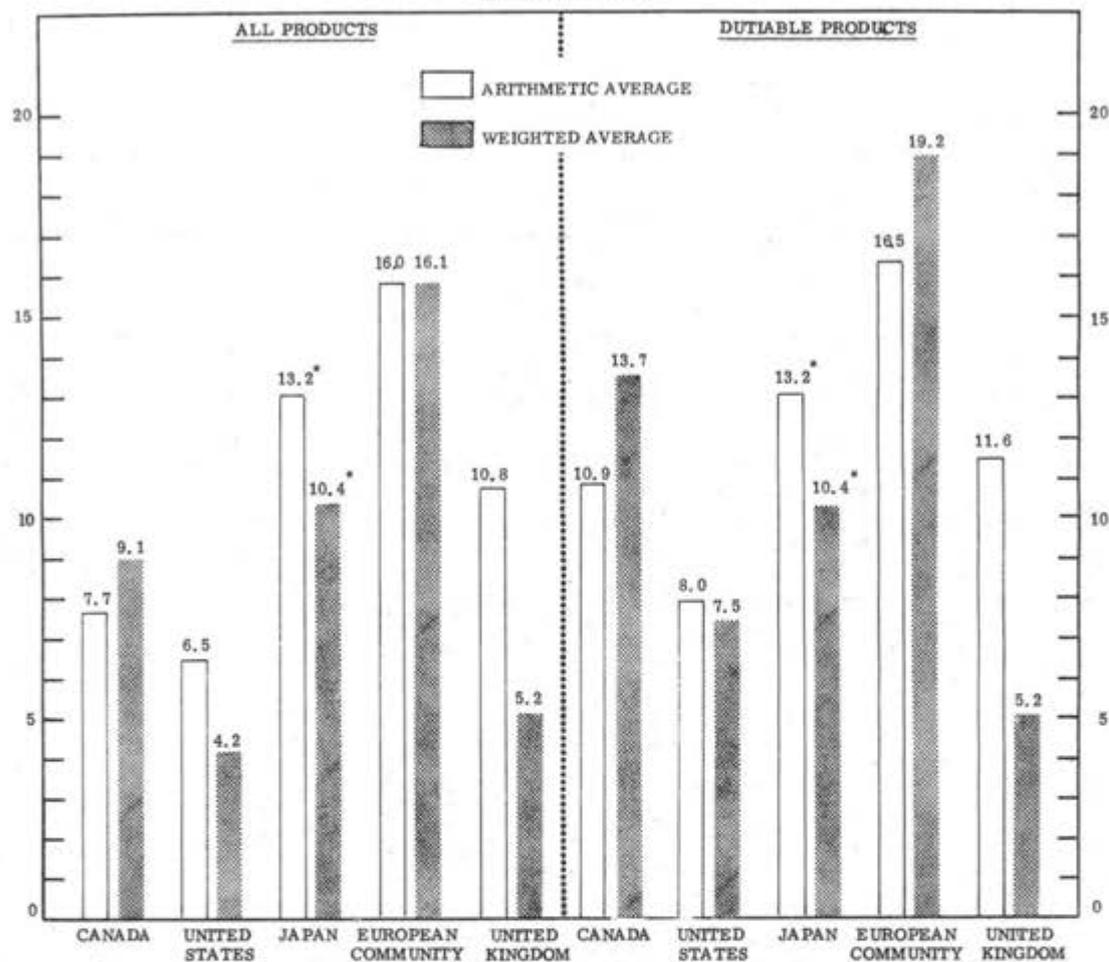
MFN tariffs

The five major countries' average MFN tariffs for all prepared or preserved fish and shellfish (free and dutiable combined) range from the U.S. weighted average of 4.2 percent ad valorem and arithmetic average of 6.5 percent, to the European Community's weighted average of 16.1 percent and arithmetic average of 16 percent. Japan's all products and dutiable products averages are identical (13.2 percent arithmetic, 10.4 percent weighted). Most of the other dutiable products averages are slightly higher than the all products averages, with a maximum difference of 4.6 percentage points (in the weighted averages for Canada) (chart A-7-G).

As shown in table A-7-J, Canada and the United States have considerable portions of their MFN tariff provisions duty free or dutiable in the 0.1-5 percent ad valorem duty range, while Japan has no duty-free provisions, and the European Community only a negligible portion dutiable below the 5.1-10 percent ad valorem range. Slightly more than half of Japan's provisions and slightly less than half of those of the European Community are in the 10.1-15 percent range. Canada and the United

^{1/} For the specific coverage of this subsector, see BTN headings 03.02; 16.04; 16.05.

Chart A-7-G.-- Average MFN tariff rates on prepared or preserved fish and shellfish
(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions by 20 percent made in 1972 on all but one of two-thirds of the Japanese rates in this sector; the remaining reduction was by 60 percent.

Source: Compiled from national tariffs and trade statistics.

Table A-7-J.--Distribution, by duty level, of MFN tariff provisions for prepared or preserved fish and shellfish

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	29.2	18.4	-	3.2	7.1
0.1-5.0 percent----	12.5	31.6	-	-	21.5
5.1-10.0 percent----	25.0	24.6	36.4	6.5	50.0
10.1-15.0 percent--	16.6	19.3	54.5	48.4	7.1
15.1-20.0 percent--	16.7	2.6	9.1	25.8	-
20.1-25.0 percent--	-	.9	-	9.6	-
25.1-30.0 percent--	-	1.7	-	6.5	14.3
30.1-40.0 percent--	-	.9	-	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

States have about one-fourth of provisions in the 5.1-10 percent rate range; Japan has over one-third of its provisions and the United Kingdom has half of its provisions in that range.

In 1970, four of the five major countries accorded preferential tariff treatment to some imports of prepared or preserved fish. Preferential duties covered a negligible percentage of U.S. and Canadian imports, 16 percent of EC imports from countries outside the Community and about one-third of United Kingdom imports.

Thirty-five percent of Canadian imports and 44 percent of U.S. imports are duty free (table A-7-K). Nearly 40 percent of U.S. imports

Table A-7-K.--Distribution, by duty level, of MFN imports of prepared or preserved fish and shellfish

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	34.7	43.5	-	16.5	1.9
0.1-5.0 percent----	7.5	5.6	-	-	63.5
5.1-10.0 percent---	19.9	39.4	62.5	5.7	32.9
10.1-15.0 percent--	6.4	9.7	37.5	18.2	.1
15.1-20.0 percent--	31.5	.1	-	25.1	-
20.1-25.0 percent--	-	1.7	-	31.9	-
25.1-30.0 percent--	-	-	-	2.6	1.6
Total-----	100.0	100.0	100.0	100.0	100.0

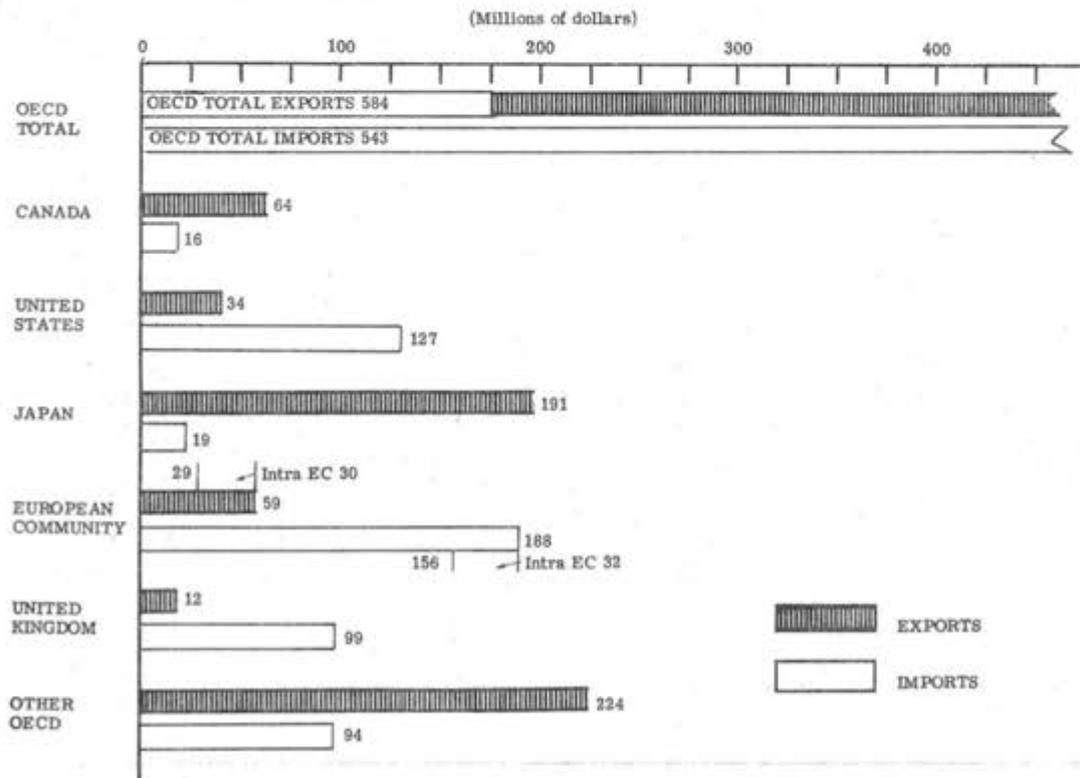
are in the 5.1-10 percent rate bracket, as are almost two-thirds of Japan's imports (the remainder for Japan is in the 10.1-15 percent range). The largest concentration of European Community imports is found in the three brackets ranging from 10.1-25 percent. The United Kingdom has two-thirds of its imports entering in the 0.1-5 percent duty range.

The United States has by far the most complex tariff schedule in this subsector, with 11⁴ lines. The European Community has 31 lines, Canada has 2⁴ lines, the United Kingdom has 1⁴ lines, and Japan has 11 lines.

Trade importance

Among the 28 agricultural subsectors, prepared or preserved fish and shellfish rank 15th in 1969 OECD exports and 19th in imports. The subsector accounts for nearly 3 percent of OECD exports and less than 2 percent of OECD imports. The subsector accounts for about 45 percent of 1969 OECD exports in the fishery products sector, and about 31 percent of imports. As shown in chart A-7-H, OECD countries as a group are net

Chart A-7-H. -- OECD trade in prepared or preserved fish and shellfish, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exporters of prepared or preserved fish and shellfish, but the United States, the European Community, and the United Kingdom are net importers. For the United States, among the 28 agricultural subsectors, this subsector ranked 18th in 1969 U.S. agricultural exports and 12th in imports, accounting for only about one-half of 1 percent of U.S. agricultural exports in 1969.

In 1970, imports of prepared or preserved fish and shellfish by the 13 GATT tariff study countries were valued at \$601 million. Intra-EC shipments were an additional \$36 million. OECD imports in 1969 were valued at \$543 million, exports at \$584 million.

Trade network

Japan is the only significant exporter among the five major countries, shipping \$191 million in 1969, or about one-third of total OECD exports. Major Japanese markets are the United States, to which Japan sends 29 percent of its exports, the United Kingdom (17 percent), the European Community (15 percent), and less developed countries, which receive 31 percent (table A-7-L).

Nearly 83 percent of OECD imports of prepared or preserved fish and shellfish are received by the five major countries. The European Community is the largest importer, with \$156 million worth of imports from outside sources (plus \$32 million of intra-EC shipments), nearly three-fourths of which come from non-OECD countries or the smaller OECD nations rather than the specific countries under review (see table A-7-M).

Table A-7-L.--OECD exports of prepared or preserved fish and shellfish, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	584	64	34	191	<u>1/</u> 59	12	224
OECD total-----	401	44	30	128	42	5	152
Canada-----	16	-	7	6	1	X	2
United States---	101	15	-	55	4	X	27
Japan-----	10	X	9	-	X	X	1
European Community-----	<u>1/</u> 130	5	5	29	30	1	60
United Kingdom--	77	21	8	32	2	-	14
Other OECD-----	67	3	1	6	5	4	48
Non-OECD total----	183	20	4	62	17	7	73
LDC's-----	150	16	3	60	15	4	52

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-7-M.--OECD imports of prepared or preserved fish and shellfish, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	543	16	127	19	<u>1/</u> 188	99	94
OECD total-----	437	16	105	14	137	84	81
Canada-----	58	-	23	2	7	22	4
United States---	34	6	-	12	4	10	2
Japan-----	132	5	53	-	27	38	9
European Community-----	<u>1/</u> 44	1	2	X	32	2	7
United Kingdom--	7	X	X	X	3	-	4
Other OECD-----	162	4	27	X	64	12	55
Non-OECD total----	106	1	21	5	51	15	13
LDC's-----	65	1	18	2	33	6	5

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The United States, with \$127 million of imports in 1969, and the United Kingdom, with \$99 million of imports, each receive the greater part of their imports from the five major countries, with Japan the most important supplier, and Canada the second most important supplier. Japan and Canada are not significant importers.

Trade-agreement concessions

The tabulation below compares arithmetic average MFN tariffs for prepared or preserved fish and shellfish on pre-trade-agreement base dates with the average tariffs in effect on January 1, 1972, for each of the five major countries. Although a reduction has occurred in the average tariffs of all five countries, for the United States and Canada the reductions have been substantially greater, and January 1, 1972, average MFN tariffs were substantially lower than those of the other three major countries. The Japanese figure for 1972 does not reflect unilateral reductions by 20 percent or 60 percent made in 1972 on two-thirds of Japan's tariff lines for this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	20.9	6.5
European Community	19.0	16.0
United Kingdom	12.9	10.8
Japan	17.9	13.2
Canada	30.4	7.7

Each of the five major countries has made concessions under the GATT on a substantial portion of its tariff provisions for prepared or preserved fish. GATT concessions cover nearly all U.S. lines, the bulk of EC lines, nearly two-thirds of Japanese lines, and roughly one-third

of Canadian lines. For the United Kingdom, 43 percent of the tariff lines for this subsector are fully covered by GATT concessions and an additional 50 percent are covered in part.

All members of the European Community had negotiated national tariff concessions under the GATT prior to the adoption of the EC's Common External Tariff (CXT). Of the 86 total concessions, 25 were above the CXT rate, 13 were at the CXT rate, and 48 concessions were below the CXT rate.

Tariff reductions on pickled or salted cod, cusk, haddock, hake, and pollock which have occurred since pre-trade-agreement base dates are shown in table A-7-N. The United States and Canada had tariff reductions prior to the Kennedy Round; and for both countries, imports

Table A-7-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on salted or pickled cod, cusk, haddock, hake and pollock

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	1.1% AVE ^{2/}	0.3% AVE ^{2/}	Free	111.22
Canada-----	2.8% AVE ^{3/}	1.4% AVE ^{3/}	Free	11500-1 (part)
European Community--	13%; 15%	13%; 15%	13%; 12%	03.02 A I b, f
United Kingdom-----	10%	10%	10%	03.02C
Japan-----	10%; 15%	15%	15%	03.02-2(1)

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalents of specific rates of duty calculated on 1971 import values.

^{3/} Ad valorem equivalents of specific rates of duty calculated on 1969 import values.

were made duty free during the Kennedy Round. For the European Community, duties on pickled or salted cod remained at 13 percent ad valorem, but duties on the other fish mentioned above were lowered from 15 percent ad valorem to 12 percent during the Kennedy Round. For the United Kingdom, duty rates were unchanged from the pre-trade-agreement rates (10 percent ad valorem). For Japan, the 1972 rate on salted fish was higher than on the pre-trade-agreement base date in 1954; and for other fish in the category, the rate has remained unchanged.

