UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

14th Report

July 1960–June 1962

TC Publication 120

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

Operation of the Trade Agreements Program, June 1934 to April 1948 (Rept. No. 160, 2d ser., 1949):

- *Part I. Summary
- *Part II. History of the Trade Agreements Program
- *Part III. Trade-Agreement Concessions Granted by the United States
- *Part IV. Trade-Agreement Concessions Obtained by the United States
- *Part V. Effects of the Trade Agreements Program on United States Trade

*Operation of the Trade Agreements Program: Second Report, April 1948–March 1949 (Rept. No. 163, 2d ser., 1950)

*Operation of the Trade Agreements Program: Third Report, April 1949–June 1950 (Rept. No. 172, 2d ser., 1951)

*Operation of the Trade Agreements Program: Fourth Report, July 1950–June 1951 (Rept. No. 174, 2d ser., 1952)

*Operation of the Trade Agreements Program: Fifth Report, July 1951–June 1952 (Rept. No. 191, 2d ser., 1954)

*Operation of the Trade Agreements Program: Sixth Report, July 1952–June 1953 (Rept. No. 193, 2d ser., 1954)

*Operation of the Trade Agreements Program: Seventh Report, July 1953–June 1954 (Rept. No. 195, 2d ser., 1955)

*Operation of the Trade Agreements Program: Eighth Report, July 1954–June 1955 (Rept. No. 197, 2d ser., 1956)

*Operation of the Trade Agreements Program: Ninth Report, July 1955–June 1956 (Rept. No. 199, 2d ser., 1957)

*Operation of the Trade Agreements Program: 10th Report, July 1956–June 1957 (Rept. No. 202, 2d ser., 1959)

*Operation of the Trade Agreements Program: 11th Report, July 1957–June 1958 (Rept. No. 204, 2d ser., 1959)

*Operation of the Trade Agreements Program: 12th Report, July 1958–June 1959 (TC Publication 9, 1961)

Operation of the Trade Agreements Program: 13th Report, July 1959–June 1960 (TC Publication 51, 1962), 45¢

ANNUAL REPORTS

Forty-sixth Annual Report of the United States Tariff Commission (1962), (TC Publication 77), 25¢

Forty-seventh Annual Report of the United States Tariff Commission (1963), (TC Publication 119), 25¢

NOTE.—The reports preceded by an asterisk (*) are out of print. Those followed by a price may be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. All U.S. Tariff Commission reports reproduced by the Government Printing Office may also be consulted in the official depository libraries throughout the United States.

UNITED STATES TARIFF COMMISSION

Operation of the

TRADE AGREEMENTS PROGRAM

14th Report
July 1960–June 1962

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

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1964

TC Publication 120

UNITED STATES TARIFF COMMISSION

Address all communications
UNITED STATES TARIFF COMMISSION
Washington, D.C. 20436

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 Price 35 cents

Foreword

This, the 14th report by the U.S. Tariff Commission on the operation of the trade agreements program, covers the period from July 1, 1960, through June 30, 1962. The report is made pursuant to section 402(b) of the Trade Expansion Act of 1962 (76 Stat. 902), which requires the Commission to submit to the Congress, at least once a year, a factual report on the operation of the trade agreements program.[1]

During the period covered by the 14th report, the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) sponsored multilateral tariff negotiations. At the 1960–62 GATT tariff Conference, the participating countries had an opportunity to negotiate with (a) members of the European Economic Community regarding their common external tariff, (b) individual contracting parties desiring to negotiate new or additional concessions, (c) countries desiring to accede to the General Agreement, and (d) contracting parties desiring to renegotiate certain existing concessions. The background of the Conference and the scope and character of the negotiations conducted are described in this report.

The 14th report also covers other important developments respecting the trade agreements program that occurred during July 1960–June 1962. These include the major developments relating to the general provisions and administration of the General Agreement, the actions of the United States relating to its trade agreements program, and the major commercial policy developments in countries with which the United States had trade agreements.

The legal basis for conduct of the trade agreements program differed little during the period under review from that described in the Commission's 13th report. The more important features of the controlling legislation are presented in the appendix. Topics of major interest therein are as follows: (a) Authority to reduce rates of duty; (b) authority to increase rates of duty; (c) escape-clause provisions; (d) peril-point provisions; and (e) the national security provision.

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

CONTENTS

Chapter 1. U.S. Trade-Agreement Negotiations During 1960–62

Chapter 2. Developments Relating to the Operation of the General Agreement on Tariffs and Trade

Chapter 2. Developments Relating to the Operation of the General Agreement on Tariffs and Trade—Continued

Chapter 3. Actions of the United States Relating to Its Trade Agreements Program

Chapter 3. Actions of the United States Relating to Its Trade Agreements Program—Continued

Chapter 4. Major Commercial Policy Developments in Countries With Which the United States Has Trade Agreements

Appendix

Chapter 1

U.S. Trade-Agreement Negotiations During 1960–62

During the period covered by this report, the United States was involved almost continuously in trade-agreement negotiations of one type or another under the sponsorship of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT). Nearly all these negotiations occurred at the 1960–62 tariff Conference held at Geneva, Switzerland. The following sections of this chapter summarize briefly the character and scope of that Conference, as well as U.S. preparations for the Conference and the results of the negotiations in which the United States was an active participant.

THE 1960–62 GATT TARIFF CONFERENCE

At a ministerial meeting held in October 1958 during the 13th Session of the Contracting Parties to the General Agreement, the U.S. representative, Mr. C. Douglas Dillon, then Under Secretary of State for Economic Affairs, proposed that arrangements be made to hold a fifth round of tariff negotiations.[1] The Dillon proposal was widely supported, and a committee was established to prepare specific recommendations. On the basis of the committee's recommendations, the Contracting Parties decided at their 14th Session in May 1959 to hold a general tariff Conference beginning late in 1960.

The 1960–62 GATT tariff Conference, which opened on September 1, 1960, and closed on July 16, 1962, had two phases. The first phase was devoted to the renegotiation of various concessions granted by GATT members at earlier conferences. The chief feature of this phase was the negotiations required under article XXIV:6 of the General Agreement to provide appropriate tariff concessions in the common external tariff of the European Economic Community (EEC) to replace the concessions granted previously by the individual EEC members. Scheduled also

[1] The four earlier rounds of multilateral tariff negotiations sponsored by the Contracting Parties were held at Geneva, Switzerland, in 1947; Annecy, France, in 1949; Torquay, England, in 1950–51; and Geneva in 1956.

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

during the first phase of the Conference were the renegotiations required under articles II:5, XIX, and XXVIII for the withdrawal or modification of existing concessions and the granting of compensatory concessions therefor. The second phase of the Conference included both negotiations among the contracting parties for new or additional concessions and negotiations between contracting parties and countries desiring to accede to the agreement; these activities comprised the fifth round of multilateral tariff negotiations by the contracting parties.

The 40 countries that participated in the 1960–62 Conference are listed below:

Australia
Austria
Brazil
*Cambodia
Canada
Ceylon
Chile
Cuba
Czechoslovakia
Denmark
Dominican Republic
European Economic Community:
  Belgium
  France
  Germany, Federal Republic of
  Italy
  Luxembourg
  Netherlands
Finland
Ghana
Greece
Haiti
India
Indonesia
*Israel
Japan
New Zealand
Nigeria
Norway
Pakistan
Peru
*Portugal
Rhodesia and Nyasaland, Federation of
South Africa, Republic of
Sweden
*Switzerland
*Spain
Turkey
United Kingdom
United States
Uruguay

Thirty-five of them were contracting parties to the General Agreement; five—those marked with an asterisk—were negotiating for full accession to the General Agreement. The European Coal and Steel Community (ECSC) and the European Atomic Energy Community (EURATOM) were represented at the Conference. Some countries, including Poland and Venezuela, had observers there.

Not every country listed above participated in both phases of the Conference. Some renegotiated certain concessions they had granted earlier or participated in renegotiations initiated by others, but did not negotiate new or additional tariff concessions. Of the 40 countries, however, 28 participated in the second phase of the Conference, either as GATT members or as countries desiring to accede to the General Agreement.

The 1960–62 tariff negotiations followed the general pattern established in the previous GATT-sponsored tariff conferences. A Tariff Negotiations Committee, on which all participating countries were represented,

coordinated the negotiations and made policy recommendations to the Contracting Parties. Negotiations in both phases of the Conference were conducted on a bilateral, product-by-product basis. Generally the concessions granted in the various bilateral negotiations were ultimately combined by each participant into a single schedule of concessions by that country.[2]

U.S. PREPARATIONS FOR THE CONFERENCE

U.S. tariff negotiations during the period July 1960 to June 1962 were conducted in accordance with procedures specified in the Trade Agreements Act of 1934, as amended, the Trade Agreements Extension Act of 1951, as amended, the Trade Agreements Extension Act of 1958, and Executive Order 10082.[3]

On May 27, 1960, in accordance with the specified procedures, the interdepartmental Trade Agreements Committee (TAC) issued formal notice of the U.S. intention to conduct trade-agreement negotiations under the General Agreement on Tariffs and Trade.[4] The public notice provided not only for U.S. participation in the GATT tariff Conference scheduled to open on September 1, 1960, but also for continuation of negotiations relating to certain escape-clause actions.[5] Guided by information then available, the TAC announced that the United States expected to negotiate with (1) the European Economic Community on behalf of its 6 members (Belgium, France, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands); (2) 17 other GATT contracting parties (Australia, Austria, Canada, Chile, Denmark, Dominican Republic, Finland, Haiti, India, Japan, New Zealand, Nicaragua, Norway, Peru, Sweden, the United Kingdom, and Uruguay); and (3) 4 countries which either had acceded to the General Agreement provisionally or were expected to negotiate for accession (Israel, Spain, Switzerland, and Tunisia). On November 22, 1960, the Trade Agreements Committee issued a supplemental notice of trade-agreement ne-

---

[2] For a more detailed discussion of the procedures followed at GATT tariff conferences, see *Operation of the Trade Agreements Program*, 9th report, pp. 52–54.

[3] For a detailed discussion of procedures followed by the U.S. Government in preparing for trade-agreement negotiations, see *Operation of the Trade Agreements Program*: 4th report, pp. 51–53; 9th report, pp. 54–58. See also U.S. Department of State, *How a Trade Agreement Is Made*, Pub. 6615, Comm. Pol. Ser. 165, 1958.

[4] U.S. Department of State Pub. 6986, Comm. Pol. Ser. 173, 1960.

[5] On Aug. 19, 1959, the TAC had issued public notice of U.S. intention to undertake with the following countries the negotiation of concessions to compensate for escape-clause action on the articles identified in parentheses: The United Kingdom and the Federal Republic of Germany (safety pins); Sweden, Denmark, Belgium, and the Netherlands (spring clothespins); and Japan (clinical thermometers). For details concerning other preliminary actions relating to these negotiations, see *Operation of the Trade Agreements Program*, 13th report, p. 94.

gotiations.[6] In this second notice, the TAC announced that the United States might also negotiate during the tariff Conference, which by then was in session, with Argentina, Cambodia, Ireland, Libya, and Portugal —all of which were expected to negotiate for accession to the Agreement —and with Turkey, already a contracting party thereto.