TOBACCO

The tobacco sector includes unmanufactured tobacco and manufactured tobacco products for smoking, such as cigars, cigarettes and pipe and cigarette tobacco; tobacco extracts and essences; and tobacco waste. 1/

MFN tariffs

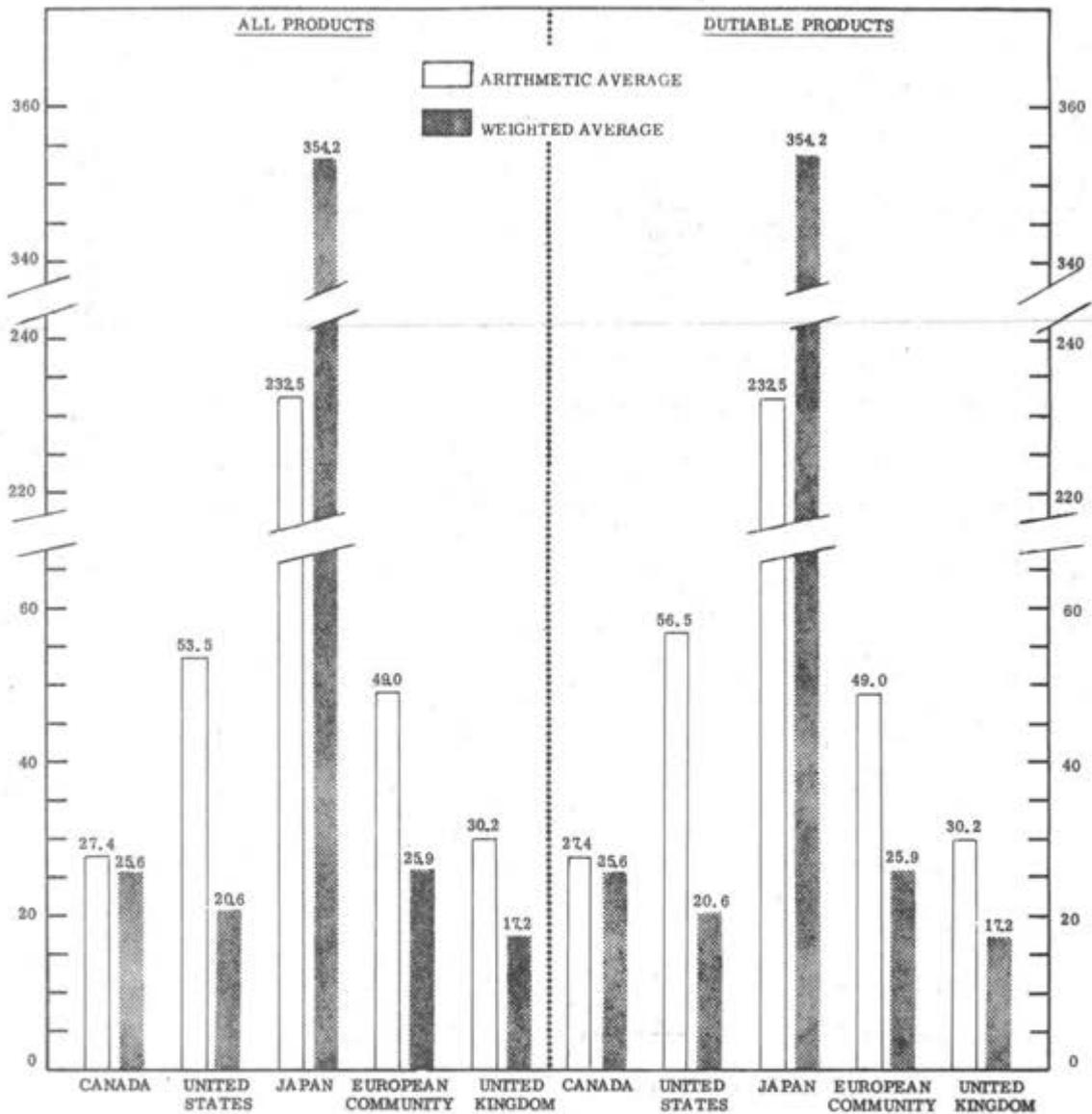
Average MFN tariffs for tobacco are relatively high for all five major countries, when compared with average duties for other product sectors. The United Kingdom is the only one of the five major countries with any of its average tariffs below 20 percent ad valorem (chart A-8-A). Since only the United States has any duty-free MFN import provisions, and none of the five countries has any duty-free MFN imports, average tariffs for all products are equal to those for dutiable products, except for the U.S. arithmetic averages. Japanese arithmetic average tariffs reach 232 percent ad valorem; the Japanese weighted averages are 354.2 percent. 2/ The United States and the European Community have arithmetic average tariffs of approximately 50 percent ad valorem, but weighted averages for the two countries are much lower. The European Community has weighted averages of 25.9 percent ad valorem and the United States has weighted averages of 20.6 percent ad valorem. Canada has the lowest arithmetic average tariffs (27.4 percent), followed by the United Kingdom (30.2 percent).

1/ For the specific coverage of this sector, see BTN headings 24.01 and 24.02. The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

2/ Weighted averages shown for Japan were calculated by applying MFN duties to Japanese imports. In reality, virtually all Japanese imports enter through the government tobacco monopoly and are exempt from duty. Thus, the weighted averages shown do not reflect duty actually paid on Japanese tobacco imports.

Chart A-8-A.--Average MFN tariff rates on tobacco

(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

The United Kingdom has the lowest weighted average tariffs (17.2 percent), followed by the United States, Canada, and the European Community.

The distribution of MFN tariff provisions for tobacco, by duty level, is shown in table A-8-A. Canadian and U.S. provisions are scattered throughout most of the duty ranges, whereas provisions of the other three countries are in only a few duty brackets. All five

Table A-8- A.--Distribution, by duty level, of MFN tariff provisions for tobacco

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	5.3	-	-	-
0.1-5.0 percent----	8.3	5.2	-	-	16.7
5.1-10.0 percent----	8.4	-	-	-	-
10.1-15.0 percent--	-	10.6	-	11.1	-
15.1-20.0 percent--	16.6	15.7	25.0	-	50.0
20.1-25.0 percent--	25.0	10.6	-	11.1	-
25.1-30.0 percent--	8.4	-	-	33.4	16.6
30.1-40.0 percent--	8.3	15.8	-	-	-
40.1-50.0 percent--	16.7	10.5	-	-	-
Over 50 percent----	8.3	26.3	75.0	44.4	16.7
Total-----	100.0	100.0	100.0	100.0	100.0

countries have some provisions in duty ranges above 50 percent ad valorem; three-quarters of Japanese provisions, 44 percent of EC provisions, over one-fourth of U.S. provisions, 17 percent of United Kingdom provisions and 8 percent of those of Canada are in the over 50 percent range. Half of United Kingdom MFN tariff provisions for tobacco are dutiable in the 15.1-20 percent rate bracket. One-third of EC provisions are dutiable in the 25.1-30 percent range. The United States and Canada have the bulk of their MFN provisions dutiable above the 15 percent ad valorem level.

In 1970, over 5 percent of U.S. imports, over one-fifth of EC imports and 38 percent of United Kingdom imports were accorded preferential tariff treatment. Japan had no preferential imports and Canadian imports under preferential rates were negligible.

Over 80 percent of each country's MFN imports of tobacco are assessed duties above 15 percent ad valorem (table A-8-B). Almost three-fourths of U.S. imports and 92 percent of United Kingdom MFN imports pay duties between 15.1 and 20 percent ad valorem. All MFN

Table A-8-B.--Distribution, by duty level, of MFN imports of tobacco

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	10.5	-	-	-	4.9
5.1-10.0 percent---	7.2	-	-	-	-
10.1-15.0 percent--	-	10.9	-	4.0	-
15.1-20.0 percent--	2.2	73.1	-	-	92.0
20.1-25.0 percent--	25.8	2.5	-	92.0	-
25.1-30.0 percent--	25.8	-	-	.3	1.9
30.1-40.0 percent--	4.4	.1	-	-	-
40.1-50.0 percent--	24.1	11.5	-	-	-
Over 50 percent----	-	1.9	100.0	3.7	1.2
Total-----	100.0	100.0	100.0	100.0	100.0

imports by Japan are subject to duties above 50 percent ad valorem ^{1/}; and 92 percent of imports entering the Community fall in the 20.1-25 percent duty range. About half of Canadian imports are equally divided between the 20.1-25 and 25.1-30 percent ad valorem ranges.

The United States has the most detailed tariff schedule for tobacco, with 19 tariff lines. Canada has 12 lines, the European Community has 9, the United Kingdom has 6, and Japan has 4 lines.

World production

World production of tobacco amounted to 4.7 million metric tons in 1970. The five major countries produce 27 percent of world output. The United States is by far the leading producer accounting for 19 percent of the world total. World production of unmanufactured tobacco in 1970, by major producers, was as follows:

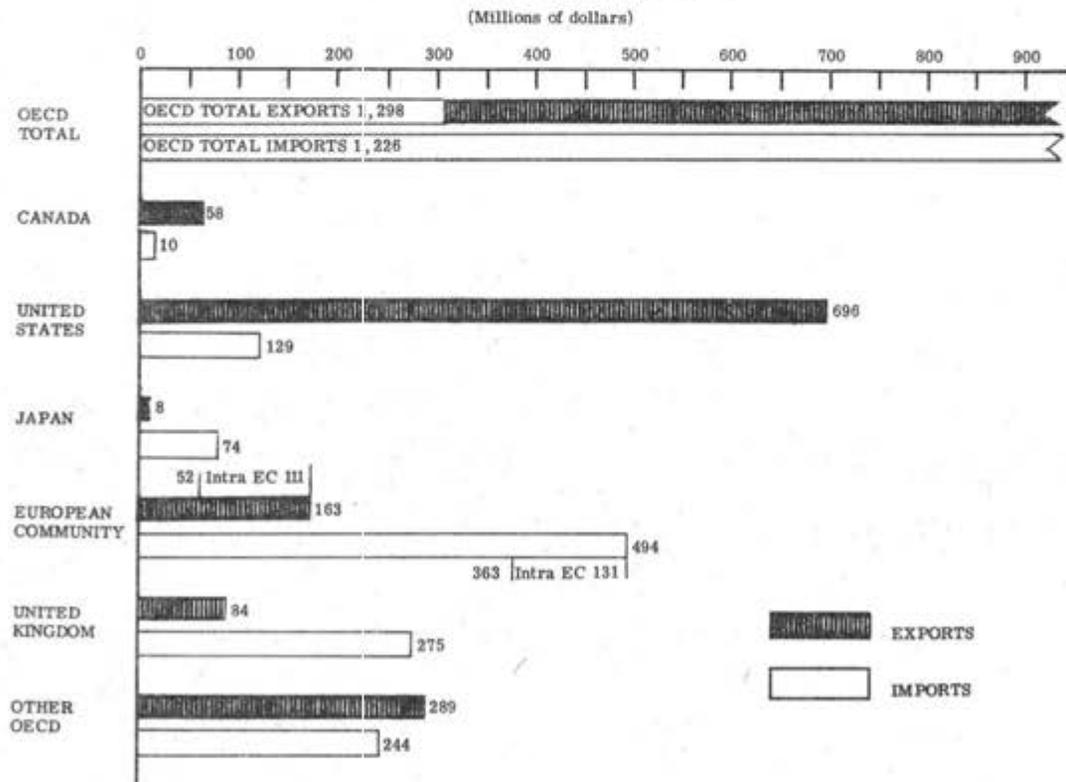
	<u>1,000 metric tons</u>
United States-----	865
Japan-----	150
European Community-----	135
Canada-----	99
All other-----	<u>3,425</u>
World total-----	4,674

^{1/} Virtually all Japanese imports are actually exempt from MFN duties through importation by the tobacco monopoly.

Trade importance

Tobacco is the least important of the nine agricultural sectors in both OECD imports and exports, accounting for 5.3 percent of OECD agricultural exports and 3.3 percent of imports in 1970. For the United States, the sector ranks fourth in exports and seventh in imports among the nine agricultural sectors, accounting for 9.8 percent of U.S. agricultural exports and about 2 percent of imports in 1970. U.S. exports and imports of tobacco declined slightly in 1970 and for the United States and OECD countries as a whole, tobacco accounted for a smaller percentage of total agricultural trade in 1970 than in the previous year. Chart A-8-B shows the relative importance of trade in tobacco among

(Chart A-8-B. -- OECD trade in tobacco, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the major countries and total trade for OECD countries as a whole. The United States and Canada are net exporters, by a large margin, while the other three major countries are net importers.

In 1970, imports of tobacco by the 13 GATT tariff study countries were valued at just over \$1 billion. Trade between members of the European Community was an additional \$129 million. OECD imports in 1969 were valued at 1.2 billion (including intra-EC trade), exports at \$1.3 billion.

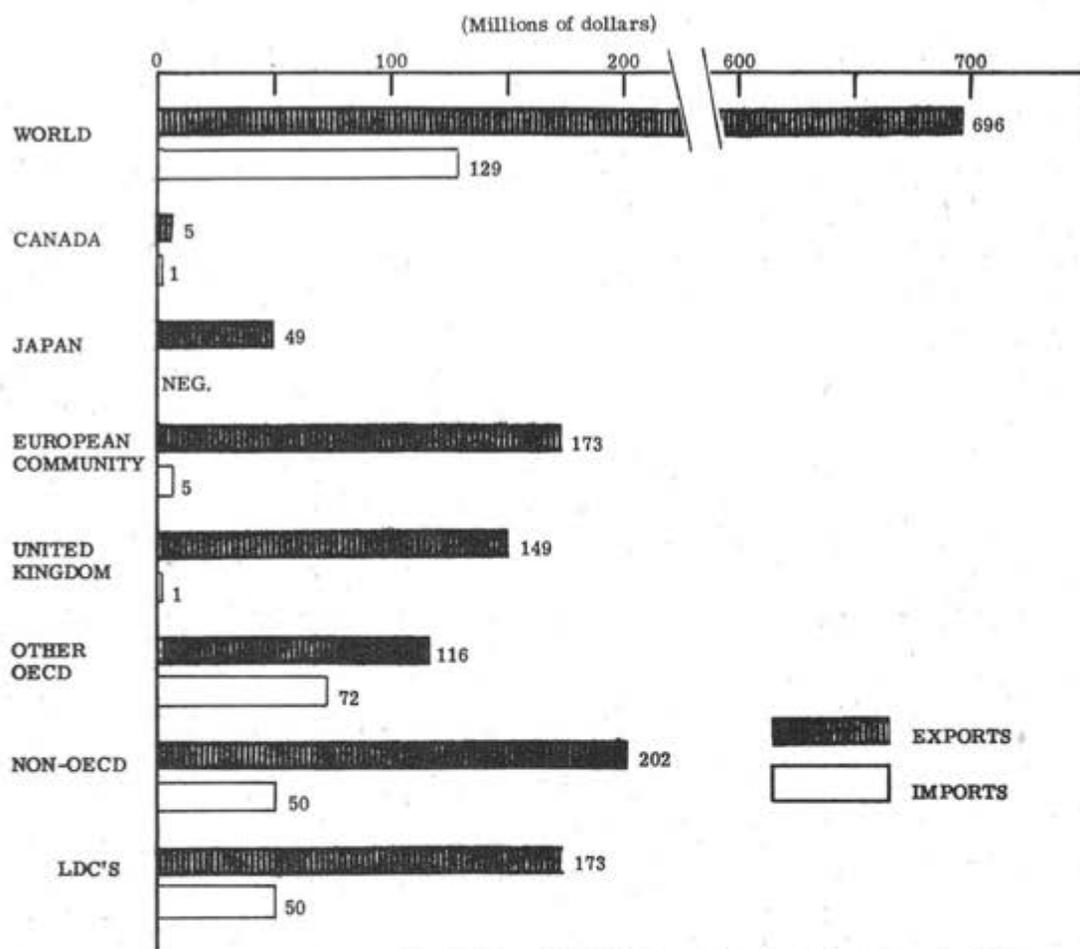
Trade network

The United States, exporting \$696 million of tobacco in 1969, accounts for over half of OECD exports. Twenty-nine percent of U.S. exports go to non-OECD nations, one-fourth to the European Community, one-fifth to the United Kingdom, and about 17 percent to "other" OECD countries (chart A-8-C).

The United Kingdom is the second largest exporter (if intra-EC shipments are excluded), shipping \$84 million in 1969. Nearly 70 percent of United Kingdom exports go to less developed countries. The bulk of Canadian exports go to the United Kingdom; three-fourths of EC exports to outside countries go to "other" OECD countries and non-OECD destinations. Japan is a small exporter of tobacco (see table A-8-C).

The principal tobacco importers among the five major countries are the European Community, entering \$363 million from outside sources in 1969, the United Kingdom with \$275 million, and the United States with \$129 million (table A-8-D). Major sources of supply for the

Chart A-8-C. --United States trade in tobacco, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

European Community are the United States, supplying 45 percent of EC imports from outside sources, less developed countries, and "other" OECD countries. Major sources of United Kingdom imports are the United States (53 percent); Canada (18 percent); and less developed countries (21 percent). Japanese imports totaled \$74 million and Canadian imports only \$10 million in 1969. U.S. imports come largely from less developed countries (39 percent) and from "other" OECD countries (56 percent).

Table A-8-C.--OECD exports of tobacco, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,298	58	696	8	<u>1/</u> 163	84	289
OECD total-----	954	56	492	6	141	24	235
Canada-----	8	-	5	X	1	1	1
United States---	75	1	-	X	3	1	70
Japan-----	58	X	49	-	X	1	8
European Community-----	<u>1/</u> 428	1	173	6	111	12	125
United Kingdom--	212	52	149	X	8	-	3
Other OECD-----	173	2	116	X	18	9	28
Non-OECD total----	343	1	202	2	21	60	57
IDC's-----	261	1	173	2	14	58	13

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Table A-8-D.--OECD imports of tobacco, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,226	10	129	74	<u>1/</u> 494	275	244
OECD total-----	907	9	79	63	380	209	167
Canada-----	55	-	1	X	1	50	3
United States---	477	6	-	53	162	146	110
Japan-----	10	X	X	-	9	X	1
European Community-----	<u>1/</u> 165	2	5	X	131	11	16
United Kingdom--	14	1	1	1	2	-	9
Other OECD-----	186	X	72	9	75	2	28
Non-OECD total----	318	1	50	11	113	66	77
IDC's-----	266	1	50	10	78	57	70

1/ Includes intra-EC shipments.

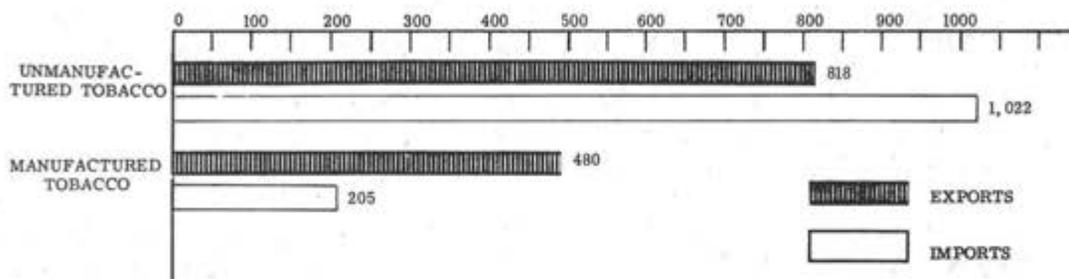
X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade composition

The tobacco sector contains two subsectors: Unmanufactured tobacco, and manufactured tobacco. Unmanufactured tobacco is by far the most important subsector (see chart A-8-D).

Chart A-8-D. --OECD trade in tobacco, by type, 1969
(Millions of dollars)



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Trade-agreement concessions

The tabulation below compares arithmetic average MFN tariffs for tobacco on pre-trade-agreement base dates with arithmetic average MFN rates existing on January 1, 1972, for the five major countries. Although the reductions shown for the European Community, Canada, and especially the United States are quite large, each of the five countries retained high average tariffs on January 1, 1972, ranging from the Canadian arithmetic average of 27.4 percent ad valorem to the Japanese average of 232.5 percent.

Pre-trade-agreement January 1, 1972 (Percent ad valorem)

United States	208.8	53.5
European Community	78.8	49.0
United Kingdom	NA	30.2
Japan	272.5	232.5
Canada	55.0	27.4

Four of the five major countries have made GATT concessions on some of their tariff provisions for tobacco. GATT concessions cover 89 percent of EC tobacco provisions, 84 percent of U.S. lines, approximately 80 percent of Canadian lines (many of them only partially), and less than 17 percent of United Kingdom tariff lines for tobacco.

All members of the European Community had negotiated concessions under the GATT in their national tariff schedules prior to the establishment of the EC's Common External Tariff. Of the total of 15 concessions, one was above the CXT rate and 14 were below the CXT rate.

Trade complaints

U.S. manufacturers and traders of tobacco and tobacco products submitted 64 complaints to the Tariff Commission concerning practices and policies which they considered barriers to trade. Forty-four countries and some customs unions were named in the complaints. Developing countries were the object of slightly more than half of the complaints. France, Italy, the European Community, Colombia and Ecuador were named most frequently.

The largest number of complaints dealt with nontariff charges on imports. The second largest area concerned government monopolies and exclusive franchises, and the third area dealt with quantitative restrictions and licensing practices.

Nontariff charges on imports.--Complaints were received against various nontariff charges on imports imposed in 14 countries, principally LDC's and members of the European Community. Excise taxes employed

by Nigeria, Finland, Sweden, and EC countries were named. In most cases, the taxes are based on retail prices and make high-priced imports even more unattainable for the consumer. The Malagasy Republic and Rwanda were reported to levy heavy consumption taxes on tobacco and tobacco products; in the Malagasy Republic these taxes ranged from 10-135 percent of the value of the imported merchandise. The producers and exporters making these complaints on taxes felt that in some cases the tax structure discriminated against U.S. tobacco products, either in favor of local products or products of a third country. Among complaints against other types of nontariff charges, Togo was cited as having a burdensome phytosanitary tax on tobacco products. Prior import deposits were reported for Ecuador and Colombia. In Ecuador such deposits equaled 100 percent of the value of the imported merchandise, and in Colombia such deposits equaled 37 percent of the value of the imports. Deposits are not refunded for 180 days in Ecuador, and they are not refunded in Colombia until the imported merchandise is "nationalized."

Government monopolies and exclusive franchises.--Major U.S. tobacco manufacturers complained against government monopolies or exclusive franchises in France, Italy, Austria, Iceland, Spain, Turkey, Haiti, and Japan. The complainants felt that the monopoly control of tobacco manufacturing and/or distribution in these countries prevented a realization of full sales potential of U.S. tobacco. For example, it was reported that the Japan Monopoly Corporation (JMC) retails its Japanese cigarette brands

in more than 200,000 authorized outlets throughout Japan while permitting imported cigarette brands only token distribution in about 1,800 retail outlets, or less, depending on the JMC attitude toward the "popularity" of a particular foreign brand. It was also reported that during the past 12 years, many Japanese retail outlets authorized to sell U.S. cigarettes have been out of stock for periods ranging up to more than a month because the JMC had decided to limit the amount of imported cigarettes. Although private importation of tobacco is not prohibited, the extremely high MFN tariff rates are prohibitive to imports other than through the monopoly.

Quantitative restrictions and licensing practices.--France, the United Kingdom, Ireland, Egypt, Colombia, and Guyana were named in complaints concerning quantitative restrictions and licensing practices. The licensing requirements maintained by three of these countries were also cited as trade barriers because of the time and expense of obtaining licenses.

Miscellaneous practices.--Other measures which were the subject of complaint in the Commission's survey included mixing regulations that require the tobacco manufactures to use certain amounts of domestic tobacco in their production (West Germany), tariff preference arrangements (the European Community, the United Kingdom, and the United States), and production or export assistance programs that may dislocate traditional trade patterns (the European Community and the United States). Australia grants lower rates of duty to imports by manufacturers who conform to mixing specifications (for use of domestic tobacco).

Fifteen of the complaints received in the tobacco sector were accompanied by an assessment of the trade effect of the reported barriers. Fourteen of these indicated "significant" increases in trade would result from the removal of the barriers; one indicated a "moderate" increase. In 13 cases increases in trade would result from the removal of a single trade barrier, and in the remaining 2 cases more than one barrier was involved. Thirteen producers and traders placed monetary values on their estimated increases in trade. The sum of their estimates was \$106.6 million. The percentage figures for the estimated increases in trade ranged from 5 to almost 4,000 percent of existing levels of trade.

Unmanufactured Tobacco

The unmanufactured tobacco subsector includes, in addition to unmanufactured tobacco, tobacco refuse. 1/

MFN tariffs

Japanese average MFN tariffs of 355 percent ad valorem on unmanufactured tobacco are the highest of the five major countries (chart A-8-E). 2/ United Kingdom average tariffs, 16.6 percent ad valorem, are the lowest. The European Community has the second lowest arithmetic averages at 19.6 percent ad valorem, closely followed by Canadian arithmetic average tariffs (20.6 percent). The U.S. arithmetic average tariffs, at 63.7 and 69 percent ad valorem, are the second highest. Weighted average tariffs for the United States, Canada, and the European Community are slightly over 20 percent ad valorem; ranging from the U.S. weighted average of 21.1 percent to the EC average of 23.7 percent.

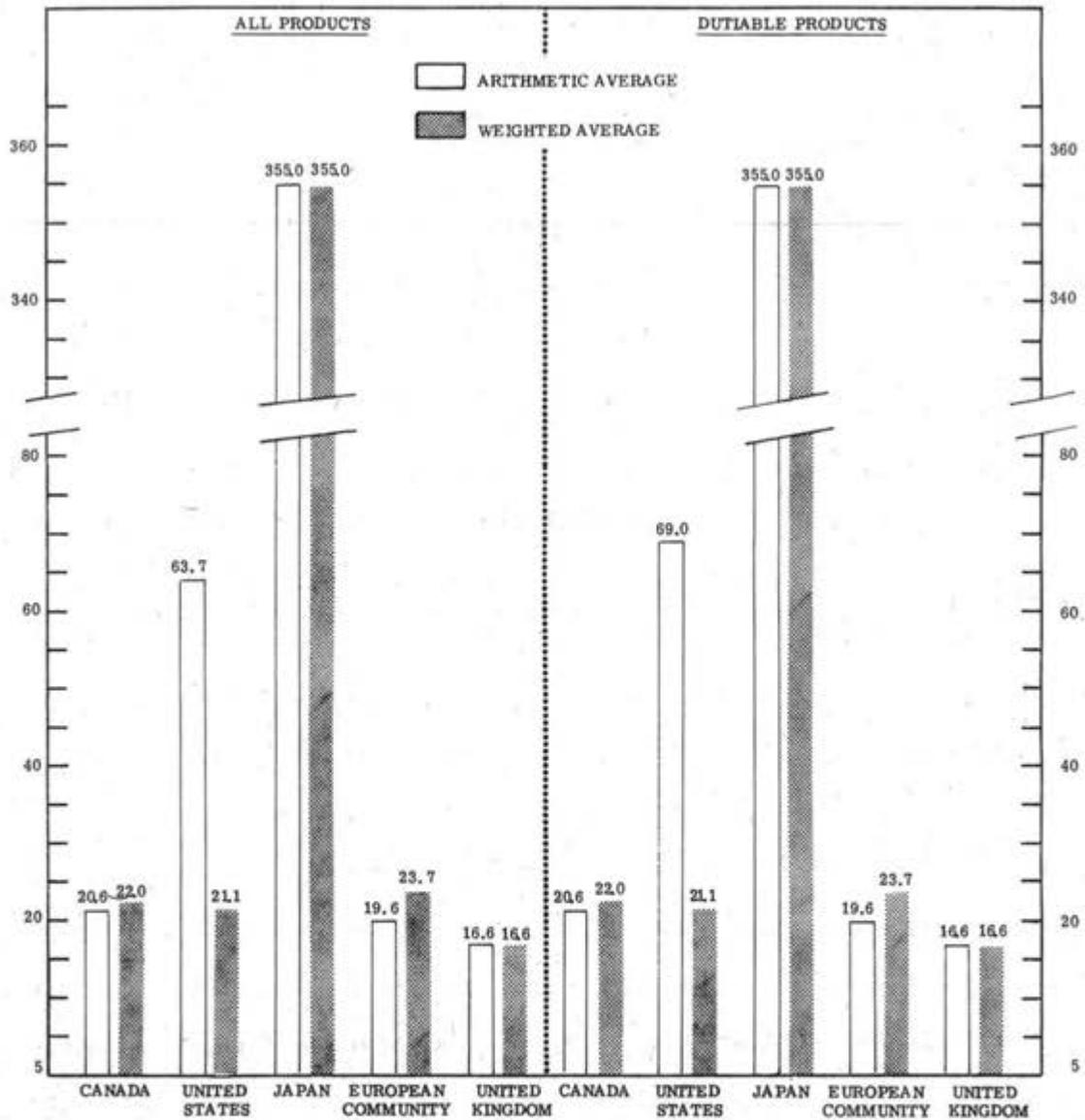
The distribution of MFN tariff provisions for tobacco, by duty level, is shown in table A-8-E. The United States is the only one of the five countries having duty-free provisions for tobacco, (7.7 percent of provisions). Thirty-one percent of U.S. provisions and all of Japan's provisions are dutiable at rates above 50 percent ad valorem. Nearly one-fourth of U.S. provisions are in the range between 15.1 and 20 percent ad valorem. Half of the provisions of the European Community are dutiable between 10.1 and 15 percent ad valorem and half

1/ For the specific coverage of this subsector, see BTN heading 24.01.

2/ Weighted averages shown for Japan were calculated by applying MFN duties to Japanese imports. In reality, virtually all Japanese imports enter through the government tobacco monopoly and are exempt from duty. Thus, the weighted averages shown do not reflect duty actually paid on Japanese tobacco imports.

Chart A-8-E.--Average MFN tariff rates on unmanufactured tobacco

(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

Table A-8-E.--Distribution, by duty level, of MFN tariff provisions for unmanufactured tobacco

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	7.7	-	-	-
0.1-5.0 percent----	14.3	-	-	-	-
5.1-10.0 percent---	14.3	-	-	-	-
10.1-15.0 percent--	-	-	-	50.0	-
15.1-20.0 percent--	14.3	23.1	-	-	100.0
20.1-25.0 percent--	28.5	15.4	-	50.0	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	14.3	15.3	-	-	-
40.1-50.0 percent--	14.3	7.7	-	-	-
Over 50 percent----	-	30.8	100.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

are dutiable between 20.1 and 25 percent. All United Kingdom provisions are dutiable between 15.1 and 20 percent ad valorem. Canadian provisions are spread fairly evenly in ranges between 0.1 and 50 percent ad valorem, with 28.5 percent of MFN provisions in the 20.1-25 percent ad valorem range.

Preferential tariff treatment was accorded nearly 6 percent of U.S. imports in 1970, over one-fifth of EC imports from outside sources, and 40 percent of United Kingdom imports. Japan and Canada had no imports at preferential rates.

The distribution of MFN imports of unmanufactured tobacco, by duty level, is shown in table A-8-F. None of the five countries have duty-free MFN imports of unmanufactured tobacco. Canadian imports are scattered in a broad range of rates between 0.1 and 50 percent ad valorem, with concentrations in three brackets, 0.1-5 percent, 20.1-25 percent and 40.1-50 percent. The other four countries have the bulk of their imports in only a few duty ranges. Nearly 83 percent of U.S. imports

Table A-8-F.--Distribution, by duty level, of MFN imports of unmanufactured tobacco

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	20.1	-	-	-	-
5.1-10.0 percent---	13.6	-	-	-	-
10.1-15.0 percent--	-	-	-	4.1	-
15.1-20.0 percent--	4.2	82.9	-	-	100.0
20.1-25.0 percent--	24.7	2.9	-	95.9	-
25.1-30.0 percent--	-	-	-	-	-
30.1-40.0 percent--	8.4	-	-	-	-
40.1-50.0 percent--	29.0	12.4	-	-	-
Over 50 percent----	-	1.8	100.0	-	-
Total-----	100.0	100.0	100.0	100.0	100.0

and all of United Kingdom imports pay duties between 15.1 and 20 percent ad valorem. Nearly 96 percent of imports by the European Community are dutiable between 20.1 and 25 percent ad valorem. All Japanese imports bear duties above 50 percent ad valorem. 1/

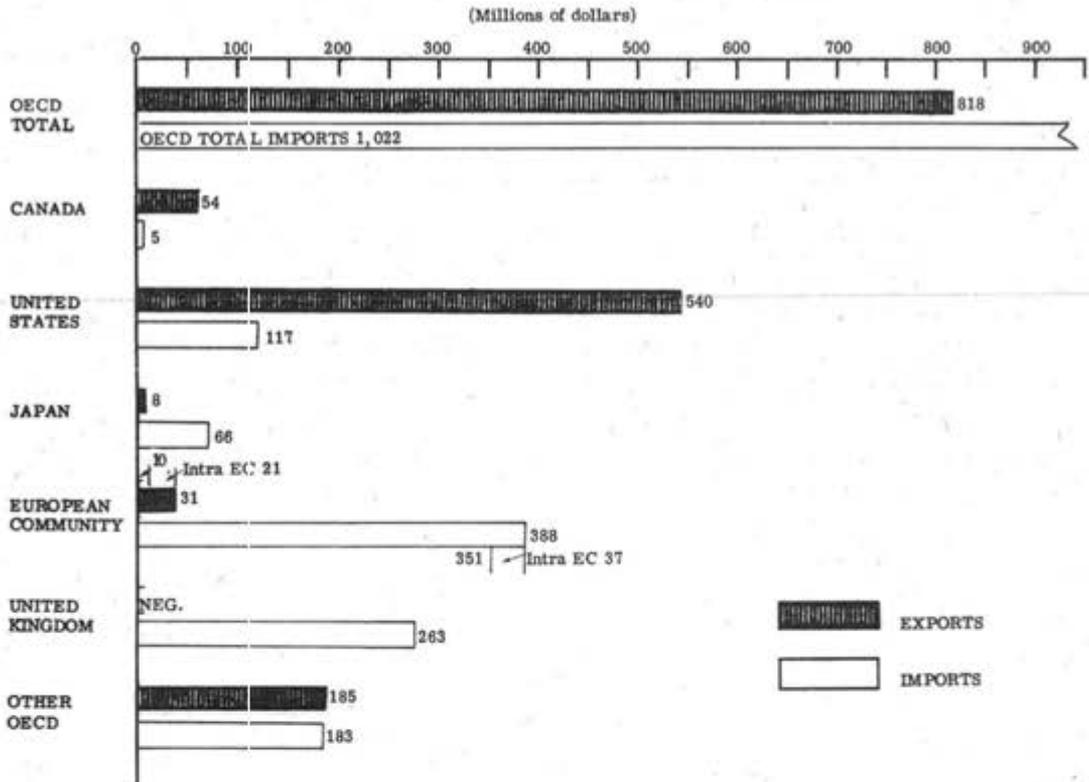
The United States has the most detailed tariff schedule in this subsector, with 13 tariff lines. Canada has seven lines, the European Community has two lines, and Japan and the United Kingdom each have one line.

Trade importance

Unmanufactured tobacco is fairly important in international trade, ranking 10th in OECD exports and 13th in imports among the 28 agricultural subsectors. Trade in the subsector accounts for nearly 4 percent of OECD agricultural exports and over 3 percent of imports. For the United States, the subsector ranks 3rd in exports and 14th in imports among the 28 agricultural subsectors, accounting for 9.5 percent of U.S. agricultural exports and 2 percent of imports. As shown in chart A-8-F,

1/ Virtually all Japanese imports are actually exempt from MFN duties through importation by the tobacco monopoly.

Chart A-8-F. -- OECD trade in unmanufactured tobacco, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

the United States and Canada are net exporters of unmanufactured tobacco, while the other three major countries and OECD countries as a whole are net importers.

In 1970, imports by the 13 GATT tariff study countries were valued at \$947 million, with combined imports by the five major countries worth \$769 million, or over 80 percent of the total. Intra-EC shipments were an additional \$37 million. OECD imports in 1969 were valued at \$1 billion, exports at \$818 million.

Trade network

The United States accounts for two-thirds of OECD exports of unmanufactured tobacco; exports from "other" OECD countries make up most of the remainder (table A-8-G). Major markets for U.S. exports, worth \$540 million in 1969, are the European Community and the United Kingdom, each

Table A-8-G.-- OECD exports of unmanufactured tobacco, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	818	54	540	8	<u>1</u> / 31	X	185
OECD total-----	658	53	431	6	30	X	138
Canada-----	3	-	3	-	X	-	X
United States---	64	X	-	-	1	-	63
Japan-----	53	-	45	-	-	-	8
European Community-----	<u>1</u> / 234	1	149	6	21	X	57
United Kingdom--	200	50	147	X	2	-	1
Other OECD-----	104	2	87	-	6	X	9
Non-OECD total----	160	1	108	2	X	-	49
LDC's-----	97	1	85	2	X	-	9

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

receiving about 28 percent of U.S. shipments. The United States sends 8 percent of its exports to Japan, 16 percent to "other" OECD countries, and 16 percent to less developed nations. Canada, the only other country among the five with substantial exports (\$54 million), sends most of its exports of unmanufactured tobacco to the United Kingdom.

Major importers of unmanufactured tobacco are the European Community, entering \$351 million from outside countries in 1969; the United

Kingdom, with \$263 million; and the United States, with \$117 million (table A-8-H). About 45 percent of EC imports from outside sources

Table A-8-H.-- OECD imports of unmanufactured tobacco, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,022	5	117	66	<u>1/</u> 388	263	183
OECD total-----	717	4	68	58	278	199	110
Canada-----	54	-	X	-	1	50	3
United States---	443	4	-	49	159	143	88
Japan-----	10	-	-	-	9	X	1
European Community----	<u>1/</u> 47	X	X	-	37	4	6
United Kingdom--	X	X	X	-	X	-	X
Other OECD-----	163	X	68	9	72	2	12
Non-OECD total----	304	1	48	8	110	64	74
LDC's-----	252	1	48	7	76	55	65

1/ Includes intra-EU shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

come from the United States, 31 percent from non-OECD countries (chiefly LDC's) and one-fifth from "other" OECD countries. The United States supplies over half of United Kingdom imports; about one-fifth are supplied by Canada and most of the remainder by developing countries. "Other" OECD countries supply about 58 percent of U.S. imports, and developing nations supply most of the rest.