In its public notices, the Trade Agreements Committee listed the articles on which the United States would consider granting tariff concessions in the negotiations. The list of May 27 included articles in approximately 2,200 statistical (*Schedule A*) classifications or parts thereof. The list of November 22 included articles in about 200 statistical classifications or parts thereof. Together, then, the TAC listed for consideration for possible concessions articles in approximately 2,400 Schedule A classifications—about half the total number of import classifications in *Schedule A*.[7]

When each of the aforementioned lists was issued, the President—as required by section 3 of the Trade Agreements Extension Act of 1951, as amended—requested the Tariff Commission to make "peril point" investigations of the listed articles. In response to his requests, the Commission immediately instituted its investigations. The Commission held public hearings as part of each investigation. The report of its findings on the May list was submitted to the President on November 25, 1960, and that on the November list, on April 17, 1961.

As the Trade Agreements Committee issued its public notices, the interdepartmental Committee for Reciprocity Information (CRI)[8] announced that its public hearing relating to the forthcoming negotiations would be held contemporaneously with the public hearings of the Tariff Commission. On the same date as the first announcement (May 27), the Department of State, with the approval of the Trade Agreements Committee, published a list of articles on which the United States was considering seeking tariff concessions from other countries.[9] This issuance of the "export list" was an innovation in the trade-agreement procedures. U.S. exporters were invited to submit to the CRI, either by oral testimony at its hearing or by written statements, suggestions for additions to or deletions from the export list and to supply information that would assist the U.S. negotiators in obtaining meaningful concessions for U.S. exports. In preparing for earlier trade-agreement nego-

[6] U.S. Department of State Pub. 7105, Comm. Pol. Ser. 176, 1960.

[7] The public notices listed articles in terms of the U.S. tariff nomenclature rather than the statistical nomenclature (*Schedule A*). The negotiations, however, were conducted in terms of statistical classifications.

[8] The CRI, which in the period here under review had the same membership as the TAC, was established by Executive order in 1934 to receive views of the public on proposed trade agreements and on the operation of agreements already concluded, and to bring those views to the attention of the TAC.

[9] U.S. Department of State Pub. 6987, Comm. Pol. Ser. 174, 1960.

tiations, the Government did not issue such an export list, but exporters were given an opportunity to submit requests for concessions to the CRI.

On December 22, 1960, the TAC issued public notice of the intention of the U.S. Government to invoke the provisions of article XXVIII of the General Agreement with a view to the withdrawal or modification of the U.S. concessions on bicycles and spring clothespins (25 F.R. 13248).[10] The necessary negotiations were to be held at the GATT tariff Conference then in session. At the request of the President, the Tariff Commission immediately instituted the required peril-point investigation, and held a public hearing shortly thereafter. The Commission submitted its report to the President on January 10, 1961.

U.S. PARTICIPATION IN THE CONFERENCE

The compilation which appears on the immediately following pages summarizes certain pertinent data relating to U.S. trade-agreement negotiations in 1960–62. It identifies each of the countries with which the United States concluded trade-agreement negotiations in that period, the GATT authority for each negotiation, the date of signature of each definitive agreement, and the documentary references for each agreement. In the 2-year period that ended June 30, 1962, the United States engaged in tariff negotiations with 27 contracting parties to the GATT and with 5 countries desiring to accede to that agreement. U.S. negotiations with 28 of the 32 countries were completed by June 30, 1962; the results were embodied in 55 definitive agreements.

As noted earlier, various types of trade-agreement negotiations were held at the 1960–62 Conference. For convenience, discussion of the negotiations in which the United States participated is presented in three parts: (1) Renegotiations with the EEC under article XXIV:6; (2) renegotiations under articles II:5, XIX, and XXVIII; and (3) fifth round of multilateral negotiations.

Renegotiations With the EEC Under Article XXIV:6

In 1958, when the United States proposed a new round of multilateral tariff negotiations to begin in mid-1960, the six member countries of the European Economic Community were scheduled to take their first step toward a common external tariff on January 1, 1962.[11] Under the provisions of article XXIV:6, the EEC was obligated to negotiate with other contracting parties to the General Agreement regarding the effect of the common external tariff on the concessions previously granted in the

[10] For a discussion of the events preceding this action of the TAC, see the section of this chapter on the renegotiations initiated by the United States.

[11] In May 1960, the effective date of the first step toward the common external tariff was moved up to Jan. 1, 1961, except for most agricultural products (see section on the European Economic Community in ch. 4 of this report).

Summary of U.S. tariff negotiations, July 1960–June 1962

Item No.	United States' negotiating partner	GATT authority (article No.)	Partner modifying its GATT schedule	Date agreement signed	U.S. documentary reference [1]
	Contracting parties to GATT:				
1	Australia	XXVIII	Australia	(a) July 18, 1960.[2]	Not published.
2				(b) Sept. 20, 1960	Do.
3				(c) Dec. 13, 1961	Do.
4	Austria	XXVIII	United States	Jan. 18, 1961 [3]	DS Press Release 89, Feb. 25, 1961.
5		XXVIII bis	Austria-United States	Mar. 6, 1962	TIAS 5066.
6	Benelux	XXVIII [4]	United States	Jan. 18, 1961 [3]	DS Press Release 89, Feb. 25, 1961.
7		II:5; XIX; XXVIII.	United States	Jan. 29 and Feb. 1, 1962. [2]	TIAS 5032; 13 UST 928.
8	Brazil	Waiver; XXVIII	Brazil	June 15, 1961	Not published.
9	Canada	XXVIII	Canada	(a) June 30, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
10				(b) Jan. 4, 1962	Do.
11				(c) July 9, 1962	Not published.
12		XXVIII bis	Canada-United States	Mar. 7, 1962	TIAS 5019; 13 UST 578.
13	Ceylon	XXVIII	Ceylon	June 9, 1961 [2]	DS Pub. 7350, Comm. Pol. Ser. 187.
14	Denmark	XXVIII	Denmark	(a) Aug. 3, 1960 [2]	Not published.
15				(b) July 3, 1962	Do.
16		XXVIII	United States	Jan. 26 and Feb. 12, 1962. [2]	TIAS 5032; 13 UST 936.
17		XXVIII bis	Denmark-United States	Mar. 5, 1962	TIAS 5020; 13 UST 605.
18	EEC	XXIV:6	EEC	Mar. 7, 1962 [5]	TIAS 5018; 13 UST 506.
19		XXVIII bis	EEC-United States	Mar. 7, 1962 [5]	TIAS 5021; 13 UST 611.[6]
20	Finland	XXVIII	Finland	June 19, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
21		XXVIII bis	Finland-United States	Mar. 5, 1962	TIAS 5022; 13 UST 757.
22	France	II:5 [4]	United States	(7)	
23	Germany, Federal Republic of.	XXVIII [4]	United States	Jan. 18, 1961 [3]	DS Press Release 89, Feb. 25, 1961.
24		XIX	United States	Jan. 29, 1962 [2]	TIAS 5032; 13 UST 939.
25	Greece	Waiver; XXVIII	Greece	Aug. 7, 1961 [2]	Not published.
26	Haiti	XXVIII	Haiti	Jan. 24, 1962	Do.
27		XXVIII bis	Haiti-United States	June 6, 1962	TIAS 5046; 13 UST 1037.
28	India	XXVIII bis	India-United States	June 15, 1962	TIAS 5030; 13 UST 898.

29	Indonesia	Waiver; XXVIII	Indonesia	June 1962	Not published.
30	Italy	II:5; XXVIII [4]	United States	Dec. 8 and 9, 1961; Mar. 7, 1962.	TIAS 5032; 13 UST 942.
31	Japan	XXVIII	Japan	(a) Apr. 10, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
32				(b) [7]	
33		XIX; XXVIII	United States	Feb. 9, 1962 [2 8]	TIAS 5032; 13 UST 948.
34		XXVIII bis	Japan-United States	Mar. 6, 1962	TIAS 5027; 13 UST 855.[9]
	Netherlands for—				
35	Netherlands Antilles	XXVIII	Netherlands Antilles	Nov. 22, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
36	Surinam	XXVIII	Surinam	July 16, 1962	Not published.
37	New Zealand	Waiver; XXVIII	New Zealand	[7]	
38		XXVIII bis	New Zealand-United States.	Mar. 5, 1962	TIAS 5023; 13 UST 766.
39	Norway	XXVIII	Norway	Nov. 22, 1960 [2]	Not published.
40		XXVIII bis	Norway-United States	Mar. 5, 1962	TIAS 5024; 13 UST 772.
41	Pakistan	XXVIII	Pakistan	July 21, 1961	Not published.
42		XXVIII bis	Pakistan-United States	Mar. 5, 1962	TIAS 5025; 13 UST 780.
43	Peru	XXVIII	Peru	(a) June 2, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
44				(b) Dec. 8, 1961	Do.
45		XXVIII bis	Peru-United States	Mar. 5, 1962	TIAS 5028; 13 UST 879.
46	Rhodesia and Nyasaland, Federation of.	XXVIII	Rhodesia and Nyasaland	(a) Oct. 15, 1960 [2]	Not published.
47				(b) July 26, 1962	Do.
48	South Africa, Republic of	XXVIII	South Africa	Dec. 8, 1961	DS Pub. 7350, Comm. Pol. Ser. 187.
49	Sweden	XIX; XXVIII	United States	Sept. 15, 1961 [2]	TIAS 4847; 12 UST 1271.
50		XXVIII	Sweden	Feb. 16, 1962	DS Pub. 7350, Comm. Pol. Ser. 187.
51		XXVIII bis	Sweden-United States	Mar. 5, 1962	TIAS 5130.
52	Turkey	Waiver; XXVIII	Turkey	Jan. 4, 1962	DS Pub. 7350, Comm. Pol. Ser. 187.
53	United Kingdom	XXVIII	United States	Jan. 18, 1961 [3]	DS Press Release 89, Feb. 25, 1961.
54		XIX	United States	Jan. 26 [2] and Feb. 16, 1962.[8]	TIAS 5032; 13 UST 954.
55		XXVIII bis	United Kingdom-United States.	Mar. 7, 1962	TIAS 5026; 13 UST 785.

See footnotes at end of compilation.

Summary of U.S. tariff negotiations, July 1960–June 1962—Continued

Item No.	United States' negotiating partner	GATT authority (article No.)	Partner modifying its GATT schedule	Date agreement signed	U.S. documentary reference [1]
	Provisional parties to GATT:				
56	Cambodia	XXXIII	Cambodia [10]	([10])	DS Pub. 7408, Comm. Pol. Ser. 194.
57	Israel	XXXIII	Israel [11]-United States	Mar. 5, 1962	TIAS 5029; 13 UST 890.
58	Portugal	XXXIII	Portugal [12]-United States	Mar. 5, 1962	TIAS 5017; 13 UST 504.
59	Spain	XXXIII	Spain [13]-United States	([7])	
60	Switzerland	XXVIII bis [14]	Switzerland-United States.	Mar. 5, June 7, and June 14, 1962.	TIAS 5031; 13 UST 907.[15]

[1] After agreements between the United States and other countries have entered into force for the United States, they are generally published by the Department of State (DS) in *Treaties and Other International Acts Series* (TIAS), and eventually in *United States Treaties and Other International Agreements* (UST).

[2] The agreement consists in whole, or in part, of compensatory concessions for claims under negotiation before July 1960.

[3] The date on which the GATT Secretariat was notified of conclusion of negotiations to incorporate in the U.S. GATT schedule the rates on bicycles set forth in escape-clause Proclamation No. 3108 issued on Aug. 19, 1955. In 1956 the United States granted tariff concessions to compensate for the increases proclaimed in the 1955 proclamation; no further compensatory concessions were granted in 1961.

[4] For negotiations under art. XXVIII bis, see EEC.

[5] On the same date, the United States and the EEC signed the following: (a) A joint declaration (TIAS 5033; 13 UST 958) in which the EEC declared itself ready to reconsider with the U.S. Government the overall commercial relations between the two parties, including their tariff aspects; and (b) two agreements relating to U.S. exports of specified agricultural products to the EEC (TIAS 5034 and 5035; 13 UST 960 and 964, respectively).

[6] U.S. schedule was rectified by agreement signed Dec. 11 and 18, 1962.

[7] Not completed during the period under review.

[8] Shortly after the President concurred, in March 1962, with the Tariff Commission's finding of serious injury and accepted the recommended remedies with respect to (1) certain carpets and rugs and (2) cylinder, crown, and sheet glass, the United States initiated negotiations with the contracting parties entitled to compensation. Such negotiations with Japan and with the United Kingdom were completed in December 1962 (TIAS 5267 and 5268, respectively).

[9] U.S. schedule rectified by agreement signed Dec. 18, 1962 (DS Press Release No. 24, Jan. 14, 1963).

[10] New GATT schedule; no changes negotiated in U.S. schedule. Protocol for the accession of Cambodia to the GATT, which the United States accepted on June 22, 1962, did not enter into force during 1962.

[11] New GATT schedule; Israel became a contracting party to the GATT on July 5, 1962 (TIAS 5249).

[12] New GATT schedule; Portugal became a contracting party to the GATT on May 6, 1962 (TIAS 5248).

[13] New schedule to be incorporated in the GATT when Spain becomes a contracting party.

[14] This agreement negotiated under GATT auspices modified the bilateral U.S.-Swiss trade agreement of 1936, which remains in force pending Switzerland's full accession to the GATT. The U.S. concessions granted in 1962, as well as the corresponding Swiss concessions, became schedules to the declaration of Nov. 22, 1958, providing for provisional accession of Switzerland to the GATT.

[15] U.S. schedule was rectified by agreement signed Dec. 11 and 27, 1962.

GATT by the individual members of the Community. These negotiations were scheduled as part of the 1960–62 tariff Conference.

Article XXIV of the General Agreement deals, among other matters, with the formation of customs unions or free-trade areas participated in by contracting parties. Paragraph 5 of that article provides that the external customs duties and other regulations of commerce imposed by a customs union on the trade with other contracting parties to the General Agreement "shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union . . . . "[12] The General Agreement recognizes, however, that, in establishing a common external tariff, the members of a customs union would probably be obliged to adopt some rates that would be in violation of commitments in their schedules of GATT concessions. Paragraph 6 sets forth the procedures for negotiating appropriate compensation in such circumstances. It stipulates that, in weighing the need for compensation for an increased duty, the contracting parties shall take "due account . . . of the compensation already afforded by the reductions brought about in the corresponding duty of the other constituents of the union"—a requirement that has come to be known as "built-in compensation."

The EEC Commission, which served as the negotiating agent for the Community, took the position that "built-in compensation" would largely reimburse GATT members for any violations of scheduled concessions caused by the adoption of the common external tariff. For many tariff items, the Commission considered that the reductions required by the adoption of the common external tariff would outweigh the increases, thereby giving the EEC credits to be used in compensating for net duty increases on other items. Nevertheless, the EEC recognized that it would be necessary to offer compensatory concessions to at least some contracting parties.

The Contracting Parties had originally intended that the article XXIV:6 renegotiations would be completed by the end of 1960 and that the second phase of the Conference would begin early in January 1961.

[12] By June 30, 1962 (the end of the period covered by this report), the Contracting Parties had not yet decided whether the general incidence of the common external tariff was on the whole no higher than that of the tariffs of the constituent countries. This question—a matter to be resolved separately from the art. XXIV:6 negotiations—was considered by a working party before the 1960–62 Conference opened and was also discussed at various sessions of the Contracting Parties and at meetings of their Council of Representatives. At their 19th Session in November 1961, the Contracting Parties agreed to attempt to resolve the various interpretations of art. XXIV:5 into a clear definition during their next session in November 1962. Meanwhile, the contracting parties that considered their trade prejudiced by changes in particular tariff rates were invited to utilize remedies provided in other GATT articles, such as XXII, XXIII, and XXVIII. (See *Sixth Annual Report of the President of the United States on the Trade Agreements Program*, 1962, pp. 55–56.)

However, these renegotiations, which were the first under article XXIV:6, required the development of new methods of appraisal.[13] The negotiations involved thousands of tariff positions in the four separate tariff schedules of the EEC members[14] and the substitute tariff positions in the common external tariff; representatives of the EEC had to meet separately with representatives of about two dozen contracting parties. Among the factors tending to prolong the negotiations were (1) the inability of the EEC Commission to make offers in the agricultural sector of the common external tariff and (2) the refusal of individual EEC members to agree to firm offers on so-called sensitive products.

In May 1961 the EEC delegation informed the Tariff Negotiations Committee that the Community, "confident that it had scrupulously fulfilled its obligations, considered the first stage of the negotiations to be completed."[15] The deadline for the contracting parties to state whether they were prepared to sign article XXIV:6 agreements was near. They were urged to come to some agreement by May 10, 1961, albeit reserving the right to take redressive action under article XXVIII later in the Conference with respect to any unresolved problems.

By May 29, 1961, the opening date of the second phase of the negotiations, the EEC had concluded its article XXIV:6 renegotiations with 17 contracting parties; several contracting parties, however, filed reservations concerning unresolved problems. The United States and some other major exporters of agricultural products deferred settlement of the article XXIV:6 negotiations until after the adoption, in January 1962, of a common farm policy by the EEC member states.

The EEC-U.S. agreement pursuant to article XXIV:6 was signed on March 7, 1962.[16] A schedule annexed thereto listed the concessions in which the United States was to have legal rights as an initial negotiator under the General Agreement. These concessions replaced those accorded the United States in the General Agreement by the individual EEC members. The United States and the EEC, however, deferred

---

[13] For the art. XXIV:6 negotiations, the Commission of the EEC prepared a tabulation of the classifications in the common external tariff that included articles subject to concessions previously negotiated under the GATT by the individual member states. The original plan was for the tabulation to be completed and submitted to the Contracting Parties on May 1, 1960. The tabulation was not completed by that date, but was distributed subsequently in installments. For each of the items in the common external tariff that covered nonagricultural articles subject to concessions, the tabulation recorded imports into the EEC in 1958, and also, where applicable, the Commission's offer to bind against increase the common external tariff rate, or to negotiate for a possible reduction thereof.

[14] In previous negotiations under the GATT, three of the EEC states—Belgium, the Netherlands, and Luxembourg—had participated as a unit, the Benelux Customs Union. Accordingly, the concessions granted by the six states were included in four (not six) separate schedules of the General Agreement.

[15] *Bulletin of the European Economic Community*, May 1961, p. 22.

[16] Item 18 in the tabular summary.

negotiations regarding two groups of commodities for which the United States had negotiating rights under the GATT rules: (1) Those articles, chiefly manufactured tobacco products and refined petroleum products, for which the EEC had not yet effectuated common tariff rates; and (2) certain agricultural products (wheat, corn, grain sorghums, rice, and poultry) for which decisions were dependent on the implementation of a common agricultural policy. In so-called standstill arrangements, the EEC agreed not to increase existing import restrictions on these products pending renegotiations. The article XXIV:6 negotiations between the United States and the EEC also did not deal with products falling within the competence of the European Coal and Steel Community.

The concessions granted by the EEC to the United States in the article XXIV:6 agreement consisted primarily of bindings of rates in the common external tariff; they also included some reductions in common external tariff rates. The reductions, which generally affected the products not covered by the EEC prenegotiation offer of a 20-percent cut for the phase II negotiations, were of various amounts; some reductions exceeded 20 percent.[17] In the article XXIV:6 renegotiations, the United States relinquished its rights, as country of initial negotiation or as principal supplier, to old concessions in the GATT schedules of the EEC members covering U.S. exports to those countries of about $1.5 billion in 1958. Old concessions which had been initially negotiated with the United States accounted for about $900 million; those which had been initially negotiated with other GATT members (covering articles of which the United States was a principal supplier to the EEC country concerned) accounted for about $600 million. In place of these old concessions, the EEC granted the United States concessions in the common external tariff having a trade coverage of nearly $1.7 billion. The new direct concessions to the United States (i.e., those for which the United States was given rights as initial negotiator) covered U.S. exports valued at about $1.5 billion, an amount about two-thirds larger than the value of the trade subject to the old direct concessions.[18] This gain in the value of direct concessions to the United States resulted in large measure from the fact that under the 1962 agreement the concessions became applicable to U.S. exports going to the entire EEC area, whereas the previous concessions were generally applicable to U.S. exports to a smaller area consisting perhaps of only one or two member states.

Renegotiations Under Articles II:5, XIX, and XXVIII

Various provisions of the General Agreement—viz, those in articles II:5, XIX, and XXVIII—permit contracting parties under certain circumstances to make unilateral changes in their schedules of concessions

[7] See also discussion in this chapter of the fifth round of multilateral negotiations.

[18] U.S. Department of State Pub. 7349, Comm. Pol. Ser. 186, 1962, pp. 2–8.

or to invalidate particular concessions. In general, each withdrawal, modification, or invalidation of a concession obligates the contracting party making the change to grant substantially equivalent compensatory concessions.

Most of the renegotiations participated in by the United States during the period under review were conducted under the provisions of article XXVIII. Since 1947, when the first tariff negotiations under the General Agreement took place, the Contracting Parties have agreed to refrain from modifying or withdrawing the concessions in their schedules for successive periods of time. Article XXVIII:1–3 [19] provides for successive, automatically renewable, 3-year periods—beginning January 1, 1958—during which contracting parties undertake to "freeze" the concessions in their schedules. On the first day of each 3-year period, however, a contracting party may, by negotiation with the contracting parties primarily concerned, modify or withdraw tariff concessions in its schedule. The negotiations involved are frequently referred to as "open-season" renegotiations.