Trade-agreement concessions

The following tabulation compares arithmetic average MFN tariffs for unmanufactured tobacco on pre-trade-agreement base dates with arithmetic average rates in effect on January 1, 1972, for the five major countries.

EC and U.S. average tariffs have decreased by about one-third and Canadian average tariffs by over 50 percent. There has been no change in the average level for Japan. Data are not available on the pre-trade-agreement level for the United Kingdom.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	94.5	63.7
European Community	29.4	19.6
United Kingdom	NA	16.6
Japan	355.0	355.0
Canada	44.3	20.6

Four of the five major countries have made GATT concessions on some of their tariff provisions for unmanufactured tobacco. All United Kingdom provisions are covered by GATT concessions, as are 85 percent of U.S. lines, and half of EC lines. Fifty-seven percent of Canadian lines are fully covered by GATT concessions and 43 percent are covered in part. France, Germany, and Italy had negotiated GATT concession on unmanufactured tobacco in their national tariffs prior to the adoption of the Common External Tariff by the European Community. There was a total of three such concessions, all below the CXT rate.

Tariff rates for unstemmed oriental or Turkish-type cigarette leaf tobacco on pre-trade-agreement base dates and on January 1, 1972, are shown in table A-8-I. The United States, Canada, and the European Community had tariff reductions on this tobacco both before and during the Kennedy Round. The United States had a duty reduction by almost two-thirds prior to the Kennedy Round and a slight further reduction in the Kennedy Round. Canada reduced its duties by 50 percent in the Kennedy

Table A-8-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on oriental or Turkish type cigarette leaf tobacco, not stemmed

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	54.7% AVE ^{2/}	19.9% AVE ^{2/}	18% AVE ^{2/}	170.28
Canada-----	51.3% AVE ^{3/}	28.2% AVE ^{3/}	14.1% AVE ^{3/}	14201-1
European Community--	30%	28%	23%	24.01 B
United Kingdom-----	56.9%; 62.9% AVE ^{2/}	124.8%; 130.8% AVE ^{2/}	124.8%; 130.8% AVE ^{2/}	24.01 A, B
Japan-----	355%	355%	355%	24.01

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Ad valorem equivalents of specific rates of duty calculated on 1971 import values.

^{3/} Ad valorem equivalents of specific rates of duty calculated on 1969 import values.

Round and by 45 percent prior to the Kennedy Round; or a total reduction of nearly 73 percent from the level on the pre-trade-agreement base date. The European Community also had tariff reductions before and during the Kennedy Round, making a total reduction of 23 percent by January 1, 1972, from the pre-trade-agreement rate. The Japanese rate remained constant at 355 percent ad valorem, while the rates for the United Kingdom increased by more than 100 percent; however, the United Kingdom rates are not strictly comparable with the rates of the other countries due to the inclusion of various excise taxes characterized by the United Kingdom as "revenue duties" rather than "tariff rates." On January 1, 1972, duties for the five countries ranged from 14.1 percent ad valorem for Canada to 355 percent for Japan.

Manufactured Tobacco

This subsector includes manufactured tobacco, and tobacco extracts and essences. The major products of the subsector are cigars, cheroots, and cigarettes. 1/

MFN tariffs

Japan, with arithmetic average duties of 191.7 percent and weighted average duties of 348.4 percent ad valorem, has the highest average MFN tariffs of the five major countries on manufactured tobacco. 2/ Since none of the five major countries have any duty-free MFN tariff provisions in this subsector, average tariffs on all products are equal to those on dutiable products alone (chart A-8-G). The United States has the lowest average MFN tariffs, with an arithmetic average of 31.4 percent ad valorem and a weighted average of 16.6 percent. The United Kingdom has an arithmetic average of 32.9 percent, and a weighted average of 23.3 percent. The Canadian arithmetic average is 37.1 percent and the weighted average is 30.2 percent ad valorem. The European Community, with an arithmetic average tariff of 57.4 percent ad valorem and weighted average of 78.4 percent, has average tariffs considerably lower than those of Japan but considerably higher than those of the other three countries.

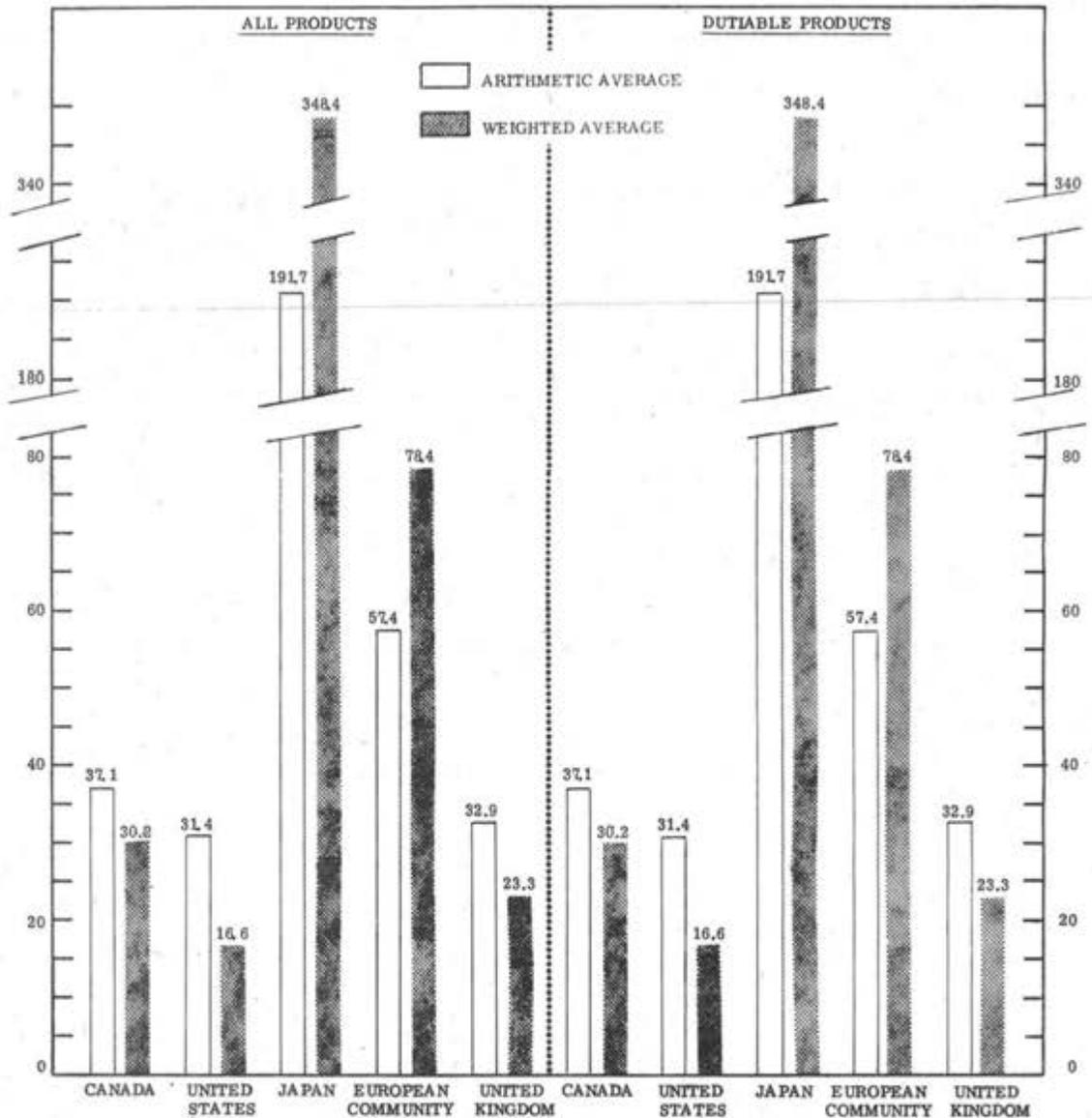
The distribution of MFN tariff provisions for manufactured tobacco, by duty level, is shown in table A-8-J. Two-thirds of Japanese provisions,

1/ For the specific coverage of this subsector, see BTN heading 24.02.

2/ Weighted averages shown for Japan were calculated by applying MFN duties to Japanese imports. In reality, virtually all Japanese imports enter through the government tobacco monopoly and are exempt from duty. Thus, the weighted averages shown do not reflect duty actually paid on Japanese tobacco imports.

Chart A-8-G. --Average MFN tariff rates on manufactured tobacco

(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.

over half of EC provisions, one-fifth of Canadian and United Kingdom provisions, and about 17 percent of U.S. provisions for manufactured tobacco are dutiable at rates higher than 50 percent ad valorem.

The range of MFN tariff provisions dutiable at rates above 50 percent

Table A-8-J.--Distribution, by duty level, of MFN tariff provisions for manufactured tobacco

(In percent)					
Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	16.7	-	-	20.0
5.1-10.0 percent---	-	-	-	-	-
10.1-15.0 percent--	-	33.3	-	-	-
15.1-20.0 percent--	20.0	-	33.3	-	40.0
20.1-25.0 percent--	20.0	-	-	-	-
25.1-30.0 percent--	20.0	-	-	42.9	20.0
30.1-40.0 percent--	-	16.7	-	-	-
40.1-50.0 percent--	20.0	16.6	-	-	-
Over 50 percent----	20.0	16.7	66.7	57.1	20.0
Total-----	100.0	100.0	100.0	100.0	100.0

ad valorem is very broad. The United States has a third of its provisions in the 10.1-15 percent ad valorem range; one-third of Japan's provisions and two-fifths of United Kingdom provisions are in the 15.1-20 percent rate bracket. Canada's rates are evenly distributed in five brackets, ranging from 15.1 to over 50 percent. Over two-fifths of EC provisions are in the 25.1-30 percent ad valorem range.

In 1970, preferential tariff treatment was accorded to 13 percent of United Kingdom imports of manufactured tobacco and over 7 percent of EC imports from outside sources. Japan had no imports under preferential rates; Canada and the United States had a negligible amount.

The distribution of MFN imports of manufactured tobacco, by duty level, is shown for the five major countries in table A-8-K. All Japanese MFN imports, 1/ over 91 percent of EC imports, 14 percent of United Kingdom imports, and 3 percent of U.S. imports pay duties above 50 percent ad valorem. Only the United Kingdom, with about 60 percent of imports dutiable at rates between 0.1 and 5 percent ad valorem have any imports entering at rates below 10 percent ad valorem.

1/ Virtually all Japanese imports are actually exempt from MFN duties through importation by the tobacco monopoly.

Table A-8- K.--Distribution, by duty level, of MFN imports of manufactured tobacco

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	-	-	-	-	-
0.1-5.0 percent----	-	-	-	-	59.8
5.1-10.0 percent---	-	-	-	-	-
10.1-15.0 percent--	-	91.9	-	-	-
15.1-20.0 percent--	-	-	-	-	2.4
20.1-25.0 percent--	27.0	-	-	-	-
25.1-30.0 percent--	54.3	-	-	8.8	23.8
30.1-40.0 percent--	-	.2	-	-	-
40.1-50.0 percent--	18.7	5.2	-	-	-
Over 50 percent----	-	2.7	100.0	91.2	14.0
Total-----	100.0	100.0	100.0	100.0	100.0

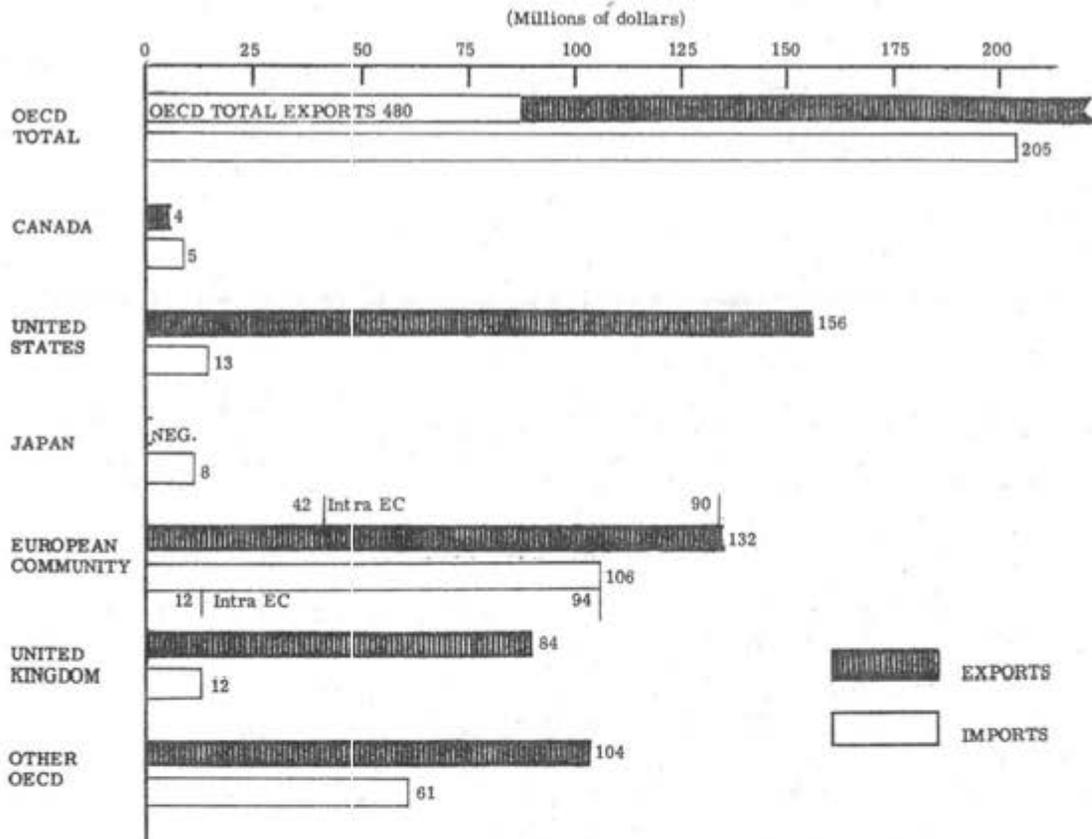
Nearly 92 percent of U.S. imports bear duties between 10.1 and 15 percent ad valorem. Over half of Canadian MFN imports are dutiable between 25.1 and 30 Percent ad valorem.

The European Community has seven tariff lines for manufactured tobacco, the United States has six lines, Canada and the United Kingdom each have five lines, and Japan has three lines.

Trade importance

Manufactured tobacco does not assume great importance in OECD trade, ranking 18th in exports and 24th in imports among the 28 agricultural subsectors. Trade in manufactured tobacco accounts for 2.3 percent of OECD agricultural exports and less than 1 percent of imports. For the United States, the subsector ranks 9th in exports and 25th in imports among the 28 agricultural subsectors, accounting for nearly 3 percent of U.S. agricultural exports. As shown in chart A-8-H, the United States, the European Community, and the United Kingdom

Chart A-8-H. -- OECD total trade in manufactured tobacco, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

are net exporters of manufactured tobacco; Canada and Japan are net importers.

In 1970, imports of manufactured tobacco by the 13 GATT tariff study countries were valued at \$107 million. Intra-EC shipments were an additional \$92 million. OECD imports in 1969 were valued at \$205 million (including intra-EC shipments), exports at \$480 million.

Trade network

The United States is the largest exporter of manufactured tobacco, shipping \$156 million in 1969, and accounting for a third of total OECD

Table A-8-L.-- OECD exports of manufactured tobacco, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	480	4	156	X	<u>1/</u> 132	84	104
OECD total-----	296	3	61	X	111	24	97
Canada-----	5	-	2	X	1	1	1
United States---	11	1	-	X	2	1	7
Japan-----	5	X	4	-	X	1	X
European Community-----	<u>1/</u> 194	X	24	X	90	12	68
United Kingdom--	12	2	2	X	6	-	2
Other OECD-----	69	X	29	X	12	9	19
Non-OECD total----	183	X	94	X	21	60	8
LDC's-----	164	X	88	X	14	58	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

exports (table A-8-L). Over half of U.S. exports go to less developed countries, about 15 percent to the European Community and about 19 percent to "other" OECD nations. The United Kingdom exported \$84 million of manufactured tobacco in 1969, shipping over two-thirds of its total exports to LDC's. The European Community sent \$42 million to outside countries in 1969 (chiefly to LDC's and "other" OECD nations); intra-EC shipments are more than twice as large as EC exports to outside destinations. Canadian and Japanese exports are negligible.

OECD imports of manufactured tobacco are shown in table A-8-M. Excluding intra-EC shipments, which make up almost half of total OECD imports, none of the five countries have large imports in this subsector. Imports by the United States were valued at \$13 million in 1969; EC imports from outside sources and United Kingdom imports were

Table A-8-M.--OECD imports of manufactured tobacco, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	205	5	13	8	<u>1/</u> 106	12	61
OECD total-----	189	5	11	5	102	10	56
Canada-----	1	-	1	X	X	X	X
United States---	33	2	-	4	3	2	22
Japan-----	X	X	X	-	-	X	X
European Community-----	<u>1/</u> 118	2	5	X	94	6	11
United Kingdom--	13	1	1	1	2	-	8
Other OECD-----	24	X	4	X	3	2	15
Non-OECD total----	14	X	2	3	3	2	4
IDC's-----	14	X	2	3	3	2	4

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

each worth \$12 million; Japanese imports, \$8 million; and Canadian imports, only \$5 million. The United States supplies 17 percent of imports by the United Kingdom, one-fourth of EC imports from outside countries, 40 percent of Canadian imports, and half of Japanese imports. The European Community supplies 38 percent of U.S. imports, and half of United Kingdom imports.

Trade-agreement concessions

In the tabulation below, arithmetic average MFN tariff rates on manufactured tobacco are compared with rates in effect on January 1, 1972, for each of the five major countries. Although there were dramatic reductions in average tariffs from pre-trade-agreement levels, average MFN tariffs on January 1, 1972, remained generally high.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad	valorem)
United States	455.6	31.4
European Community	94.2	57.4
United Kingdom	NA	32.9
Japan	245.0	191.7
Canada	70.0	37.1

Only three of the five major countries have made GATT concessions in their tariffs for manufactured tobacco. GATT concessions cover approximately half of Canadian tariff lines, 83 percent of U.S. lines and all EC tariff lines. Except for Italy, each of the members of the European Community had negotiated concessions on manufactured tobacco under the GATT in their national tariff schedules prior to adoption of the EC's Common External Tariff. Of the 12 concessions, one was above the CXT rate and 11 were below the CXT rate.

Changes in duty rates on cigarettes since pre-trade-agreement base dates are shown in table A-8-N. The greatest duty reduction is in the U.S. tariff schedule. The United States reduced its duties prior to the Kennedy Round, yielding an ad valorem equivalent reduction of 77 percent from the pre-trade-agreement level. Canada, with the lowest duties on imports of tobacco on the three dates shown, reduced its duties by half prior to the Kennedy Round. Only the European Community had a duty reduction in the Kennedy Round, the EC duty changing from 180 percent ad valorem to 90 percent during the Kennedy Round.

Table A-8-N.--Pre-trade-agreement tariff rates compared with January 1, 1972,
MFN tariff rates on cigarettes

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	267% AVE <u>2/</u>	58% AVE <u>2/</u>	58% AVE <u>2/</u>	170.65
Canada-----	50% <u>3/</u>	25% <u>3/</u>	25% <u>3/</u>	14315-1
European Community--	180%	180%	90%	24.02 A
United Kingdom-----	81%	592.8% AVE <u>4/</u>	592.8% AVE <u>4/</u>	24.02 A(2)
Japan-----	355%	355%	355%	24.02

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Ad valorem equivalents of compound rates of duty calculated on 1971 import values.

3/ Does not include excise tax applicable to imports of cigarettes.

4/ Ad valorem equivalents of United Kingdom revenue duties; the United Kingdom has no customs duty on cigarettes.

Japan had no change in its rate of 355 percent ad valorem. The United Kingdom shows a very large increase, but rate information for the United Kingdom is not strictly comparable to the data for other countries due to the inclusion of various excise taxes characterized by the United Kingdom as "revenue duties" rather than "tariff rates."

Agricultural Sector A-9

MISCELLANEOUS AGRICULTURAL AND
FORESTRY PRODUCTS

This sector covers a wide collection of various animal and vegetable products. Among the animal products included are hair, bristles, bladders, stomachs, horns, bones, ivory, shells, coral, natural sponges, fish waste, and feathers. The vegetable products covered in this sector include live trees and other plants, bulbs, seeds and spores, plant parts used for ornamental purposes, sugar beets and sugar cane, vegetable materials used in dyeing and tanning, residues and waste from food industries, prepared animal fodder, and many other products. ^{1/}

MFN tariffs

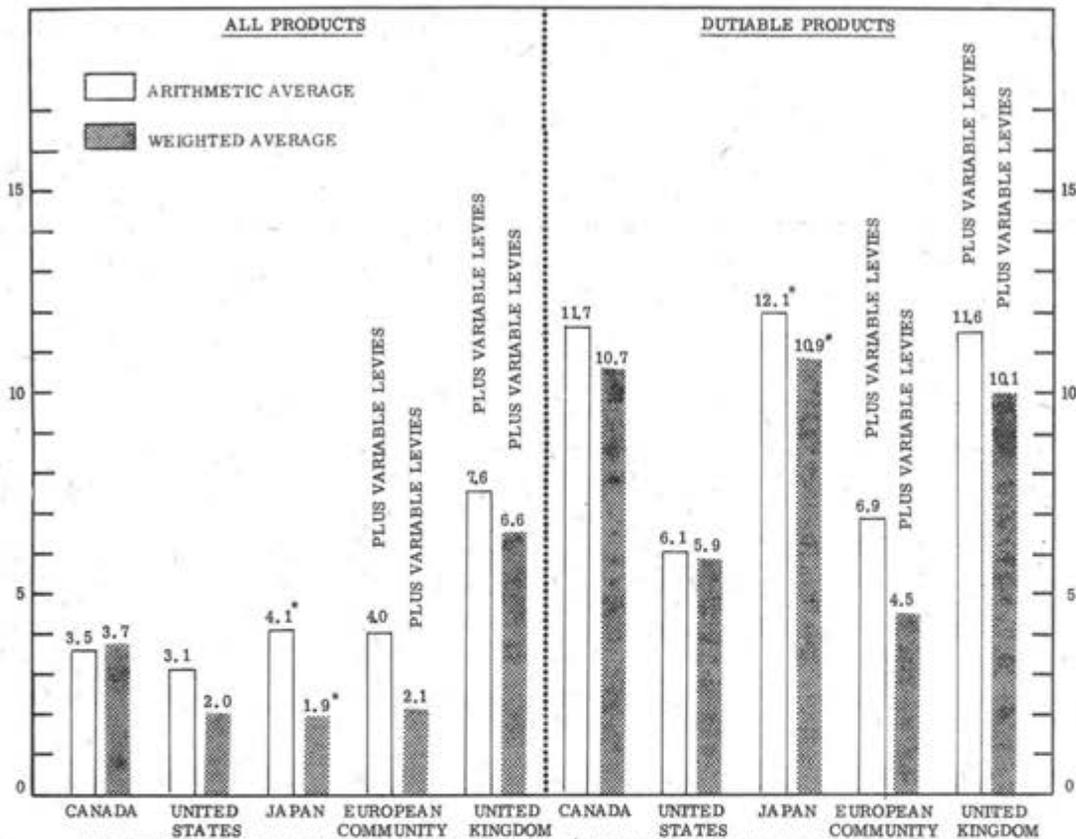
Average MFN tariffs in this miscellaneous group of agricultural and forestry products are relatively low for all five countries (chart A-9-A). Although average tariffs on dutiable products alone exceed 10 percent ad valorem for Canada, Japan, and the United Kingdom, all five countries have large percentages of duty-free tariff provisions and imports, so that average tariffs on all products are considerably lower than averages on dutiable products alone. Average tariffs given in chart A-9-A do not account for variable levies, which are applied to

^{1/} For the specific coverage of this sector, see BTN headings 05.01-05.15; 06.01-06.04; 12.03-12.10; 13.01-13.03; 14.01-14.05; 18.02; 23.01-23.03; 23.05-23.07.

The reader should also refer to Chapter IV, "Tariffs," and Chapter XIII, "Product Sectors, Some General Observations," for a discussion of problems in comparing average tariffs and other matters relevant to data presented in this product sector.

Chart A-9-A. --Average MFN tariff rates on miscellaneous agricultural and forestry products

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 20 percent, 50 percent, or 100 percent) made in 1972 on an insignificant number of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

22 of the 133 EC tariff provisions for the sector, covering 10 percent of EC imports of miscellaneous agricultural and forestry products in 1970. ^{1/} Only 1 of the 129 tariff lines of the United Kingdom for the sector is subject to a variable levy, and 1970 United Kingdom imports under the variable levy provision were negligible. Thus, although the exclusion of variable levies may have a significant effect on the

^{1/} In addition to tariff provisions subject to variable levies, the European Community has two provisions subject to countervailing fees applicable in addition to customs duties under certain conditions.

comparative value of EC averages shown in chart A-9-A, it has little effect on the comparative value of United Kingdom average MFN tariffs in relation to averages of the other major countries.

Average MFN tariffs on all products are below 8 percent ad valorem for each of the five countries. For Canada, the United States, and Japan arithmetic averages range from 3.1 to 4.1 percent ad valorem, while their weighted averages range from 1.9 percent for Japan to 3.7 percent for Canada. The European Community fixed duty averages are very close to Japan's averages. The United Kingdom has an arithmetic average tariff of 7.6 percent and a weighted average of 6.6 percent.

Average MFN tariffs of Canada, Japan, and the United Kingdom are nearly identical for dutiable products, with each of the averages of the three countries within one percentage point of another in both the arithmetic and the weighted averages, and all falling between 10.1 and 12.1 percent ad valorem. U.S arithmetic and weighted averages on dutiable products are about 5 percentage points lower than average tariffs for the other three countries. EC fixed duty averages are close to the U.S. averages.

Each of the five countries has a large percentage of tariff provisions free of duty, ranging from 34 percent for the United Kingdom to about two-thirds for Japan and Canada (table A-9-A). Nearly half of U.S. tariff provisions and over 40 percent of EC fixed rate provisions are free. The major part of dutiable provisions of each of the five major countries is found in the two rate ranges between 0.1 and 10 percent ad valorem.

Table A-9-A.--Distribution, by duty level, of MFN tariff provisions for miscellaneous agricultural and forestry products

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	69.6	49.4	66.1	42.3	34.4
0.1-5.0 percent----	7.4	27.0	14.4	31.6	19.5
5.1-10.0 percent---	8.3	17.6	8.5	14.4	28.9
10.1-15.0 percent--	5.8	4.5	3.4	5.4	4.7
15.1-20.0 percent--	7.9	.4	2.5	3.6	3.1
20.1-25.0 percent--	1.0	.4	.9	2.7	4.7
25.1-30.0 percent--	-	-	2.5	-	.8
30.1-40.0 percent--	-	.7	1.7	-	1.6
40.1-50.0 percent--	-	-	-	-	1.5
Over 50 percent----	-	-	-	-	.8
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 17 percent of EC provisions, covering 10 percent of EC imports in this sector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 0.8 percent of United Kingdom provisions, covering 0.2 percent of United Kingdom imports in this sector in 1970.

Preferential tariff treatment was accorded 6 percent of Canadian imports and 42 percent of United Kingdom imports of products in this sector in 1970.

The distribution of MFN imports of miscellaneous agricultural and forestry products, by duty level, is shown in table A-9-B. About

Table A-9-B.--Distribution, by duty level, of MFN imports of miscellaneous agricultural and forestry products

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	66.3	66.9	82.2	53.0	30.6
0.1-5.0 percent----	6.1	17.3	10.3	34.6	6.5
5.1-10.0 percent---	10.4	11.8	1.0	8.5	50.2
10.1-15.0 percent--	13.1	2.8	1.7	2.1	8.0
15.1-20.0 percent--	4.1	1.2	.3	.3	3.6
20.1-25.0 percent--	-	-	4.5	1.5	1.1
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 17 percent of EC provisions, covering 10 percent of EC imports in this sector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 0.8 percent of United Kingdom provisions, covering 0.2 percent of United Kingdom imports in this sector in 1970.

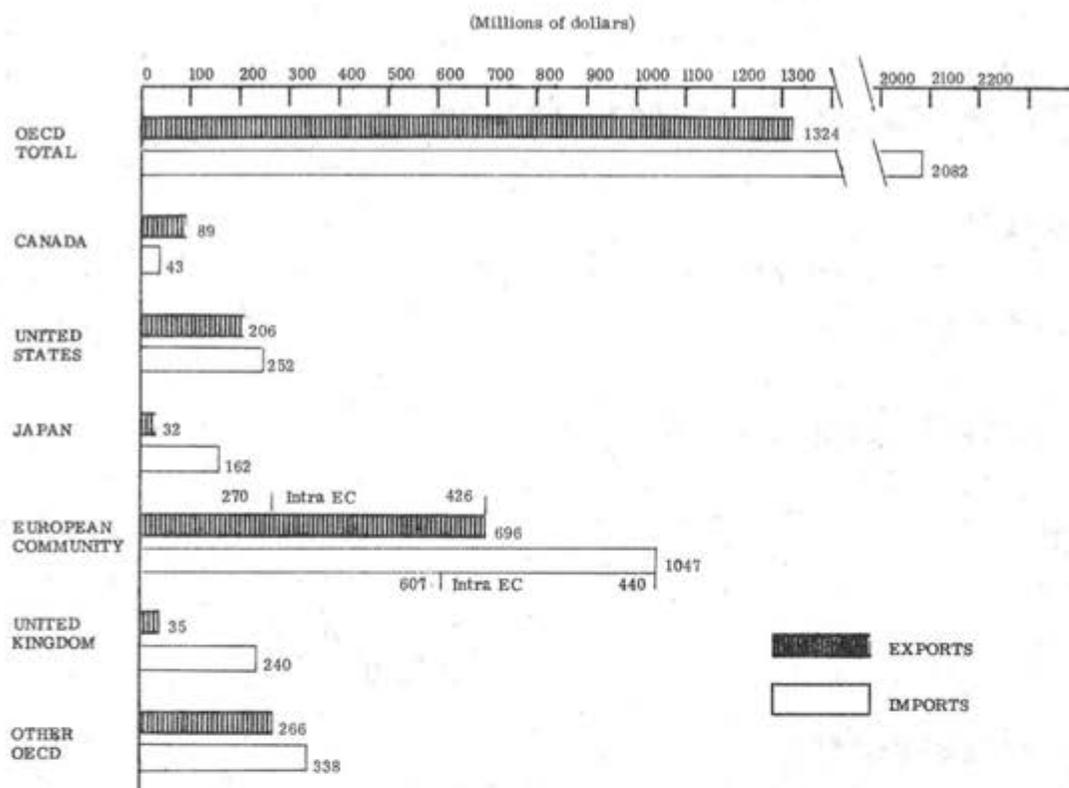
31 percent of United Kingdom imports and over half of EC fixed duty imports enter duty free. Canada and the United States enter about two-thirds of their imports duty free, while 82 percent of Japan's imports pay no duties. The major part of dutiable imports of all of the five countries are assessed rates no higher than 10 percent ad valorem. The highest rate bracket in which U.S. and Canadian imports enter is 15.1-20 percent ad valorem; Japan, the European Community, and the United Kingdom have a small amount of imports in the next higher rate bracket, 20.1-25 percent ad valorem.

The United States has the most detailed tariff schedule in this sector, with 267 tariff lines, followed by Canada, with 191 lines. The European Community has 133 lines, the United Kingdom has 129 lines, and Japan has 118 lines.

Trade importance

Miscellaneous agricultural and forestry products rank seventh in OECD exports and fifth in imports among the nine agricultural sectors, accounting for 6.2 percent of OECD agricultural exports and 6.5 percent of imports in 1969. Both exports and imports increased slightly in absolute terms and as a percentage of OECD trade in 1970. For the United States, the sector ranked sixth in exports in 1969 and fifth in imports among the nine agricultural sectors, with exports increasing to fifth place in 1970. The sector accounts for about 3.5 percent of U.S. agricultural exports and over 4 percent of imports. As shown in chart A-9-B, OECD countries as a whole and each of the five major

Chart A-9-B. -- OECD trade in miscellaneous agricultural and forestry products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

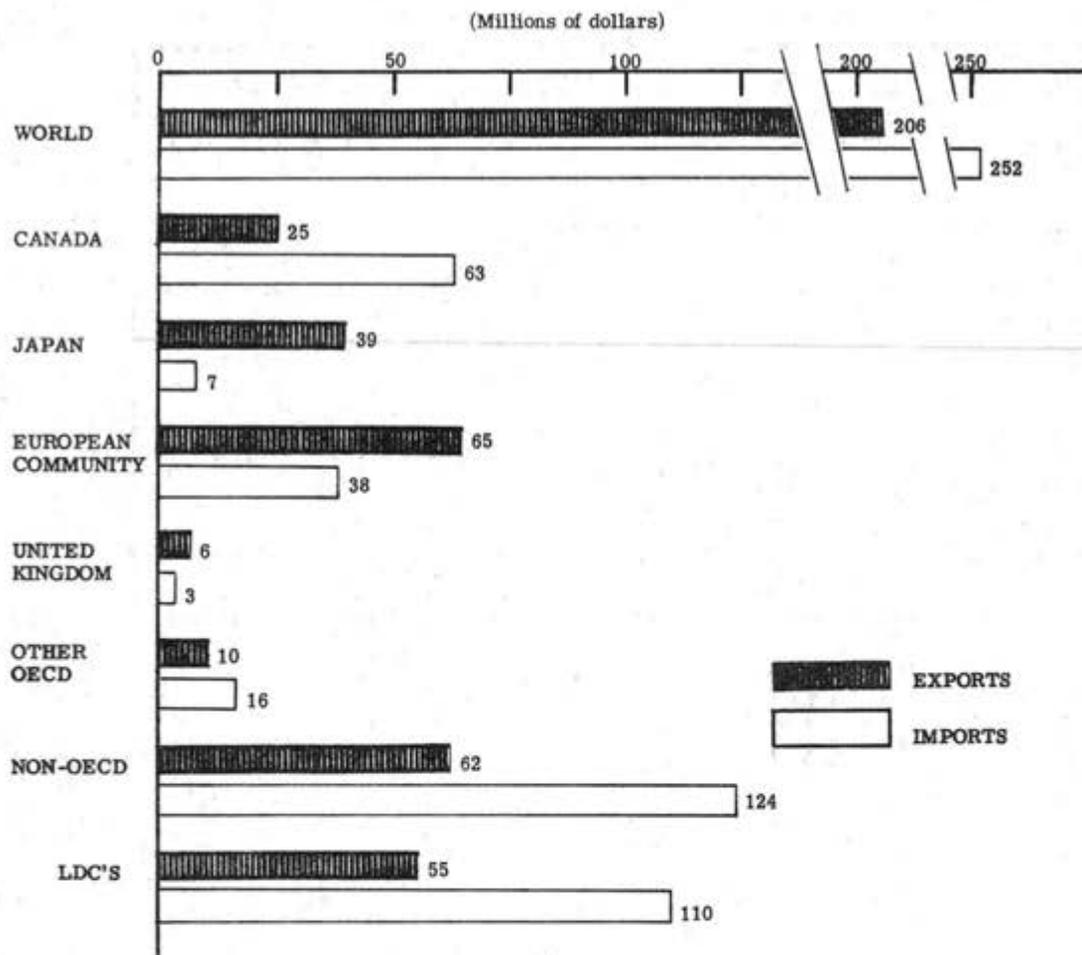
countries, except Canada, are net importers of products in this sector. The volume and distribution of U.S. trade is shown in chart A-9-C.