In May 1959, at their 14th Session, the Contracting Parties agreed that the so-called open-season renegotiations which governments intended to undertake before the end of the then current 3-year period of firm validity of GATT concessions—December 31, 1960—should occur during the first part of the forthcoming tariff Conference, i.e., from September through December 1960. The governments interested in the open-season renegotiations were invited to submit notification of their intentions to the GATT Secretariat as early as possible, but not later than July 15, 1960.[20] At the request of various contracting parties, including the United States, the deadline for notification of intentions to engage in open-season renegotiations was postponed, ultimately to November 30, 1960. Similarly, the time limit for concluding such renegotiations was extended repeatedly for a few contracting parties, even beyond the closing date of the 1960–62 Conference.

Article XXVIII:4 of the General Agreement provides for the modification or withdrawal of concessions at any time in "special circumstances," after authorization has been granted by the Contracting Parties. Article II:5 recognizes that rulings by a court or other proper authority of a contracting party may invalidate the tariff treatment contemplated when a particular concession was negotiated. Article XIX—the "escape clause" of the General Agreement—authorizes a contracting party to suspend, withdraw, or modify a concession if, as a result of unforeseen developments and of its GATT obligations, a

---

[19] As revised by the Protocol amending pts. II and III of the General Agreement, dated Mar. 10, 1955.

[20] Contracting Parties to the General Agreement on Tariffs and Trade, *Basic Instruments and Selected Documents*, 8th supp., Sales No.: GATT/1960–1, Geneva, 1960, p. 103.

product is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive products.

During the period July 1960–June 1962, the United States engaged in renegotiations under various provisions of the General Agreement with 26 contracting parties. The renegotiations that were completed by June 30, 1962, accounted for 37 of the 55 agreements listed in the tabular summary of U.S. tariff negotiations shown earlier. As noted in the summary, 12 of those 37 agreements consisted in whole or in part of compensatory concessions for claims under negotiation before July 1, 1960. Four of the agreements, for which the negotiations were virtually concluded by June 30, 1962, were signed during July 1962.

Of the 37 agreements that embodied the results of renegotiations, 11 were concerned with the modification or withdrawal of concessions from schedule XX—the U.S. schedule of concessions in the General Agreement. The remaining "renegotiation" agreements were concerned with the modification or withdrawal of concessions of particular interest to the United States from the schedules of other contracting parties to the General Agreement.

Renegotiations initiated by the United States

On July 1, 1960, the beginning of the period covered by this report, the United States was involved in renegotiations, under the provisions of article XIX of the General Agreement, relating to its escape-clause actions on safety pins, spring clothespins, and clinical thermometers. As stated earlier, the public notice issued by the Trade Agreements Committee on May 27, 1960, provided for the continuation of these renegotiations. Renegotiations under the provisions of article XXVIII for the purpose of modifying the U.S. concessions in the General Agreement on certain woolen fabrics were also pending on July 1, 1960.[21] During the 2-year period that ended June 30, 1962, the United States, in addition to participating in the pending renegotiations, engaged in renegotiations (1) to modify or withdraw concessions on bicycles and spring clothespins and (2) to grant new concessions, in compensation for the increased U.S. rates of duty on stainless steel table flatware, cotton typewriter ribbon cloth, synthetic drugs, rubber-soled footwear, cellulose sponges, nylon monofilament, waterproof cloth of cotton and other vegetable fiber, and woolen fabrics.

For each of the U.S. partners in these renegotiations, the following tabulation shows the articles involved in the U.S. action for which compensatory concessions were granted, and identifies the agreement containing those concessions according to the item number shown in the tabular summary included earlier in the chapter:

[21] Public notice of these negotiations was issued on Oct. 22, 1959 (see *Operation of the Trade Agreements Program*, 13th report, pp. 94–95).

United States' negotiating partner	Item No. (in tabular summary of U.S. tariff negotiations)	Articles involved in U.S. action for which compensation was granted [1]
Benelux	7	Cellulose sponges (CD). Cotton typewriter-ribbon cloth (EC). Nylon monofilament (BCR). Rubber-soled footwear (L). Spring clothespins (EC and GA). Synthetic drugs (CD). Waterproof cotton cloth (L). Woolen fabrics (GA).
Denmark	16	Spring clothespins (EC and GA).
Germany, Federal Republic of.	24	Safety pins (EC).
Italy	30	Waterproof cotton cloth (L). Woolen fabrics (GA).
Japan	33	Clinical thermometers (EC). Cotton typewriter-ribbon cloth (EC). Rubber-soled footwear (L). Stainless steel flatware (EC). Waterproof cotton cloth (L). Woolen fabric (GA).
Sweden	49	Spring clothespins (EC and GA).
United Kingdom	54	Cotton typewriter-ribbon cloth (EC). Safety pins (EC).

[1] U.S. action identified in parentheses as follows: BCR—Bureau of Customs ruling; CD—court decision; EC—escape-clause proclamation; GA—GATT art. XXVIII modification; L—legislation.

U.S. actions resulting in renegotiations.—The article XXVIII renegotiations concerning bicycles and spring clothespins were initiated after the U.S. Supreme Court, on December 12, 1960, denied a petition for certiorari in the case of *United States* v. *Schmidt Pritchard & Co.* The decision of a lower court in that case had invalidated one of the escape-clause rates on bicycles that the President had proclaimed in 1955; it had also cast doubt on the validity of the other three escape-clause rates on bicycles and on the validity of the escape-clause rate on spring clothespins that had been proclaimed in 1957.[22] Later, on October 18, 1961,

[22] For details of the court action, see section on bicycles in ch. 3 of this report. For discussion of the escape-clause investigation and the resulting Presidential proclamation on bicycles, see *Operation of the Trade Agreements Program*, 9th report, pp. 118–119. For the corresponding discussion relating to spring clothespins, see *Operation of the Trade Agreements Program*, 11th report, pp. 92–93.

the escape-clause proclamation on spring clothespins was invalidated by a customs court decision. The U.S. Government's appeal to the U.S. Court of Customs and Patent Appeals from the lower court's decision [23] was still pending on June 30, 1962, the closing date of the period covered by this report. Even before the customs court decision on spring clothespins, however, the United States moved to utilize the procedures of article XXVIII of the General Agreement. Through article XXVIII negotiations, the United States intended to withdraw or modify its concessions on bicycles and spring clothespins in order to assure the application of the rates provided for in the initial proclamations imposing escape-clause rates of duty. The required public notice of these negotiations and of the peril-point investigations by the Tariff Commission was issued in December 1960.[24]

With regard to bicycles, the United States negotiated with Austria, the Benelux countries, the Federal Republic of Germany, and the United Kingdom. These negotiations were completed by mid-January 1961.[25] On February 25, 1961, the President proclaimed the rates agreed to in the article XXVIII negotiations,[26] which were the same as those in the 1955 escape-clause proclamation. Inasmuch as the United States had granted concessions in 1956 to compensate for the increase in the rates effectuated by the 1955 escape-clause proclamation,[27] no further compensatory concessions were granted in 1961.

With respect to spring clothespins, the United States negotiated with the Benelux countries, Denmark, and Sweden. Both the agreement with Sweden, signed in September 1961 (item No. 49 in the tabular summary), and that with the Benelux countries, signed early in 1962 (item No. 7), provided for the withdrawal from the General Agreement of the U.S. concession on spring clothespins and, in compensation therefor, new concessions by the United States.[28] However, the agreement with Denmark, signed early in 1962 (item No. 16), provided for a binding against increase of the U.S. escape-clause rate of duty on spring clothespins—20 cents per gross—and, in addition, compensatory U.S. concessions. On April 30, 1962, the President proclaimed the rates of duty provided for in the article XXVIII agreement with Denmark, along with the U.S. concessions in many of the agreements concluded at Geneva in 1960–62.[29]

[23] The original court decision was C.D. 2292. Notice of the Government's appeal was published in *Treasury Decisions* of Dec. 21, 1961.

[24] See section of this chapter on U.S. preparations for the Conference.

[25] See agreements identified by item Nos. 4, 6, 23, and 53 in the tabular summary.

[26] Proclamation No. 3394 (3 CFR, 1961 Supp., 27). For details of the rates of duty, see ch. 3 of this report.

[27] See *Operation of the Trade Agreements Program*, 9th report, pp. 65, 66, 74, and 81.

[28] In the agreement with Benelux, the concessions granted by the United States were not only in compensation for the increase in the rate on spring clothespins but also for the withdrawal or modification of various other concessions in the U.S. GATT schedule.

[29] Proclamation No. 3468 (3 CFR, 1962 Supp., 50), which was later terminated in part by Proclamation No. 3513 of Dec. 28, 1962 (28 F.R. 107).

Accordingly, the rate of 20 cents per gross provided for spring clothespins in the agreement with Denmark became effective on July 1, 1962.[30] The rate proclaimed in 1962 was the same as that in the escape-clause proclamation of 1957.[31]

For both stainless steel table flatware and cotton typewriter-ribbon cloth, the United States had modified the concessions in its GATT schedule following escape-clause action.[32] For synthetic drugs, rubber-soled footwear, cellulose sponges, nylon monofilament and waterproof cloth, the concessions in the U.S. GATT schedule had been invalidated as a result of either administrative rulings by the Bureau of Customs, decisions of the customs court, or legislation. All of these actions involved tariff reclassifications which had the effect of imposing higher rates of duty than those provided for in the U.S. schedule of concessions in the General Agreement.

Respecting woolen fabrics, the renegotiations during 1960–62 occurred in two steps. In the first step, initiated in 1959, the United States sought agreement from the interested supplier countries to end the tariff quota on woolen fabrics that was part of the GATT concession granted by the United States in 1947. Following these negotiations and consultations, the United States, in an action effective January 1, 1961, replaced the tariff quota by new concession rates.[33] The Benelux countries, Italy, and Japan filed claims for compensatory concessions. The settlement of these claims comprised the second step of renegotiations relating to woolen fabrics.

U.S. compensatory concessions granted in renegotiations.—Various contracting parties to the General Agreement had rights to compensation for changes in U.S. tariff treatment mentioned above. To settle their claims the United States granted compensatory concessions on articles covered by 81 statistical classes.[34] These compensatory concessions were embodied in separate agreements with the Benelux countries, Denmark, the Federal Republic of Germany, Italy, Japan, Sweden, and the United Kingdom, all of which were signed during the 1960–62 GATT Conference. The concessions were to become effective in two stages.

---

[30] For discussion of the effective dates of the U.S. concessions granted in compensation for the increase in the rate on spring clothespins, see the following section of this chapter.

[31] Proclamation No. 3211 (3 CFR, 1954–1958 Comp., 136).

[32] For details of the escape-clause action on stainless steel table flatware, which was effective Nov. 1, 1959, see *Operation of the Trade Agreements Program*, 13th report, pp. 97–98; for details of such action with respect to cotton typewriter-ribbon cloth, which was effective after the close of business on Sept. 22, 1960, see the section on status of escape-clause investigations in ch. 3 of this report.

[33] U.S. Department of State Press Release No. 636, Nov. 9, 1960.