In 1970, imports of miscellaneous agricultural and forestry products by the 13 GATT tariff study countries were valued at \$1.8 billion. Intra-EC shipments were an additional \$520 million. OECD imports in 1970 were valued at \$2.4 billion (including intra-EC shipments), exports at \$1.6 billion.

Trade network

Less than 15 percent of OECD exports of miscellaneous agricultural and forestry products are shipped to non-OECD countries (table A-9-C).

Chart A-9-C. --United States trade in miscellaneous agricultural and forestry products, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The five major countries account for nearly 80 percent of total OECD exports. The European Community, with \$270 million of exports to outside countries in 1969, and the United States, with \$206 million, together account for about three-fourths of exports by the five major countries (excluding intra-EC trade, which was valued at \$426 million in 1969).

Table A-9-C.--OECD exports of miscellaneous agricultural and forestry products, 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,324	89	206	32	<u>1/</u> 696	35	266
OECD total-----	1,137	85	145	10	638	24	235
Canada-----	31	-	25	X	4	X	2
United States---	125	64	-	5	38	2	16
Japan-----	57	5	39	-	6	X	7
European Community-----	<u>1/</u> 602	2	65	3	426	9	97
United Kingdom--	106	10	6	X	38	-	52
Other OECD-----	216	4	10	2	126	13	61
Non-OECD total----	187	4	62	22	58	10	31
LDC's-----	130	3	55	18	37	6	11

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

Canada exported \$89 million in 1969; the United Kingdom, \$35 million; and Japan, \$32 million. The United States, the United Kingdom and LDC's each take 14 percent of EC exports to outside destinations, but 47 percent of EC external exports go to "other" OECD countries. Nearly two-thirds of U.S. exports go to the countries under study, with the largest single market being the European Community, followed by Japan and Canada. Less developed countries receive 27 percent of U.S. exports. The greater part of Japanese and United Kingdom exports go to countries other than the five under study, while most Canadian exports are sent to the United States.

The five major countries account for nearly 84 percent of OECD imports (table A-9-D). The European Community is by far the principal

Table A-9-D.--OECD imports of miscellaneous agricultural and forestry products, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	2,082	43	252	162	1/ 1,047	240	338
OECD total-----	1,224	37	127	67	637	124	232
Canada-----	90	-	63	7	3	14	3
United States---	168	30	-	46	73	8	11
Japan-----	13	X	7	-	4	X	2
European Community----	1/ 660	4	38	7	440	43	128
United Kingdom--	26	1	3	1	9	-	12
Other OECD-----	267	2	16	6	108	59	76
Non-OECD total----	859	6	124	93	411	116	109
LDC's-----	619	2	110	59	309	50	89

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

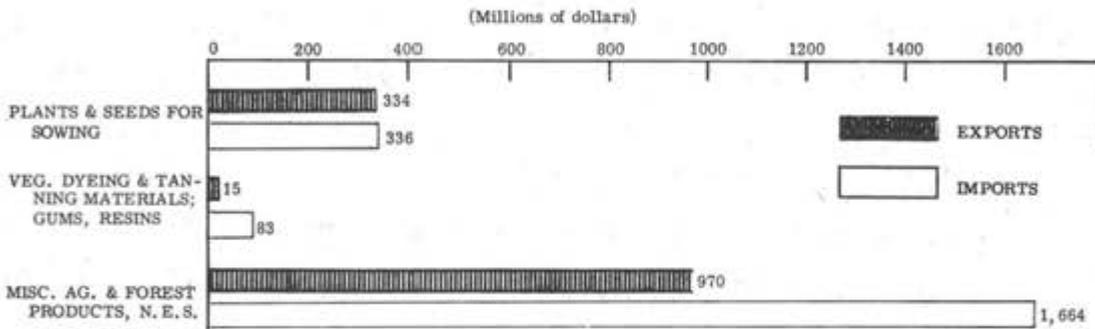
importer, entering \$607 million from outside sources in 1969. Intra-EC imports are equal to nearly three-fourths the volume of EC entries from outside the Community. Over half of EC external imports come from the LDC's; developed non-OECD countries and "other" OECD nations together supply one-third of EC entries from outside sources. About 44 percent of U.S. imports come from less developed countries, one-fourth from Canada, and 15 percent from the European Community. Nearly half of United Kingdom imports and over half of Japanese imports come from non-OECD countries. Canada, with the fewest imports among the five countries, receives nearly 70 percent of its entries from the United States.

Trade composition

Miscellaneous agricultural and forestry products is divided into three subsectors: Live trees, plants, and seeds for sowing;

raw vegetable materials suitable for use in dyeing and tanning, gums and resins; and miscellaneous agricultural and forestry products not elsewhere specified. The third subsector contains about twice as many tariff lines as the other two subsectors, and has more trade than the other two subsectors combined. The relative trade importance of the three subsectors is shown in chart A-9-D.

Chart A-9-D. --OECD trade in miscellaneous agricultural and forestry products, by type, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The subsector, raw vegetable materials suitable for use in dyeing and tanning, gums and resins, accounts for less than 3 percent of OECD trade in the sector, and trade statistics are incomplete. Consequently, this subsector will not be discussed in detail.

Trade-agreement concessions

In the following tabulation pre-trade-agreement arithmetic average MFN tariffs for miscellaneous agricultural and forestry products are compared with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. The average tariff level for each of the major countries has undergone some reduction. Canada, with a reduction of over 80 percent, and the United States, with a reduction of 76 percent from pre-trade-agreement levels, have the greatest

changes in rate levels. The January 1, 1972, average rate for Japan does not reflect unilateral reductions of 20 percent, 50 percent, or 100 percent made in 1972 on a small number of the Japanese rates for the sector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	12.9	3.1
European Community <u>1/</u>	7.4	4.0 (plus variable levies)
United Kingdom <u>2/</u>	13.8	7.6 (plus variable levies)
Japan	6.9	4.1
Canada	18.3	3.5

Each of the five major countries has made GATT concessions on some of its tariff provisions for miscellaneous agricultural and forestry products. GATT concessions cover 97 percent of U.S. lines, 77 percent of Japanese lines, over 60 percent of EC lines, and well over one-fourth of Canadian lines. GATT concessions fully cover 38 percent of United Kingdom tariff lines and partially cover 7.6 percent.

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 111 tariff lines which continue to be subject to fixed duties alone; it does not include the 22 tariff lines subject to a variable levy.

2/ For the United Kingdom, the January 1, 1972, figure is an arithmetic average of rates of duty in all tariff lines subject to fixed rates only, excluding lines covered by variable levies. Since 1964, the United Kingdom has had a system of minimum prices for certain cereal by-products which fall in this sector. Variable levies are used by the United Kingdom in 1 of its 129 tariff lines for this sector, in order to support these minimum prices (which are often set below world market prices).

Each of the members of the European Community negotiated GATT concessions on miscellaneous agricultural and forestry products in its national tariff schedules prior to the establishment of the Common External Tariff. The total number of such concessions was 290, of which 115 were at the CXT rate and an almost equal number were above and below the CXT rate.

Trade complaints

U.S. manufacturers and traders of miscellaneous agricultural and forestry products submitted 157 complaints to the Tariff Commission concerning practices or policies which they considered to be barriers to trade. Two-thirds of the complaints were against practices found in 14 developed countries; nineteen developing nations were named in the remaining third of the complaints. The European Community as a unit and its individual member states together drew 25 complaints. The other countries mentioned most often were Japan (17), Australia (15), New Zealand (11), the United Kingdom (10), Canada (8), the United States (8), and Mexico (6).

The bulk of the complaints fell in three areas. The first of these dealt with standards and drew the largest number of complaints. The second largest area dealt with various specific limitations of imports (principally licensing, quotas, and embargoes) and the third area dealt with tariffs, taxes, and other nontariff charges on imports.

Standards.-- Thirty-one complaints were received concerning standards.

Twenty-four of these dealt with trade in seeds for planting, two with trade in cut flowers, and the remainder with plants, bulbs, and miscellaneous agricultural and forestry products. Six of the complaints named Australia; Japan was named in four, and New Zealand in three; Israel, the United Kingdom, and the European Community in two. Iran, Turkey, Syria, Cyprus, South Africa, Argentina, Chile, West Germany, and the United States were each mentioned once. A large part of these complaints were against various phytosanitary requirements which the complainant considered unreasonable. For example, Australia requires certification that the seed is grown in an area free of foot and mouth disease. For beans grown in Idaho, Australia requires a field phytosanitary inspection; and beans grown in California are not accepted in Australia unless grown in Monterrey County with a field phytosanitary inspection. Other countries which require field inspection for phytosanitary certificates are Cyprus, the United Kingdom, South Africa, and Israel. Several countries, including the European Community, permit importation only of seeds for approved plant varieties. Most countries prohibit entry of seeds if they are found to contain seeds of harmful weeds. The plant quarantine regulations of Japan and West Germany were criticized as being overly strict for minor diseases. A U.S. wholesale florist felt that U.S. flower growers have been disadvantaged in the domestic market and in export markets by the recently imposed U.S. restrictions on use of certain pesticides and fungicides.

Quantitative restrictions, embargoes, and licensing.-- Complaints were received concerning quotas imposed by France and other EC countries on cut flowers, licorice extract, and hops. Several developing countries, principally in Latin America, were reported to have embargoes on cut flowers, certain seeds that are available domestically, and Christmas trees. Licenses or other forms of import permits are required for the importation of seeds and plants in a large number of countries. New Zealand and Australia were reported to exclude frozen bovine semen exported from the United States, but permit importation from Canada.

Tariff and nontariff charges on imports.-- The fact that the European Community, Switzerland, and Sweden have seasonal tariffs on cut flowers gave rise to complaints by U.S. exporters. Various other charges were criticized because they raise the prices of imports. Italy was cited as employing a sanitary tax and an inspection fee. Japan, Canada, and Latin American countries were cited as employing numerous special taxes on imported products in this sector. Mexico was reported to charge \$28 for each phytosanitary certificate which must accompany certain imports.

Other complaints.--In addition to these three major areas of complaint, France, the Netherlands, New Zealand, and Australia were reported to subsidize the production or export of seeds. Documentation required for trading in seeds and plants in several countries was considered unnecessarily burdensome.

Thirty-nine complaints in the Commission's survey in this sector were accompanied by an assessment of the trade significance of the barriers which were reported. In nine cases, a "small" trade increase was expected if the barriers were removed. "Moderate" and "significant" increases were expected in 15 cases each. Only six of the respondents placed a monetary value on the possible increases in trade. The total estimated gain in trade indicated by these respondents was \$803 million. The percentage figures for the estimated trade increases ranged from 42 to 300 percent of current trade.

Live Trees, Plants, and Seeds for Sowing

The subsector for live trees, plants, and seeds for sowing, includes trees, shrubs, roots, cuttings, bulbs, tubers, seeds, fruit and spores, and other items used for planting or sowing. ^{1/}

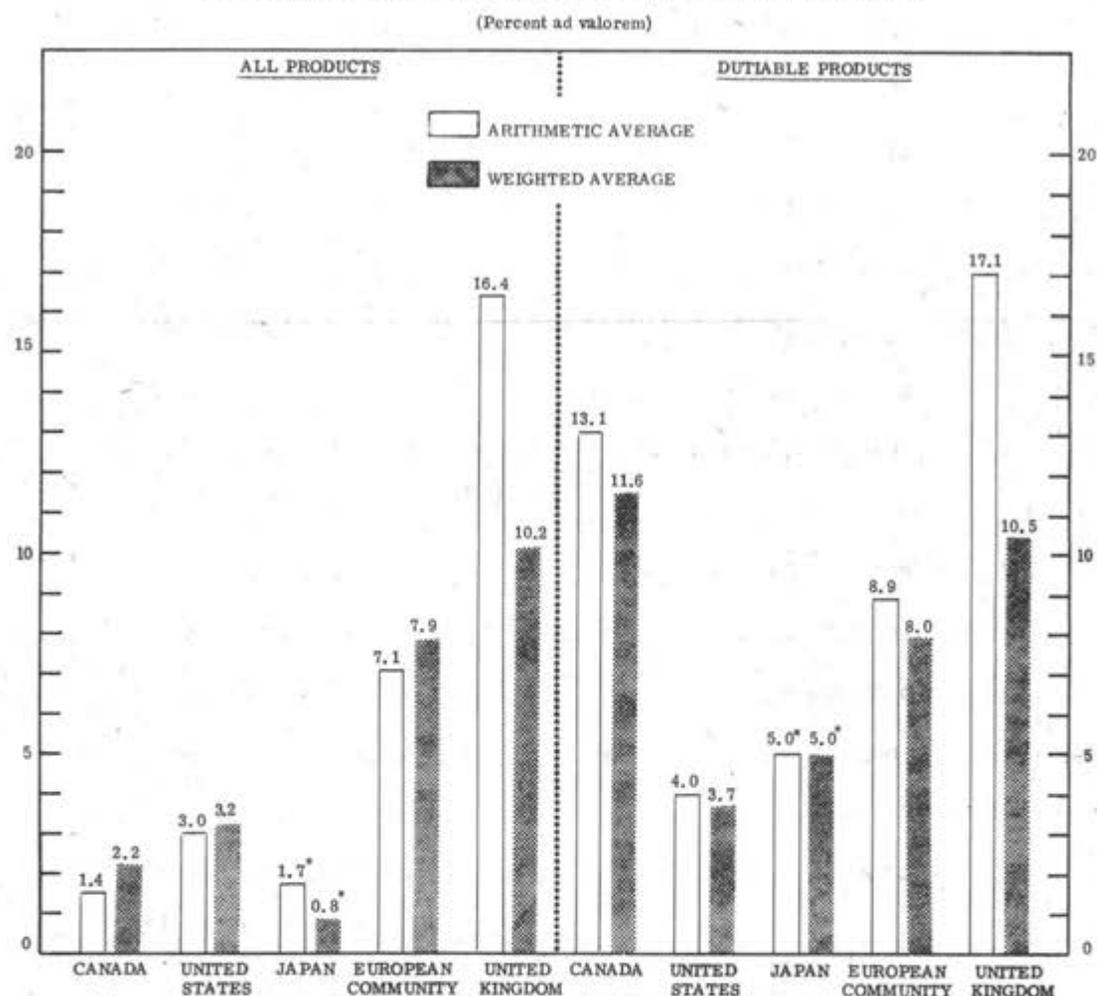
MFN tariffs

The range of average MFN tariffs for plants and seeds is somewhat wider than for the sector as a whole due to the relatively high United Kingdom arithmetic average tariffs of 16.4 and 17.1 percent ad valorem. The United Kingdom weighted average tariffs are slightly over 10 percent ad valorem (chart A-9-E). Canada has the highest weighted average tariff on dutiable products (11.6 percent ad valorem) and the second highest arithmetic average on dutiable products (13.1 percent), but holds the lowest arithmetic average tariff (1.4 percent) on all products (combined free and dutiable) and the second lowest weighted average (2.2 percent). The United States, with the lowest average tariffs on dutiable products alone, has average tariffs of about 3 percent ad valorem on all products. The European Community's arithmetic average tariff on all products is 7.1 percent, and the weighted average is 7.9 percent ad valorem; EC dutiable product averages are only slightly higher. Japan's all products averages are among the lowest; the dutiable product averages are both 5 percent ad valorem.

The distribution of MFN tariff provisions for plants and seeds, by duty level, is shown for the five major countries in table A-9-E. Nearly

^{1/} For the specific coverage of this subsector, see BTN headings 06.01; 06.02; and 12.03.

Chart A-9-E.--Average MFN tariff rates on live trees, plants, and seeds for sowing



Source: Compiled from national tariffs and trade statistics.

Table A-9-E.--Distribution, by duty level, of MFN tariff provisions for live trees, plants and seeds for sowing

(In percent)

Duty level	Canada	United States	Japan	European Community	United Kingdom
Free-----	89.3	26.3	66.7	20.0	4.2
0.1-5.0 percent----	-	52.6	33.3	20.0	16.6
5.1-10.0 percent---	1.8	17.6	-	33.3	33.4
10.1-15.0 percent--	7.1	1.7	-	26.7	8.3
15.1-20.0 percent--	1.8	-	-	-	8.3
20.1-25.0 percent--	-	1.8	-	-	8.4
25.1-30.0 percent--	-	-	-	-	4.1
30.1-40.0 percent--	-	-	-	-	8.4
40.1-50.0 percent--	-	-	-	-	4.1
Over 50 percent----	-	-	-	-	4.2
Total-----	100.0	100.0	100.0	100.0	100.0

90 percent of Canada's MFN tariff provisions are duty free, as are two-thirds of Japanese provisions, over one-fourth of U.S. provisions, and one-fifth of EC provisions. The third of Japanese provisions that are dutiable and over half of U.S. provisions are in the 0.1-5 percent ad valorem rate range. One-third of EC provisions are dutiable in the 5.1-10 percent range and over one-fourth are in the 10.1-15 percent ad valorem bracket. The United Kingdom has its provisions widely scattered throughout the ranges, with some rates above 50 percent ad valorem; one-third, however, have duties in the 5.1-10 percent rate bracket.

In 1970, preferential tariff treatment was accorded nearly 12 percent of United Kingdom imports of plants and seeds. Japan and the United States have no preferential imports, Canadian imports under preferential rates are negligible, and only 1 percent of EC imports from outside countries are given preferential tariff treatment.