[34] Left unsettled on June 30, 1962, was a claim by France relating to the court decision affecting the classification of cellulose sponges. For a list of U.S. compensatory concessions, see U.S. Department of State Pub. 7350, Comm. Pol. Ser. 187, 1962, pp. 101–109.

The first stage of the U.S. concession granted to Sweden on certain paper boxes became effective on October 18, 1961;[35] the first stage of the other U.S. compensatory concessions became effective on July 1, 1962.[36] The second stage of all the U.S. compensatory concessions here under discussion (including the concession to Sweden on paper boxes) was to become effective on July 1, 1963.

Renegotiations initiated by foreign countries

During July 1960–June 1962, the United States negotiated with the following contracting parties to the General Agreement concerning various adjustments in their schedules of concessions:[37]

Australia (1, 2, 3)
Brazil (8)
Canada (9, 10, 11)
Ceylon (13)
Denmark (14, 15)
Finland (20)
Greece (25)
Haiti (26)
Indonesia (29)
Japan (31, 32)
Netherlands on behalf of—
  Netherlands Antilles (35)
  Surinam (36)
New Zealand (37)
Norway (39)
Pakistan (41)
Peru (43, 44)
Rhodesia and Nyasaland (46, 47)
South Africa (48)
Sweden (50)
Turkey (52)

By June 30, 1962, the close of the period covered by this report, all but two of the renegotiations concerning U.S. claims for compensation against the countries listed above were completed. These completed renegotiations accounted for 26 of the 55 agreements shown in the tabular summary.[38] Two or more compensatory agreements were concluded with some of the countries (viz, Australia, Canada, Denmark, the Netherlands, Peru, and the Federation of Rhodesia and Nyasaland). With respect to Japan, some U.S. claims for compensation were settled in an agreement signed in April 1961; other such claims were still pending at the close of the period here under review. The renegotiations between New Zealand and the United States were also pending at the close of this period.

Fifth Round of Multilateral Negotiations

As mentioned earlier in this chapter, the second phase of the 1960–62 GATT Tariff Conference, frequently referred to as the fifth round of multilateral negotiations, or the Dillon round, opened officially on May

[35] Proclamation No. 3431 of Sept. 18, 1961 (3 CFR, 1961 Supp., 57).

[36] Proclamation No. 3468 of Apr. 30, 1962 (3 CFR, 1962 Supp., 50).

[37] The numbers in parentheses are the item numbers identifying the U.S. negotiations with each of the countries in the tabular summary given earlier in this chapter.

[38] The details of 11 of the 26 agreements providing compensatory concessions to the United States are set forth in U.S. Department of State Pub. 7350, Comm. Pol. Ser. 187, 1962; detailed information on the remaining 15 agreements had not been published at the time of writing this report.

29, 1961. Two types of negotiations were conducted during the fifth round: (1) Negotiations (under the provisions of art. XXVIII bis) between contracting parties to the General Agreement for new or additional concessions, and (2) negotiations (under art. XXXIII) between contracting parties and countries desiring to accede to the General Agreement.

During the second phase, the United States concluded negotiations with 19 contracting parties to the General Agreement, with a provisional contracting party (Switzerland), and with 3 countries preparing to become contracting parties (Cambodia, Israel, and Portugal).[39] In 1960 these 23 countries supplied about three-fifths of U.S. imports and took about the same share of U.S. exports.

The names of the 23 countries with which the United States negotiated, together with the numbers that identify the fifth-round negotiations in the summary tabulation given earlier in this chapter, are shown below:

Austria (5)
Cambodia (56)
Canada (12)
Denmark (17)
EEC (19):
  Belgium
  France
  Germany (Federal Republic)
  Italy
  Luxembourg
  Netherlands
Finland (21)
Haiti (27)
India (28)
Israel (57)
Japan (34)
New Zealand (38)
Norway (40)
Pakistan (42)
Peru (45)
Portugal (58)
Sweden (51)
Switzerland (60)
United Kingdom (55)

Concessions granted by the United States [40]

The U.S. trade agreements legislation in effect during 1960–62 provided that the rate of duty on an article might be reduced to the lowest rate resulting from the use of any one of three alternative methods.[41]

[39] Reciprocal negotiations with Spain, a provisional contracting party to GATT, were begun during the course of the 1960–62 Conference, but were not concluded until after the close of the period covered by this report.

[40] The concessions granted by the United States and its negotiating partners at the 1960–62 Conference were annexed to interim agreements signed during the period March–June 1962 (see tabular summary).

For the U.S. concessions expressed in terms of U.S. statutory language (including the compensatory concessions discussed in the preceding section of this chapter), see also U.S. Department of State, *General Agreement on Tariffs and Trade: Schedules of the United States of America, Annotated to Show Countries With Which Concessions Were Negotiated at Geneva in 1960–61*, Pub. 7451, Comm. Pol. Ser. 195, 1962. For the U.S. concessions expressed in terms of statistical classifications, see U.S. Department of State Pub. 7350, Comm. Pol. Ser. 187, 1962, pp. 101–109 (contains compensatory concessions), and Pub. 7408, Comm. Pol. Ser. 194, 1962, pp. 55–151 (contains reciprocal concessions).

For the concessions obtained by the United States from each of its partners in the fifth round of tariff negotiations, see U.S. Department of State Pub. 7349, Comm. Pol. Ser. 186, 1962, and Pub. 7408, Comm. Pol. Ser. 194, 1962.

[41] The provisions of U.S. trade agreements legislation are summarized in the appendix.

The first method permitted a reduction by 20 percent of the U.S. rate applicable on July 1, 1958. The second method permitted a reduction by 2 percentage points, except that no duty was to be entirely removed. The third method permitted an ad valorem rate to be reduced to 50 percent ad valorem, or a specific or compound rate of duty, to a rate or combination of rates equivalent to 50 percent ad valorem. The first method was used for the great bulk of the concessions granted by the United States during 1960–62.

The trade agreements legislation also provided that, regardless of the method employed in reducing a rate of duty, the reduction was to be effected in stages. The concessions negotiated by the United States in 1960–62 were staged for the most part in the minimum period provided in the legislation: For the first and second methods of rate reduction, in two stages (i.e., by 10 percent or 1 percentage point, respectively) 1 year apart, and for the third method in three stages (a third of the reduction) 1 year apart. The first stage of U.S. concessions granted in the fifth round became effective July 1, 1962;[42] subsequent stages were to become effective on July 1, 1963, and July 1, 1964, respectively.

Table 1 presents data on the scope of the concessions that the United States granted during the fifth round of tariff negotiations. Total U.S. imports from the 23 countries with which the United States negotiated at Geneva were valued at about $8.8 billion in 1960, which represented about three-fifths of U.S. imports in that year. The United States granted tariff concessions on products that accounted for imports valued at $1.2 billion from the countries of initial negotiation, or for 14 percent of U.S. imports from the 23 countries concerned. Imports from all countries of the products on which the United States granted concessions were valued at about $1.8 billion in 1960,[43] or about 12 percent of U.S. imports of all products in that year.

The value of U.S. trade with individual countries covered by concessions negotiated with them during the fifth round at Geneva varied widely from country to country. As measured by U.S. imports from each country in 1960 of articles on which the United States granted concessions directly to it, the "trade coverage" of U.S. concessions to the European Economic Community amounted to $795 million; that of those to the United Kingdom, $201 million; to Canada, $65 million; and to India, $50 million. In contrast, the "trade coverage" of U.S. concessions to 8 of the 23 countries amounted to less than $10 million each. Further,

---

[42] Proclamations No. 3468 (3 CFR, 1962 Supp., 50) and No. 3479 of June 20, 1962 (3 CFR, 1962 Supp., 70), which were later terminated in part by Proclamation No. 3513 (28 F.R. 107).

[43] Excluded are the U.S. imports that were not dutiable at trade-agreement rates of duty—viz, imports from Communist-dominated countries, from Cuba, and from the Philippine Republic, and also the imports entered duty-free for U.S. Government use.

TABLE 1.—*U.S. imports for consumption from specified countries, 1960: All articles (dutiable and free) and articles on which the United States granted direct concessions in the fifth round of tariff negotiations*

Country[1]	All articles[2]			Articles on which the United States granted direct concessions	
	Dutiable	Free	Total	Value	Percent of total value of all articles
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	
Austria	48.7	0.8	49.5	10.2	21
Cambodia	(3)	6.6	6.6		
Canada	1,204.2	1,959.4	3,163.6	64.5	2
Denmark	79.3	19.1	98.4	1.3	1
EEC	2,003.0	255.3	2,258.3	794.8	35
Finland	19.8	32.3	52.1	2.8	5
Haiti	6.5	11.1	17.6	.6	3
India	161.6	68.4	230.0	51.3	22
Israel	24.0	3.3	27.3	17.5	64
Japan	1,046.7	79.8	1,126.5	18.5	2
New Zealand	59.4	57.6	117.0	11.6	10
Norway	66.3	21.4	87.7	5.4	6
Pakistan	9.3	27.7	37.0	(3)	(4)
Peru	67.2	102.0	169.2	6.0	4
Portugal	28.9	8.6	37.5	9.2	25
Sweden	120.4	49.9	170.3	12.6	7
Switzerland	166.3	31.0	197.3	17.1	9
United Kingdom	779.6	216.5	996.1	201.4	20
Total	5,891.2	2,950.8	8,842.0	1,224.8	14

[1] Excludes Spain, with which U.S. negotiations were completed after the close of the 1960–62 tariff Conference.

[2] Figures reported here reflect revisions in the official statistics of the U.S. Department of Commerce that were made subsequent to the preparation of U.S. Department of State Pub. 7408, Comm. Pol. Ser. 194.

[3] Less than $50,000.

[4] Less than 0.5 percent.

Source: U.S. Department of State Pub. 7408, Comm. Pol. Ser. 194, 1962, p. 152, except as noted.

U.S. imports of direct-concession articles from each of 12 negotiating countries accounted in 1960 for 10 percent or less of total U.S. imports therefrom.

As indicated in an earlier section of this chapter, the articles on which the U.S. negotiators were authorized to offer concessions had to be selected from published lists of articles, which were submitted by the President to the Tariff Commission for "peril point" investigations. As a result of its peril-point investigations, the Commission found that the

tariff restrictions on certain articles in the President's lists could not be reduced without causing, or threatening to cause, serious injury to the domestic industries concerned. Such articles were omitted from the initial offers to the various countries.

In the negotiations with the European Economic Community, Norway, Sweden, and the United Kingdom, the initial offers of the United States did not afford adequate bargaining power to obtain the desired concessions. Accordingly, the articles excluded from the initial U.S. offers were reexamined by the Trade Agreements Committee, the Trade Policy Committee, and the President, and a number of articles were selected to improve the bargaining position of the United States. Included in the new U.S. offers were reductions in duty to levels below those specified by the Tariff Commission in its peril-point findings. The fifth-round negotiations between the United States and its negotiating partners were concluded shortly after the exchange of additional offers. Pursuant to section 4(a) of the Trade Agreements Extension Act of 1951, the President reported to the Congress, identifying the concessions which reduced the duties below the peril-point levels found by the Tariff Commission.[44] Promptly thereafter, as required by section 4(b), the Commission deposited with the House Committee on Ways and Means and the Senate Committee on Finance a copy of the portions of its peril-point report dealing with the items identified by the President.