The distribution of MFN imports of plants and seeds, by duty level, is shown for the five major countries in table A-9-F. More

Table A-9-F.--Distribution, by duty level, of MFN imports of live trees, plants and seeds for sowing

Duty level	(In percent)				
	Canada	United States	Japan	European Community	United Kingdom
Free-----	81.1	12.9	84.7	1.2	3.1
0.1-5.0 percent----	-	63.4	15.3	19.3	6.8
5.1-10.0 percent---	5.6	23.7	-	56.4	64.5
10.1-15.0 percent--	12.6	-	-	23.1	17.7
15.1-20.0 percent--	.7	-	-	-	4.9
20.1-25.0 percent--	-	-	-	-	1.5
25.1-30.0 percent--	-	-	-	-	.2
30.1-40.0 percent--	-	-	-	-	1.3
Total-----	100.0	100.0	100.0	100.0	100.0

than 80 percent of MFN imports by Canada and Japan enter duty free, and no Japanese imports are dutiable above 5 percent ad valorem. About 63 percent of U.S. imports enter at duty rates between 0.1 and 5 percent ad valorem. The European Community enters over half of its imports at rates between 5.1 and 10 percent ad valorem and has no imports which pay duties above 15 percent ad valorem. Although nearly 65 percent of United Kingdom imports are dutiable between 5.1 and 10 percent ad valorem and over 90 percent of United Kingdom imports are in duty ranges no higher than 15 percent, a small percentage of United Kingdom imports pay duties in the 30.1-40 percent ad valorem range.

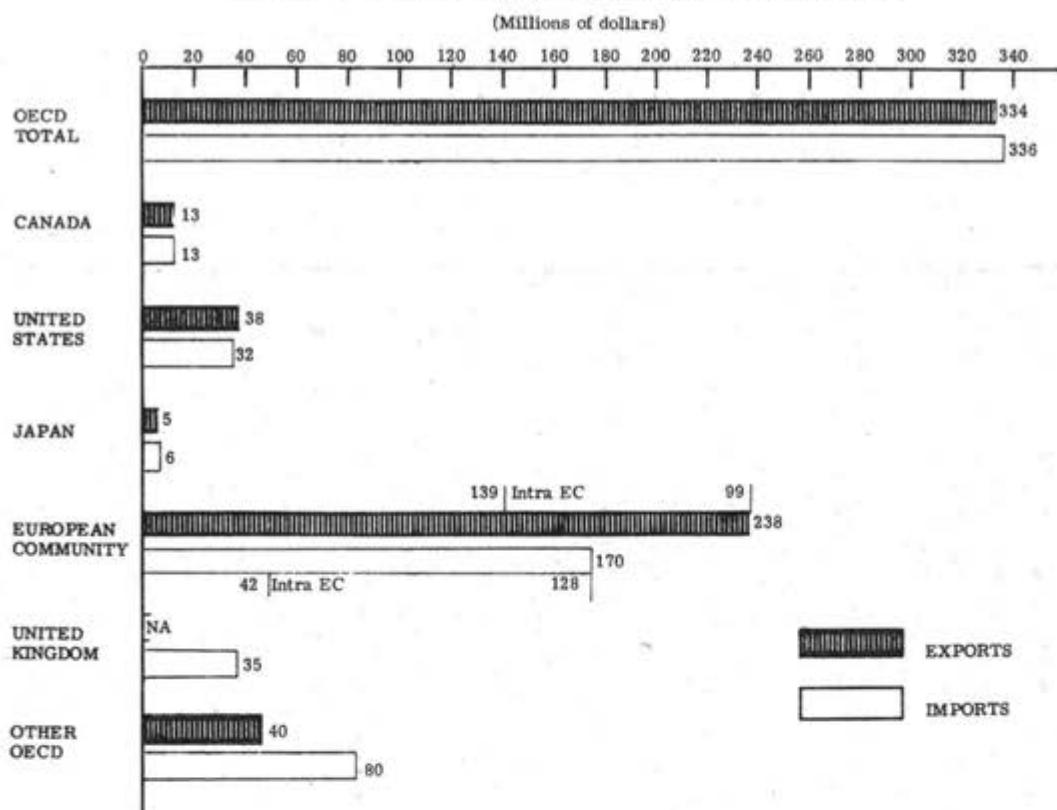
The United States, with 57 tariff lines, and Canada, with 56 lines, have the most detailed tariff schedules for plants and seeds. The United Kingdom has 24 lines; the European Community, 15 lines; and Japan, 6 lines.

Trade importance

The live trees, plants, and seeds for sowing subsector is relatively unimportant, ranking 23rd in OECD exports and 22nd in imports among the 28 agricultural subsectors. The subsector accounts for 1.6 percent of OECD agricultural exports and about 1 percent of imports.

For the United States, the subsector is more important in rank than for OECD countries as a whole, ranking 17th in exports and 21st in imports among the 28 agricultural subsectors. However, the subsector accounts for only about 0.6 percent of U.S. agricultural trade. As shown in chart A-9-F, the European Community is a net exporter and the major trader of products in this subsector.

Chart A-9-F. -- OECD trade in live trees, plants, and seeds for sowing, 1969



Source: Compiled from OECD Statistics of Foreign Trade, Series F, 1969.

In 1970, imports of live trees, plants, and seeds for sowing by the 13 GATT tariff study countries were valued at \$225 million, or about 12 percent of imports in the miscellaneous agricultural and forestry products sector. Intra-EC shipments were an additional \$143 million. OECD imports in 1969 were valued at \$336 million, exports were \$334 million (both including intra-EC shipments).

Trade network

The European Community is by far the major exporter of plants and seeds (table A-9-G). EC shipments to outside destinations are more than three and a half times as great as exports of the United States,

Table A-9-G.-- OECD exports of live trees, plants, and seeds for sowing, 1969
(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	334	13	38	5	<u>1/</u> 238	NA	40
OECD total-----	201	1	5	2	179	-	14
Canada-----	6	-	3	X	3	-	X
United States---	16	1	-	1	15	-	X
Japan-----	X	X	X	-	X	-	X
European Community-----	<u>1/</u> 106	-	1	1	99	-	5
United Kingdom--	21	X	X	X	20	-	1
Other OECD-----	52	-	1	X	42	-	9
Non-OECD total----	10	1	2	1	6	-	X
LDC's-----	8	X	2	1	5	-	X

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country data are not available for all products covered by this table; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

which is the second largest shipper. Country of destination data for exports in this subsector are not sufficiently complete to give an accurate picture of the trade network.

The five major countries account for three-quarters of OECD imports of plants and seeds (table A-9-H). The European Community's

Table A-9-H.-- OECD imports of live trees, plants, and seeds for sowing, 1969

(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	336	13	32	6	<u>1/</u> 170	35	80
OECD total-----	311	13	29	6	156	32	75
Canada-----	13	-	10	X	1	1	1
United States---	27	9	-	3	9	1	5
Japan-----	3	X	1	-	1	X	1
European Community----	<u>1/</u> 228	2	16	1	128	25	56
United Kingdom--	2	X	X	X	1	-	1
Other OECD-----	38	2	2	2	16	5	11
Non-OECD total----	26	X	3	X	14	3	6
IDC's-----	11	X	3	X	6	1	1

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

imports from outside sources (\$42 million in 1969) are not substantially greater than imports by the United Kingdom and the United States (\$35 and \$32 million, respectively). The European Community supplies half of U.S. imports and over 70 percent of United Kingdom imports. The United States supplies half of Japanese imports, nearly 70 percent of Canadian imports, and over one-fifth of EC imports from outside countries. Thirty-eight percent of EC outside imports come from "other" OECD countries.

Trade-agreement concessions

Arithmetic average MFN tariffs for plants and seeds on pre-trade-agreement base dates are compared in the tabulation below with arithmetic average rates in effect on January 1, 1972, for each of the five major countries. Reductions have occurred, some of which are substantial, in the average tariff level of each of the major countries. The 1972 figure for Japan does not reflect unilateral reductions by 20 or 100 percent made in 1972 on one-third of the Japanese rates in this subsector.

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	13.0	3.0
European Community	9.9	7.1
United Kingdom	44.0	16.4
Japan	7.5	1.7
Canada	20.0	1.4

Each of the five major countries has made GATT concessions on some of its tariff rates for plants and seeds. GATT concessions cover about 45 percent of Canadian lines, 73 percent of EC lines, 98 percent of U.S. lines, and all of Japanese tariff lines for the subsector. In the tariff schedule of the United Kingdom, 21 percent of tariff lines are fully covered by GATT concessions and over 12 percent are covered in part.

Each of the members of the European Community had made tariff concessions negotiated under the GATT prior to the establishment of the Common External Tariff. The number of such concessions totaled 56, of

which 21 were above the CXT rate, 8 were at the CXT rate, and 27 were below the CXT rate.

Rates of duty applicable to live plants including trees, shrubs, bushes, roots, cuttings, and slips on pre-trade-agreement base dates are compared with rates on January 1, 1972, in table A-9-I. Japan has

Table A-9-I.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on other live plants, including trees, shrubs, bushes, roots, cuttings, and slips

(% = Percent ad valorem)

Country	Pre-trade-agreement rate <u>1/</u>	MFN rate <u>1/</u>		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	2% AVE <u>2/</u> -25%	2% AVE <u>2/</u> -10%	Free-7.5%	125.40-125.67; 125.80
Canada-----	Free-30%	Free-17.5%	Free-12.5%	7801-1; 7803-1; 7915-1; 7920-1; 7925-1; 7935-1 thru 8104-1; 8205-1 thru 8240-1
European Community--	Free-15%	Free-15%	Free-13%	06.02 A, B, C
United Kingdom-----	19%-84% AVE <u>3/</u>	Free-34% AVE <u>4/</u>	Free-34.8% AVE <u>4/</u>	06.02 A-F
Japan-----	Free	Free	Free	06.02

1/ For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

2/ Ad valorem equivalent of specific rate of duty calculated on 1971 import values.

3/ Range of ad valorem equivalents of specific rates of duty calculated on 1934 import values.

4/ Range of ad valorem equivalents of specific rates of duty calculated on 1971 import values.

entered these plants duty free throughout the period. In the U.S. tariff schedule, there were duty reductions of 50 percent or more prior to the Kennedy Round on all of these plants except for seedlings, layers, and cuttings of fruit trees. In the Kennedy Round, U.S. imports of fruit tree seedlings, layers, and cuttings were made duty free and each of the other categories of these live plants had further duty reductions to

levels between 7.5 and 30 percent of the U.S. pre-trade-agreement duties. Canada also had numerous reductions in duties on fruit trees and other live plants before and during the Kennedy Round, as did the United Kingdom. Although no change is shown in the United Kingdom range of duties during the Kennedy Round, there were United Kingdom duty reductions on rose stocks in those negotiations. For the European Community, duties for a number of these live plants were lowered during the Kennedy Round. On January 1, 1972, the duties of the five major countries on the live plants enumerated above ranged from free to 34.8 percent ad valorem or ad valorem equivalent.

Other Agricultural and Forestry Products, n.e.s.

Other agricultural and forestry products, not elsewhere specified, include numerous products, many of them agricultural by-products and waste products. Much of the trade in this subsector is composed of by-products from the processing of animal and vegetable products. The subsector includes items such as bones, human and animal hair, shells, plant parts used in the production of perfume; hay, clover and similar forage products; ivory, etc. 1/

MFN tariffs

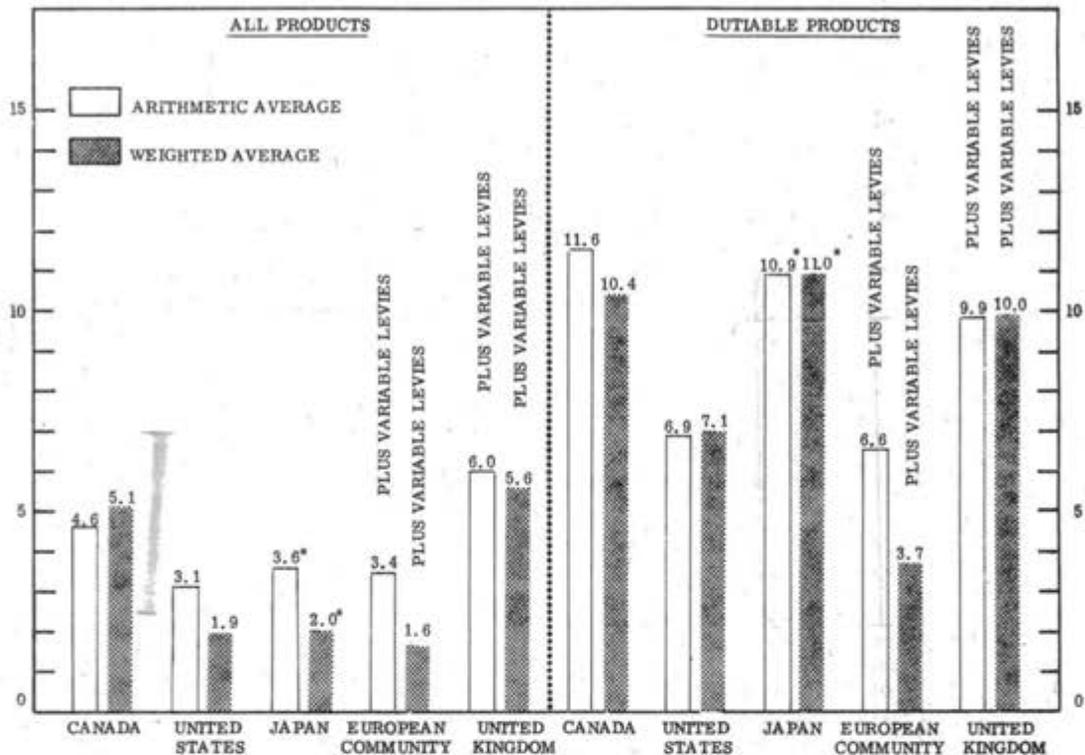
Average MFN tariffs for this basket category of agricultural and forestry products are shown in chart A-9-G. Virtually all imports of bran, sharps, and other residues resulting from sifting, milling, or working of cereals and leguminous vegetables are admitted either under preferential tariff treatment or subject to variable levies in imports by the United Kingdom and the European Community. The European Community also has variable levies on sugar beets and sugar cane, and sweetened animal forage and similar preparations. These variable levies, which are not included in the calculation of average tariffs in chart A-9-G, are applicable to 22 of the 99 EC tariff lines for the subsector and covered 12 percent of EC imports in 1970. 2/

1/ For specific coverage of this subsector, see BTN headings 05.01-05.15; 06.03; 06.04; 12.04-12.10; 14.01-14.05; 18.02; 23.01-23.03; 23.05-23.07.

2/ In two additional EC tariff lines, countervailing fees in addition to customs duties are applicable under certain conditions.

Chart A-9-G. --Average MFN tariff rates on miscellaneous agricultural and forestry products, n. e. s.

(Percent ad valorem)



*Figures for Japan do not reflect the unilateral reductions (by 50 percent or 100 percent) made in 1972 on an insignificant number of the Japanese rates in this sector.

Source: Compiled from national tariffs and trade statistics.

Variable levies are applied to only 1 of the 94 United Kingdom tariff lines and covered only 0.2 percent of United Kingdom imports of products in this subsector in 1970.

None of the average tariffs for the five countries exceeds 6 percent ad valorem for all products (combined free and dutiable) and all of the averages are below 12 percent for dutiable products alone. Arithmetic average tariffs on all products are slightly over 3 percent ad valorem for the European Community (fixed duties only), the United States, and Japan, while weighted averages are about 2 percent. Canadian

average tariffs on all products are about 5 percent ad valorem, and United Kingdom average tariffs are about 6 percent.

The distribution of MFN tariff provisions for this subsector, by duty level, is shown in table A-9-J. Nearly 40 percent of United Kingdom

Table A-9-J.--Distribution, by duty level, of MFN tariff provisions for miscellaneous agricultural and forestry products, n.e.s.

Duty level	(In percent)				
	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	60.2	55.0	67.4	48.1	39.8
0.1-5.0 percent---	11.0	19.9	16.3	28.5	18.3
5.1-10.0 percent---	10.2	17.5	8.2	14.3	30.1
10.1-15.0 percent--	5.9	6.4	2.3	1.3	4.3
15.1-20.0 percent--	11.0	.6	2.3	5.2	2.1
20.1-25.0 percent--	.9	-	1.2	2.6	4.3
25.1-30.0 percent--	.8	-	-	-	-
30.1-40.0 percent--	-	.6	2.3	-	-
40.1-50.0 percent--	-	-	-	-	1.1
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 22 percent of EC provisions, covering 12 percent of EC imports in this subsector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 1 percent of United Kingdom provisions, covering 0.2 percent of United Kingdom imports in this subsector in 1970.

tariff provisions and nearly half of EC fixed duty tariff provisions are free of duty, while the United States, Canada, and Japan have between 55 and 67 percent of provisions duty free. The bulk of each country's dutiable provisions are in the two duty ranges between 0.1 and 10 percent ad valorem. Canada, with 11 percent of provisions in the 15.1-20 percent rate bracket, is the only major country with a large percentage of provisions dutiable in a range above 10 percent ad valorem.

Preferential tariff treatment was given to over 9 percent of Canadian imports and 48 percent of United Kingdom imports in 1970. Preferential imports are not significant for the other three countries.

The distribution of MFN imports, by duty level, is shown in table A-9-K. Nearly 40 percent of United Kingdom MFN imports and over half of Canadian and EC fixed duty imports enter duty free, as do over 70 percent of U.S. imports and over 80 percent of Japanese imports.

Table A-9-K.-- Distribution, by duty level, of MFN imports of miscellaneous agricultural and forestry products, n.e.s.