Concessions obtained by the United States

The negotiators of countries with which the United States dealt during the fifth round were not generally restricted by domestic legislation in the type of concessions they could grant, as was the U.S. delegation. Although responsible, of course, to their home governments, delegations other than that of the United States were not legally limited to reductions in duties of a certain percentage or less—say, 20 percent. Nevertheless, the character of the U.S. negotiation authority influenced the type of concessions offered by other participants in the fifth round. Even before the negotiations had commenced, the European Economic Community had offered to maintain a reduction of 20 percent which it had made in its common external tariff for most industrial articles, provided that its trading partners in the General Agreement offered reciprocal concessions. Moreover, many of the concessions offered in the negotiations by other contracting parties amounted to reductions of no more than 20 percent.

Table 2 presents data on the scope of concessions that the United States obtained as country of initial negotiation during the fifth round of tariff negotiations. Total U.S. exports to the 23 countries with which the United States negotiated at Geneva were valued at $11.8 billion in

[44] See White House Press Release, Mar. 7, 1962, including copy of messages from the President to the Congress regarding peril points.

TABLE 2.—*U.S. exports of domestic merchandise to specified countries, 1960: All articles and articles on which the United States obtained direct concessions in the fifth round of tariff negotiations*

Country[1]	All articles[2]	Articles on which the United States obtained direct concessions	
		Value[3]	Percent of total value of all articles
	Million dollars	*Million dollars*	
Austria	80.0	[4] 7.6	10
Cambodia	7.0	1.1	16
Canada	3,632.7	75.1	2
Denmark	108.7	17.2	16
EEC	3,400.0	[4] 1,000.0	29
Finland	56.3	4.6	8
Haiti	25.1	([5])	([6])
India	639.1	[7] 43.6	7
Israel	118.4	[4] 21.8	18
Japan	1,324.8	23.4	2
New Zealand	74.6	4.5	6
Norway	89.1	20.8	23
Pakistan	168.8	.1	([6])
Peru	142.1	[4] 6.7	5
Portugal	38.4	8.9	23
Sweden	298.8	9.6	3
Switzerland	246.5	19.6	8
United Kingdom	1,386.4	[4] 300.0	22
Total	11,836.8	1,564.6	13

[1] Excludes Spain, with which U.S. negotiations were completed after the close of the 1960–62 tariff Conference.

[2] From official export statistics of the U.S. Department of Commerce; excludes special-category commodities.

[3] Computed on the basis of the official import statistics of the listed countries.

[4] Estimated.

[5] Less than $50,000.

[6] Less than 0.5 percent.

[7] For fiscal year ending Mar. 31, 1961.

Source: U.S. Department of State Pub. 7349, Comm. Pol. Ser. 186, 1962, p. 106, and Pub. 7408, Comm. Pol. Ser. 194, 1962, pp. 1–3 and 8.

1960, and accounted for slightly more than three-fifths of U.S. exports in that year. U.S. exports to the negotiating countries of products on which direct tariff concessions were obtained were valued at $1.6 billion, or 13 percent of total U.S. exports to such countries.

As noted in the previous section, the U.S. negotiations with individual countries varied widely in extent. Based on the "trade coverage" in 1960 of the concessions obtained, the negotiations with the European Economic Community and the United Kingdom were by far the most important. Concessions obtained in those negotiations covered U.S. ex-

ports to the EEC valued at $1 billion (29 percent of total U.S. exports thereto) and exports to the United Kingdom valued at $300 million (22 percent). On the other hand, U.S. exports to each of 9 negotiating countries in 1960 of articles on which the United States obtained concessions were valued at less than $10 million. Moreover, U.S. exports of concession articles to each of 11 negotiating countries accounted for 10 percent or less of total U.S. exports thereto.

Chapter 2

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

INTRODUCTION

The General Agreement on Tariffs and Trade (GATT), the most important and most comprehensive agreement that the United States has entered into under the provisions of the Trade Agreements Act, is a multilateral agreement to which the United States and 40 other countries were contracting parties at the close of the period under review.[1] The General Agreement consists of two parts: (1) The so-called general provisions, which consist of numbered articles that set forth rules for the conduct of trade between contracting parties,[2] and (2) the schedules of tariff concessions that have resulted from the various multilateral negotiations sponsored by the Contracting Parties.

On June 30, 1960, the beginning of the 2-year period covered by this report, the following 37 countries were contracting parties to the General Agreement: Australia, Austria, Belgium, Brazil, Burma, Canada, Ceylon, Chile, Cuba, Czechoslovakia, Denmark, the Dominican Republic, Finland, France, the Federal Republic of Germany, Ghana, Greece, Haiti, India, Indonesia, Italy, Japan, Luxembourg, the Federation of Malaya, the Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, the Federation of Rhodesia and Nyasaland, Sweden, Turkey, the Union of South Africa, the United Kingdom, the United States, and Uruguay. By June 30, 1962, 4 additional countries—Nigeria, Portugal, Sierra Leone, and Tanganyika—had become contracting parties, thus expanding membership in the General Agreement to 41 countries.

Article XXV of the agreement provides that the Contracting Parties shall meet from time to time to further the objectives of the agreement and to resolve problems that may arise. During the period under review the Contracting Parties held three regular sessions at Geneva, Switzerland: The 17th Session, which lasted from October 31 to No-

[1] For the earlier history of the General Agreement, see *Operation of the Trade Agreements Program:* 1st report, pt. II, ch. 3; 2d report, pp. 19–21; 3d report, pp. 31–32; and 5th report, pp. 23–26.

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

vember 19, 1960; the 18th, from May 15 to 19, 1961; and the 19th, from November 13 to December 9, 1961. Because the amount of business to be considered at these sessions had increased greatly in recent years, the Contracting Parties had found it necessary to turn over considerable work to the Council of Representatives (usually referred to simply as the Council).[3] As a result, the Council, during the period covered by this report, met 10 times—more frequently than had the Intersessional Committee in earlier years. In addition to the regular sessions and the council meetings, a meeting of Ministers was convened in November 1961.

The following discussion of developments during the period covered by this report is presented under three headings: (1) Matters arising from the operation of the agreement; (2) regional economic arrangements; and (3) other developments relating to the agreement.

MATTERS ARISING FROM THE OPERATION OF THE GENERAL AGREEMENT

Matters arising from the operation of the agreement are discussed under the following four categories: (a) Complaints to the Contracting Parties under the provisions of article XXIII;[4] (b) waivers of obligations granted by the Contracting Parties under article XXV; (c) releases from obligations authorized by the Contracting Parties under article XVIII; and (d) import restrictions imposed by contracting parties for balance-of-payments reasons, under the provisions of articles XII and XVIII.[5]

Complaints

Article XXIII of the General Agreement provides that if any contracting party considers that a benefit accruing to it under the agreement is being nullified or impaired by action of another contracting party, it may bring the alleged impairment to the attention of the party concerned. If consultations between the two parties do not result in an adjustment satisfactory to both, the matter may be referred to the

[3] At their 16th Session held in May–June 1960, the Contracting Parties established the Council of Representatives as a successor to the Intersessional Committee.

[4] Unless otherwise specified, the numbers of the articles of the General Agreement as used in this chapter are those of the amended agreement. The protocol amending the preamble and pts. II and III of the agreement entered into force in part for two-thirds of the contracting parties on Oct. 7, 1957. For the General Agreement as so amended, see Contracting Parties to GATT, *Basic Instruments . . .* : vol. III, *Text of the General Agreement, 1958*, Sales No.: GATT/1958–5, Geneva, 1958.

[5] For the texts of discussions, resolutions, and reports of the 17th, 18th, and 19th Sessions, see Contracting Parties to GATT, *Basic Instruments . . .*, 9th supp., Sales No.: GATT/1961–1, Geneva, 1961, and 10th supp., Sales No.: GATT/1962–1, Geneva, 1962.

Contracting Parties for examination and for appropriate recommendation. Matters brought before the Contracting Parties in this manner are known as complaints.

At their 17th, 18th, and 19th Sessions, the Contracting Parties considered four complaints. By the close of the period covered by this report, the issues raised by two of the four complaints had been settled.

Complaints settled by June 30, 1962

French stamp tax on imports.—On January 19, 1961, the French Government informed the Contracting Parties that, as promised by its representative at the 16th Session, it had reduced its stamp tax from 3 to 2 percent, effective January 1, 1961. This action appeared to settle a long-standing U.S. complaint.

The French stamp tax on imports, which had been levied in addition to the regular import duties, was originally designed to defray the costs of clearing imported commodities through the customs. Article II of the General Agreement authorizes the imposition of fees or other charges commensurate with the cost of services rendered. At the Ninth Session of the Contracting Parties in 1954–55, the United States had complained that France in March 1954 had increased its stamp tax from 1.7 percent to 2 percent ad valorem. The matter was temporarily resolved, however, when the French representative noted that France had not increased the tax—and did not intend to increase it—beyond the point necessary to meet the cost of services rendered, as authorized by the General Agreement.[6]

In August 1955, despite this expressed intention, France increased the tax from 2 percent to 3 percent, with the specific provision that the increase in the proceeds thus derived be applied to the budget for agricultural family allowances. The United States immediately complained to the Contracting Parties that France's action was inconsistent with its obligations. When the matter came before the Contracting Parties at their 10th Session, the French representative agreed that the increase in the tax was contrary to the provisions of the General Agreement. He stated, however, that exceptional circumstances had caused the increase and that France would adjust the tax as soon as possible.

The U.S. complaint appeared on the agenda of the Contracting Parties at each of the four succeeding sessions but, despite the hope expressed each time by the French representatives that the stamp tax would be reduced, the French Government maintained it at 3 percent. At the 16th Session, in May–June 1960, the French representative stated that on January 1, 1961, his Government would reduce the tax to 2 percent.

Italian measures favoring domestic production of ships' plates.—At the 18th Session, the Italian representative announced that on March 31,

---

[6] *Operation of the Trade Agreements Program*, 8th report, pp. 34–36.

1961, his Government had modified domestic legislation, with the result that Italian shipyards using imported steel were now entitled to the same tax benefits as those using domestically produced steel. He concluded, therefore, that the grounds for a long-standing complaint had been removed; the Austrian delegate concurred. The Contracting Parties took note of the fact that the complaint was settled.

Austria's complaint concerning Italian measures designed to stimulate domestic production of ships' plates was first submitted at the 13th Session in 1958. Austria had stated that, pursuant to a law of July 17, 1954, Italy had granted tax remission and other tax benefits to the Italian shipbuilding industry using domestically produced ships' plates, but that it had not extended those benefits when imported ships' plates were used. According to the Austrian representative, Austrian exports of ships' plates to Italy had declined steadily after the law of July 17, 1954, became effective. On November 20, 1958, after the Contracting Parties had heard representatives of both Italy and Austria, delegates from these countries informed the Contracting Parties that they had reached agreement and requested that the complaint be dropped from the agenda.

On April 20, 1959, however, Austria notified the Contracting Parties of a new development. According to the Austrian delegate, the Italian Government had on January 26, 1959, submitted to the Parliament a draft law which would modify the 1954 law by extending the benefits being granted to domestic producers of ships' plates to producers of such articles in other member countries of the European Coal and Steel Community. In the light of this development, Austria proposed further consultations with Italy and requested that the matter be placed on the agenda for the 14th Session. At that session Italy agreed to consult with Austria. The matter was not resolved during the 15th, 16th, and 17th Sessions.

Complaints not settled by June 30, 1962

Italian discrimination against imported agricultural machinery.—At the 17th Session, the United Kingdom reinstated an earlier complaint concerning Italian discrimination against imported agricultural machinery. Under a law of July 25, 1952, Italy had established a revolving fund to enable Italian farmers to purchase domestic tractors and other agricultural machinery on especially favorable credit terms, but funds were not made available for the purchase of imported agricultural machinery.

In November 1958, after the matter had been examined by a panel of experts, the Italian delegate indicated that his Government had agreed to extend to purchasers of foreign agricultural machinery the same credit facilities available to purchasers of domestic agricultural machinery. The representative of the United Kingdom stated that Italy's agreement did not involve amendment of those provisions of the Italian law that had given rise to the discrimination. Nevertheless, he requested the

Contracting Parties to remove the complaint from the agenda, subject to the reservation that the United Kingdom might resubmit it should the occasion arise.[7]

At the 17th Session, the United Kingdom delegate stated that the Italian Government had, in January 1959, made fresh allocations to the rotating fund, and, in February 1960, sponsored a bill that would extend the rotating fund on the same discriminatory basis beyond 1964. The United Kingdom, supported by Canada, Sweden, and the United States, thereupon requested the Italian Government to remove the offending provision of the bill. The Italian representative stated that his Government would attempt to settle the question before 1964. He therefore urged that the United Kingdom withhold its complaint, which it apparently did.

Recourse to article XXIII by Uruguay.—Shortly before the 19th Session, Uruguay alleged that certain of its benefits as a contracting party were being impaired as a result of import restrictions imposed by 19 contracting parties on certain of its exports. Following the procedure set forth in article XXIII, Uruguay concluded consultations with 12 of the contracting parties concerned before the opening of the 19th Session.

Early in the 19th Session, the Uruguayan representative reported that the consultations had not produced solutions satisfactory to his Government; he therefore requested that the Contracting Parties examine the complaints and authorize Uruguay to suspend certain concessions it had granted to contracting parties in the event that such action should prove to be warranted. The Contracting Parties noted that the problem presented by Uruguay raised important issues being considered at the session by various committees. Inasmuch as Uruguay had announced its intention to present the matter at the meeting of Ministers scheduled for November 1961, the Contracting Parties deferred further consideration of the complaint.

Later during the session, the Uruguayan representative stated that his Government hoped that the Contracting Parties would adopt the recommendations by the Ministers to provide procedures for negotiating greater access to markets for agricultural products. Uruguay, believing that adoption of these recommendations would alleviate that country's difficulties, decided not to ask for immediate consideration of its complaint under article XXIII:2. The Uruguayan representative also noted that the Contracting Parties were to make a special study of international trade in an agricultural product of especial importance to Uruguay (meat).[8]

---

[7] See *Operation of the Trade Agreements Program*, 12th report, pp. 12–13.

[8] See the section of this chapter on expansion of international trade.

Reports on Waivers of Obligations

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

During the period covered by this report, the Contracting Parties granted new waivers of obligations under article XXV:5 to Ceylon, Indonesia, Italy, the Federation of Rhodesia and Nyasaland, Turkey, and Uruguay. Moreover, various contracting parties submitted reports on actions taken under waivers granted earlier.

Ceylonese tariff increases

Shortly before the 18th Session, Ceylon notified the Contracting Parties that, in order to stop a serious drain in its monetary reserves, it was necessary either to intensify certain of its quantitative import restrictions or to temporarily increase customs duties on a large number of imported products. After the Council of Representatives had considered the matter, Ceylon announced that, of the two alternatives, it considered temporary duty increases to be less restrictive of trade. Because such duty increases would be inconsistent with article II of the General Agreement, Ceylon requested that the Contracting Parties waive its obligations under that article until it could institute other corrective measures consistent with the agreement. After consultations with the International Monetary Fund—held in accordance with article XV of the General Agreement—confirmed the serious nature of Ceylon's monetary position, the Contracting Parties, on April 10, 1961, granted the waiver requested. Under its terms, however, Ceylon could not increase duties on the products identified in the waiver by more than 5 percent ad valorem. In addition, the waiver required that Ceylon submit annual reports of actions taken thereunder. The waiver was to terminate December 31, 1962, or whenever the increased duties permitted under the waiver were eliminated, whichever date was the earlier.

At the 19th Session of the Contracting Parties, Ceylon submitted its first annual report under the waiver. The report indicated that in the period that had elapsed after the waiver had been authorized, Ceylon had eliminated several of the duty increases. The Contracting Parties noted the Ceylonese report without discussion.

Indonesian tariff revision

By a decision of April 10, 1961, the Contracting Parties granted Indonesia a waiver of its obligations under article II to enable that country

to revise its tariff without first renegotiating with interested contracting parties the concessions it had granted in the General Agreement. The Contracting Parties took note of the fact that crucial economic circumstances did not permit Indonesia sufficient time to renegotiate under article XXVIII prior to the tariff revision. At the 19th Session Indonesia informed the Contracting Parties that it had successfully concluded negotiations with 14 countries and expected soon to complete its few remaining renegotiations. In taking note of the Indonesian report, the Contracting Parties agreed that Indonesia be permitted at the 20th Session to report informally on its progress under the waiver.

Italian customs treatment of Somali products

On September 19, 1960, Italy requested a waiver of its obligations under article I to enable it to continue to accord special customs treatment to imports of certain Somali products. Somalia, which the United Nations had placed under Italian trusteeship after World War II, had become an independent state, the Somali Republic, on July 1, 1960; during the trusteeship period Italy had granted special customs treatment to certain imports from Somalia, including duty-free status for certain key exports from that country. Moreover, as part of an economic assistance program for Somalia, Italy wished to continue its special duty treatment of Somali products. Inasmuch as Somalia had become an independent nation, however, the continuation of preferences by Italy would conflict with the most-favored-nation provisions of article I of the General Agreement unless the Contracting Parties granted a waiver.

The Council of Representatives appointed a working party to examine the Italian request. In its report at the 17th Session, the working party concluded that discontinuance of the customs treatment accorded by Italy to Somali products would have disruptive effects on the Somali economy, and that economic assistance by Italy to the Government of Somalia was in conformity with the spirit of the General Agreement. It recommended therefore that Italy be granted the waiver sought, but that it be limited to 5 years. After discussion, the Contracting Parties approved the working party's recommendation.

Rhodesia-Nyasaland waiver for dependent territories of the United Kingdom

At their 17th Session the Contracting Parties granted the Federation of Rhodesia and Nyasaland a waiver of its obligations under article I permitting it to increase certain margins of tariff preference accorded products of dependent territories of the United Kingdom. The waiver, which was modeled after the Australian waiver relating to products of Papua and New Guinea (discussed below), permitted tariff changes intended to assist in the economic development of such dependent territories. Under its terms the waiver could not be invoked in actions that would cause serious injury to the trade of other contracting parties.

The Federation was required to submit the usual annual reports to the Contracting Parties.

At the 19th Session the Federation of Rhodesia and Nyasaland reported that it had taken no action under the waiver. The Contracting Parties took note of the report without discussion.

Rhodesia-Nyasaland tariff preferences

At their 17th Session, the Contracting Parties approved a procedure whereby the margins of tariff preference on certain goods traded between the Federation of Rhodesia and Nyasaland and South Africa or Australia could be increased. After its emergence as an independent country in 1953 and the adoption of its unified tariff in 1955, the Federation of Rhodesia and Nyasaland entered into trade agreements with South Africa and Australia. These agreements called for margins of preference to be mutually applied to certain products traded between the signatory countries. Shortly before the beginning of the period under review, the signatories announced their intention to enter into new trade agreements, and they requested that the Contracting Parties grant them approval to increase certain of the margins of preference that they had maintained under the previous trade agreements. As noted, the Contracting Parties agreed to that request.

Turkish tariff reform

At their 17th Session the Contracting Parties granted Turkey a waiver from article II of the General Agreement enabling it to put its revised tariff into force without first renegotiating concessions that it had granted. The Turkish law enacting the revised tariff became effective on January 11, 1961.

At the 18th Session Turkey reported that it had been unable to complete the renegotiations attending the imposition of its new tariff; Turkey requested, and the Contracting Parties granted, an extension of the waiver until the end of the 19th Session. During the 19th Session, Turkey reported that it would complete its renegotiations by the end of the session; the waiver presumably expired at that time.

Uruguayan import surcharges

By a decision of May 8, 1961, the Contracting Parties granted Uruguay a waiver of its obligations under article II of the General Agreement to permit that country to apply certain import duty surcharges instituted in 1960. The surcharges were imposed as a temporary measure to redress deficits in the Uruguayan balance of payments as well as to simplify Uruguay's complex system of surcharges and prior deposits.

In granting the waiver the Contracting Parties noted that the International Monetary Fund had confirmed the serious nature of Uruguay's balance-of-payments and reserve position. The waiver was to terminate on Uruguay's elimination of the surcharges or on July 1, 1963, whichever

date was the earlier. In addition, the waiver required that Uruguay submit annual reports of actions taken under the waiver.

At the meeting of the GATT Council in September 1961, Uruguay submitted its first annual report under the waiver. The report noted that in the short period that had elapsed since it had been granted the waiver, Uruguay's balance-of-payments position had improved somewhat, but that the country's terms of trade had continued to deteriorate. Uruguay reported therefore that it was as yet unable to eliminate any of its surcharges. On recommendation of the Council, the Contracting Parties approved the Uruguayan report at their 19th Session.

Australia's special customs treatment of products from Papua and New Guinea

At the 18th Session of the Contracting Parties in 1961, Australia submitted its seventh report on actions taken under a 1953 waiver which had permitted it to accord preferential tariff treatment to products of the territories of Papua and New Guinea. Australia stated that it had taken no actions under the waiver during the time that had elapsed since it submitted its sixth report in 1959.[9] The Contracting Parties took note of the Australian report.

Belgian quantitative restrictions on imports

At the 17th Session, Belgium submitted its fifth annual report under the terms of a 1955 waiver which had permitted it to retain various quantitative restrictions on agricultural products beyond the time it ordinarily could have done so because of balance-of-payments reasons.[10] The Contracting Parties expressed serious concern over Belgium's lack of progress in removing its quantitative restrictions. They noted Belgium's intention to liberalize trade in certain agricultural products beginning in January 1961, but felt that more rapid liberalization would be needed to enable Belgium to terminate its quantitative restrictions by the end of 1962—the deadline specified in its waiver. Some contracting parties noted with concern that Belgium had found it necessary to impose additional tariff restrictions on certain products from which it had removed quantitative restrictions. The Belgian representative assured the Contracting Parties that Belgium planned to ease quantitative restrictions as rapidly as possible with the ultimate aim of eliminating them by the end of the waiver period.