(In percent)

Duty level	Canada	United States	Japan	European Community 1/	United Kingdom 2/
Free-----	53.5	73.1	82.1	56.5	39.4
0.1-5.0 percent----	10.7	11.6	10.5	36.8	5.3
5.1-10.0 percent---	14.3	9.9	1.2	4.5	47.9
10.1-15.0 percent--	15.1	3.8	.9	.3	3.7
15.1-20.0 percent--	6.4	1.6	.3	.3	3.7
20.1-25.0 percent--	-	-	5.0	1.6	-
Total-----	100.0	100.0	100.0	100.0	100.0

1/ Data for the European Community are for fixed tariff rates only and do not reflect variable levies which apply to 22 percent of EC provisions, covering 12 percent of EC imports in this subsector in 1970.

2/ Data for the United Kingdom are for fixed tariff rates only and do not reflect variable levies which apply to 1 percent of United Kingdom provisions, covering 0.2 percent of United Kingdom imports in this subsector in 1970.

The great bulk of dutiable imports for all five countries are assessed duties no higher than 10 percent ad valorem. Japan and the European Community are the only major countries with imports entering at rates as high as the 20.1-25 percent range.

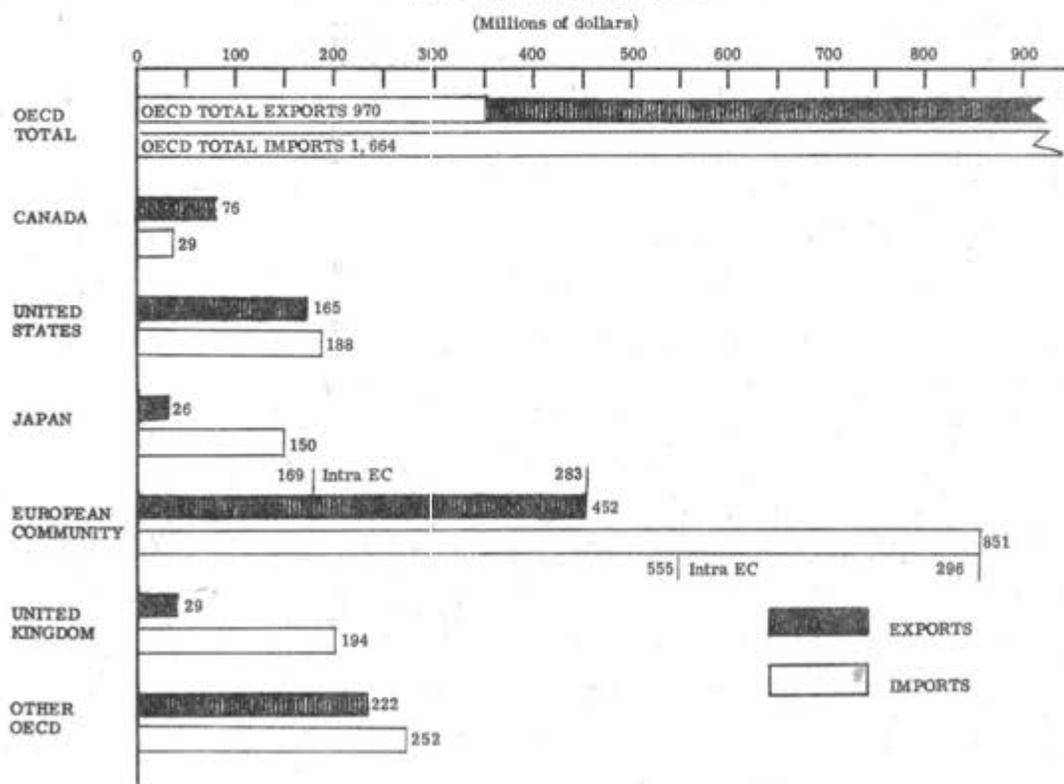
The United States has the most detailed tariff schedule in this subsector, with 171 tariff lines, followed by Canada, with 118 lines. The European Community has 99 lines, the United Kingdom has 94 lines, and Japan has 86 lines.

Trade importance

Miscellaneous agricultural and forestry products, n.e.s. is a residual category, but the total trade in this great diversity of

products ranks sixth in OECD exports and seventh in imports among the 28 agricultural subsectors. This subsector accounts for 4.6 percent of OECD agricultural exports and 5.2 percent of imports in 1969. For the United States, the subsector ranks seventh in exports and ninth in imports among the 28 agricultural subsectors, accounting for about 3 percent of U.S. agricultural exports and over 3 percent of imports. As shown in chart A-9-H, OECD countries as a whole and each of the five major countries except Canada are net importers of products in this subsector.

Chart A-9-H. -- OECD trade in miscellaneous agricultural and forestry products, n.e.s., 1969



Sources: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

In 1970, imports by the 13 GATT tariff study countries totaled \$1.5 billion. Intra-EC shipments were an additional \$362 million. OECD imports in 1969 were valued at \$1.7 billion (including intra-EC trade), exports were \$970 million.

Trade network

Over three-fourths of OECD exports are accounted for by the five major countries (table A-9-L). The European Community, with \$133 million of known exports in 1969 to outside countries, and the United

Table A-9-L.-- OECD exports of miscellaneous agricultural and forestry products, n.e.s., 1969

(Millions of dollars)

Exporters Importers	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	970	76	165	26	<u>1/</u> 452	29	222
OECD total-----	762	69	111	4	384	19	175
Canada-----	16	-	15	X	1	X	X
United States---	82	52	-	2	18	X	10
Japan-----	45	5	35	-	3	X	2
European Community-----	<u>1/</u> 418	1	52	1	283	8	73
United Kingdom--	69	9	4	X	14	-	42
Other OECD-----	132	2	5	1	65	11	48
Non-OECD total----	108	3	36	10	32	8	19
LDC's-----	69	2	31	9	19	5	3

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of destination data are not available for 5 percent of Canadian exports, 11 percent of U.S. exports, 46 percent of Japanese exports, 8 percent of EC exports, and 7 percent of United Kingdom exports; country of destination figures therefore do not add to total exports to the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

States, with \$165 million, are the major exporters. Known EC external shipments are equal to only about 47 percent of intra-EC exports.

"Other" OECD countries provide the market for about half of EC outside

exports for which destinations are known. The European Community takes over one-third of known U.S. exports; Japan, Canada, and LDC's are the other important markets for U.S. shipments. Canadian exports, worth \$76 million in 1969, go largely to the United States. Japanese and United Kingdom exports are small and are sold largely to countries other than those under study.

The five major countries account for 85 percent of total OECD imports. The European Community is by far the largest importer, entering \$555 million of imports from outside countries in 1969. The United Kingdom is second with \$194 million, followed by the United States with \$188 million, Japan with \$150 million, and Canada with only \$29 million (table A-9-M).

Table A-9-M.-- OECD imports of miscellaneous agricultural and forestry products, n.e.s., 1969
(Millions of dollars)

Importers Exporters	OECD total	Canada	United States	Japan	European Community	United Kingdom	Other OECD
World-----	1,664	29	188	150	<u>1/</u> 851	194	252
OECD total-----	825	19	84	56	447	82	137
Canada-----	71	-	49	6	2	12	2
United States---	128	15	-	42	60	5	6
Japan-----	6	X	4	-	1	X	1
European Community-----	<u>1/</u> 400	1	19	4	296	16	64
United Kingdom--	20	1	2	1	7	-	9
Other OECD-----	200	2	10	3	81	49	55
Non-OECD total----	637	5	61	68	325	88	90
LDC's-----	433	1	50	40	242	26	74

1/ Includes intra-EC shipments.

X = Less than \$500,000.

Note.--Complete country of origin data are not available for 17 percent of Canadian imports, 23 percent of U.S. imports, 17 percent of Japanese imports, 9 percent of EC imports, and 12 percent of United Kingdom imports; country of origin figures therefore do not add to total imports from the world.

Source: Compiled from OECD Statistics of Foreign Trade, Series C, 1969.

The bulk of European Community outside imports of these miscellaneous agricultural and forestry products come from non-OECD countries (principally

LDC's). Among the countries under review the United States is the only known significant supplier of EC imports. Most United Kingdom imports also come from non-OECD countries and countries other than the ones under study. Japan buys 55 percent of its imports for which origins are known from non-OECD countries; most of Japan's OECD imports come from the United States. Canada receives most of its imports from the United States. Canada, the less developed countries and the European Community are major suppliers of U.S. imports.

Trade-agreement concessions

In the tabulation below, arithmetic average MFN duties for "other" agricultural and forestry products, n.e.s. on pre-trade-agreement base dates are compared with arithmetic average MFN rates in effect

	<u>Pre-trade-agreement</u>	<u>January 1, 1972</u>
	(Percent ad valorem)	
United States	13.8	3.1
European Community <u>1/</u>	7.5	3.4 (plus variable levies)
United Kingdom <u>2/</u>	6.8	6.0 (plus variable levies)
Japan	6.3	3.6
Canada	10.0	4.6

1/ For the European Community, the pre-trade-agreement figure is the arithmetic average of the autonomous rates of duty as initially established for every tariff line pursuant to the Treaty of Rome. As the EC's Common Agricultural Policy has been developed, several of the original fixed duties were unilaterally replaced (or supplemented) by variable levies, none of which reflect trade-agreement concessions under the GATT. The January 1, 1972, figure for the Community is the average only of the 77 tariff lines which continued to be subject to fixed duties alone; it does not include the 22 EC tariff lines subject to a variable levy.

2/ For the United Kingdom, the January 1, 1972, figure is an arithmetic average of rates of duty in all tariff lines subject to fixed rates only, excluding lines covered by variable levies. The United Kingdom has had a system of minimum prices for certain cereal by-products since 1964. Variable levies are used by the United Kingdom in 1 of its 94 tariff lines for this subsector to support these minimum prices (which are often set below world market prices).

on January 1, 1972, for each of the five major countries. The 1972 average shown for Japan does not reflect unilateral reductions by 50 or 100 percent made in 1972 on an insignificant number of the Japanese rates for the subsector.

Each of the five major countries has made GATT concessions on some of its tariff provisions for products of this subsector. GATT concessions cover approximately one-fifth of Canadian lines, over 60 percent of EC lines, over three-fourths of Japanese lines and 96 percent of U.S. lines. Over 39 percent of United Kingdom tariff lines are fully covered by GATT concessions and over 7 percent are covered in part. Each of the national tariff schedules of the members of the European Community contained GATT tariff concessions prior to the establishment of the EC's Common External Tariff. Of the total of 197 such concessions, 59 were above the CXT rate, 86 were at the CXT rate, and 52 were below the CXT rate.

Rates of duty on fresh cut flowers, bouquets, wreaths, sprays, and similar articles on pre-trade-agreement base dates are compared with rates in effect on January 1, 1972, in table A-9-N. By January 1, 1972, each of the five major countries had some tariff reductions on these articles. The pre-trade-agreement base date rate for both the United States and Canada was 40 percent ad valorem. Before the beginning of the Kennedy Round, the Canadian duty on cut orchids had been lowered to 25 percent ad valorem and other Canadian rates lowered to 12.5 percent. For the United States, duties were lowered to 10 percent ad valorem before the Kennedy Round. The United Kingdom made several changes (both increases and reductions) in duty rates in this subsector before the

Table A-9-N.--Pre-trade-agreement tariff rates compared with January 1, 1972, MFN tariff rates on fresh cut flowers, bouquets, wreaths, sprays, and similar articles

(% = Percent ad valorem)

Country	Pre-trade-agreement rate ^{1/}	MFN rate ^{1/}		National tariff item numbers
		Pre-Kennedy Round	Post-Kennedy Round	
United States-----	40%	10%	10%	192.20
Canada-----	40%	25%; 12.5%	25%; 12.5%	7910-1; 7915-1
European Community--	6/1 to 10/31 24% 11/1 to 5/31 20%	24% 20%	24% 17%	06.03 A
United Kingdom-----	11%; 5.4%	1.6%-32.4% AVE ^{2/}	1.3%-32.4% AVE ^{2/}	06.03 A-H
Japan-----	20%	10%	5%	06.03

^{1/} For the United States, the pre-trade-agreement rate is the Column 2 rate; for Canada, the General rate; for the European Community, the Autonomous rate; for the United Kingdom, the rate shown in the official tariff on January 1, 1933; for Japan, the rate shown in the official tariff on January 1, 1954.

The MFN rate (post-Kennedy Round) is the rate shown for imports from MFN sources in official tariffs on January 1, 1972. Neither the General rates nor MFN rates reflect any temporary duty suspensions which may have been in effect.

^{2/} Range of ad valorem equivalents of specific rates of duty calculated on 1971 import values.

Kennedy Round. The only United Kingdom duty reduction in the Kennedy Round was for lilacs, but the rate was still slightly above the pre-trade-agreement rate. During the Kennedy Round, Japanese duties were reduced by 50 percent and duties on EC imports entering between November and May were reduced from 20 percent ad valorem to 17 percent. On January 1, 1972, duty rates on cut flowers, bouquets, wreaths, sprays, and similar articles ranged from 1.3 to 32.4 percent ad valorem or ad valorem equivalent, with both the highest and lowest rates contained in the tariff schedule of the United Kingdom.

Raw Vegetable Materials Suitable for Use in Dyeing and Tanning:
Lacs, Gums, Resins, and other Vegetable Saps

The raw vegetable materials, lacs, gums, resins, and saps included in this subsector will not be discussed in detail due to the relative unimportance of the subsector and the inadequacy of available trade statistics. ^{1/} This is the least important of the 28 agricultural subsectors in OECD exports and imports. Each of the five major countries has small amounts of trade in products of this subsector, with the United States and the European Community being the largest traders. In 1970, imports by the 13 GATT tariff study countries were valued at \$154 million, with the United States importing 27 percent and the European Community importing 31 percent of the total. Intra-EC shipments were an additional \$14 million, equal to 29 percent of the value of EC imports from outside countries.

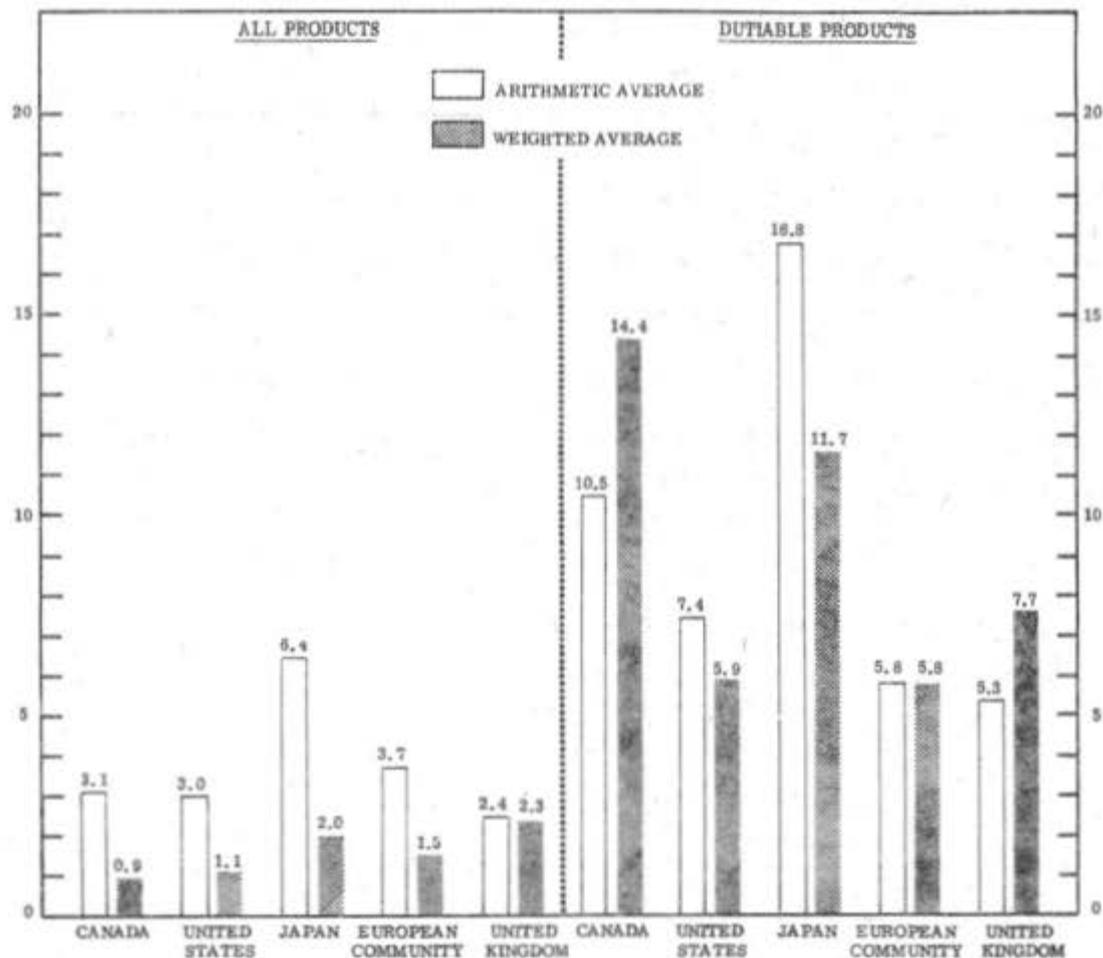
Arithmetic average MFN tariffs of the five major countries for dutiable products considered alone range from 5.3 percent for the United Kingdom to 16.8 percent for Japan; and weighted averages range from 5.8 percent for the European Community to 14.4 percent for Canada (chart A-9-I). Each country has a large percentage of duty-free tariff provisions and imports, and consequently, average MFN tariffs on combined free and dutiable products are much lower than those on dutiable products alone.

Arithmetic average MFN tariffs on all products range from 3 percent for the United States to 6.4 percent for Japan; and weighted averages

^{1/} For the specific coverage of this subsector, see BTN headings 13.01-13.03.

range from 0.9 percent for Canada to 2.3 percent for the United Kingdom. The U.S. weighted average tariff on all products is 1.1 percent ad valorem.

Chart A-9-1.--Average MFN tariff rates on raw vegetable materials suitable for use in dyeing and tanning: lacs, gums, resins and other vegetable saps
(Percent ad valorem)



Source: Compiled from national tariffs and trade statistics.