At the 19th Session, Belgium submitted its sixth report under the terms of the waiver. Belgium indicated that it would remove import restrictions on several items by December 31, 1962 (the termination date of the waiver), but that import restrictions on a number of commodities

[9] Actions taken earlier by Australia under the waiver are discussed in previous reports on the *Operation of the Trade Agreements Program.*

[10] For discussion of Belgium's first, second, third, and fourth annual reports under the waiver, see *Operation of the Trade Agreements Program:* 10th report, pp. 23–24; 11th report, pp. 34–35; 12th report, pp. 23–24; and 13th report, pp. 18–20.

would remain in effect after that date. Restrictions would remain in effect on certain fish, fruits, vegetables, horticultural articles, seed grains, and sugar beets. After considering the report, the Contracting Parties agreed that Belgium should consult with them in the spring of 1962. Although no action was taken at the Council meeting in the spring of 1962, Belgium agreed to consult with interested contracting parties concerning any restrictions still in effect after the close of the waiver period.

Brazilian tariff revision

In August 1957 a new Brazilian tariff entered into force; prior thereto the Contracting Parties had granted Brazil a waiver of its obligations under article II to enable that country to promulgate the new tariff without first renegotiating the tariff concessions it had granted in the General Agreement. The waiver required Brazil to conduct such renegotiations within 1 year from the entry into force of the new tariff. Although circumstances necessitated several postponements of this deadline, Brazil succeeded, by August 1960, in concluding renegotiations with a number of contracting parties.

At its meeting shortly before the 17th Session, the Council noted that Brazil had, with few exceptions, given effect to the concessions granted in its renegotiations. The Council recommended, therefore, that the Contracting Parties regard the terms of the waiver as having been satisfied. With respect to the rates not renegotiated, the Council suggested that the Contracting Parties grant Brazil a new waiver pending the necessary renegotiations under article XXVIII at their 17th Session. The Contracting Parties approved the recommendation of the Council.

At the 18th Session, Brazil reported that it had completed such renegotiations with all but three contracting parties, and that it expected the remaining renegotiations to be completed by June 1961. Under the waiver, Brazil was required to report to the Contracting Parties no later than September 1, 1961; it had not done so by June 30, 1962.

Chilean import charges

At the 17th Session of the Contracting Parties in November 1960, Chile requested an extension of a waiver that had been granted in 1959 authorizing it to impose import surcharges. In support of its request, the Chilean delegate explained that severe natural disasters in his country in the spring of 1960 had created abnormal economic conditions, the effects of which had not been fully determined. He also indicated that work on Chile's new tariff (the adoption of which would make the continuation of the temporary surcharges unnecessary) had been delayed. After discussion the Contracting Parties granted Chile a 1-year extension of its waiver.

At the 19th Session, Chile again requested a 1-year extension of its waiver. The Chilean representative stated that the problems that had iven rise to the extension of its waiver at the 17th Session were still

unresolved. The new Chilean tariff had not yet been completed, and the reconstruction efforts made necessary by the earthquake required continuation of the additional import levies. After consultation with the International Monetary Fund, the Contracting Parties approved the Chilean request.

Franco-German treaty on the Saar

At both the 17th and 19th Sessions, France and the Federal Republic of Germany reported on actions taken under a waiver relating to their trade relations with the Saar. In 1959, pursuant to a treaty between France and the Federal Republic of Germany signed in 1956, the Saar had become part of the West German customs and currency area; trade between France and the Saar, though free of duty, had become subject to annual quotas.

At the 17th Session, the Federal Republic of Germany indicated that it had taken no action under the waiver since submission of its previous report. France reported that, as required by the treaty, it had implemented quotas limiting trade between it and the Saar. At the 19th Session, both Governments reported that they had taken no further action under the waiver during the year under review. At both sessions, the Contracting Parties took note of the reports without discussion.

German import restrictions

During the 17th Session, the Federal Republic of Germany submitted its second annual report on actions taken under a 1959 waiver that had permitted it to impose nontariff trade restrictions on certain articles.[11] The report listed the products on which quotas had been removed, indicated the volume of imports of commodities still under import restrictions, and described the licensing system applied to the products covered by the waiver.

The Contracting Parties concluded that West Germany had made excellent progress by removing a number of restrictions on imports of the industrial products covered by the waiver, but that only one so-called agricultural item, candies, had been freed from import restrictions. Several contracting parties commented that West Germany needed to accelerate the removal of its import restrictions if it were to eliminate the use of quotas within the 3-year period contemplated by the waiver. Furthermore, many contracting parties were concerned that West Germany had not yet announced firm dates for the complete removal of nontariff restrictions covered by its waiver.

At the 19th Session, West Germany submitted its third report under the waiver. The Contracting Parties noted that, although West Ger-

[11] For the history of the German waiver and a discussion of Germany's first annual report, see *Operation of the Trade Agreements Program:* 12th report, pp. 41–45; 13th report, pp. 21–23.

many had made some progress in removing restrictions in the period under review, many would still have to be removed before that country satisfied its obligations under the waiver. West Germany was requested to report on its plans for meeting the terms of the waiver at the Council meeting in May 1962.

At the Council meeting the West German representative stated that at the 20th Session of the Contracting Parties his Government would submit a report on its actions under the waiver. He also stated that some restrictions would be removed within the specified time limit, but that it was not possible to announce his Government's decision regarding the remaining restrictions inasmuch as they were currently being considered in connection with the Common Agricultural Policy of the European Economic Community.

Italian customs treatment of Libyan products

During the period under review, Italy and Libya submitted reports regarding Italian customs treatment of Libyan products. In 1951 the Contracting Parties had granted Italy a waiver of its most-favored-nation obligations under article I of the General Agreement to permit Italy to accord duty-free entry to a specified list of Libyan products. The waiver was intended to allow action to facilitate the development of Libya's economy during that country's transition to political independence. Subsequently, the Contracting Parties requested Italy to submit an annual report on the development of Italian-Libyan trade; they also requested Libya to report annually on Libyan economic development.[12]

The eighth annual reports of Italy and Libya, submitted at the 17th Session, noted that Italian imports from Libya were slightly smaller in 1959 than in 1958. The decrease resulted mainly from a poor olive crop and the resultant decline in exports of Libyan olive oil. The Italian representative, however, stated that his country's imports from Libya were developing as expected and that they did not prejudice the export trade of other contracting parties. The Libyan representative stated that Italy was Libya's largest export market and that the waiver continued to be of prime importance to his country. The Contracting Parties took note of the two reports.

At the Council meeting in September 1961, the Governments of Italy and Libya submitted their ninth reports. Both Governments stressed the importance of the waiver to the Libyan economy. In its report, Italy stated that it had received, and was prepared to accept, Libya's formal request for the maintenance of the special customs treatment

[12] See *Operation of the Trade Agreements Program:* 7th report, pp. 31–32; 8th report, pp. 33–34; 9th report, p. 25; 10th report, pp. 27–28; 11th report, pp. 38–39; 12th report, p. 28; and 13th report, pp. 23–24.

until 1964. Italy therefore requested that the waiver be extended for 3 years. After the Council had so recommended, the Contracting Parties at their 19th Session extended the waiver for 3 years (until December 31, 1964).

Luxembourg's import restrictions on agricultural products

At the 17th Session of the Contracting Parties in October–November 1960, Luxembourg submitted its fifth annual report under a 1955 waiver, which had permitted it to maintain restrictions on imports of agricultural products.[13] Inasmuch as the Contracting Parties desired also to conduct a general review of Luxembourg's agricultural situation during the 17th Session, they appointed a working party not only to conduct such a review but also to examine Luxembourg's annual report.

In its report the Government of Luxembourg stated that the agricultural situation in its country, although somewhat improved, was still precarious. The working party agreed, but expressed the hope that the forthcoming adoption of a common agricultural policy for the European Economic Community would enable Luxembourg to make its agriculture more economically productive. The working party concluded that the conditions giving rise to Luxembourg's waiver were still sufficiently serious to warrant its continuance; it proposed that a second general review, similar to the one just completed, be conducted no later than 1965. After discussion, the Contracting Parties approved the report of the working party.

New Zealand's tariff revision

For a number of years New Zealand had contemplated revising certain of its tariff schedules. Because New Zealand law did not permit it to renegotiate concessions prior to the effective date of the tariff revision, as required by the General Agreement, New Zealand requested that the Contracting Parties grant it a waiver from its obligations under article II of the General Agreement. The waiver was to terminate on December 31, 1960, but owing to the fact that the process of revision took longer than originally anticipated, the Contracting Parties extended the deadline at their 17th and 19th Sessions. The last extension provided for the termination of the waiver on December 31, 1962.

Nicaragua-El Salvador free-trade treaty

Nicaragua submitted annual reports on the Nicaragua-El Salvador free-trade area to the Contracting Parties at their 17th and 19th Sessions. In 1951 a waiver had been granted by the Contracting Parties under the provisions of article XXIV:10 which freed Nicaragua from its most-favored-nation obligations with respect to the products covered in its

[13] For a discussion of the relationship between Luxembourg's request for a waiver and the trade restrictions of Belgium and the Benelux Union, see *Operation of the Trade Agreements Program*, 10th report, pp. 28–29.

1951 treaty with El Salvador. Under the terms of the treaty, each country agreed to accord reciprocal duty-free treatment to specified products originating in the other country. The waiver required that Nicaragua submit annual reports of its actions relating to the matters waived.[14]

The ninth annual report indicated that Nicaragua's trade with El Salvador in the products covered by the treaty had increased substantially. In 1959, Nicaraguan imports of such products from El Salvador exceeded those in 1958 by 50 percent; comparably, in 1959, Nicaraguan exports of the enumerated items to El Salvador were 80 percent larger than in 1958. The 10th report showed that trade between the two countries in products covered by the treaty approximated the levels attained in the previous year. The Contracting Parties took note of each report without discussion.

Peruvian import charges

At the 17th Session of the Contracting Parties, Peru submitted its second annual report on actions taken under a 1958 waiver which temporarily relieved it from certain obligations imposed by articles I and II of the General Agreement.[15] The waiver was originally granted in order to permit Peru to impose certain duty surcharges on imports; the surcharges were intended to assist that country to cope with a serious decline in reserves of foreign exchange and to assure adequate revenue for its stabilization program. Peru was required to report annually to the Contracting Parties on actions reducing or eliminating the surcharges and to consult annually with the Contracting Parties on the status of its balance-of-payments position.

In its second annual report, Peru stated that its foreign exchange situation had improved sufficiently to warrant removal of the surcharges, but that the loss of revenue attendant upon such removal would have inflationary tendencies. Peru therefore requested additional time in which to eliminate the surcharges. After discussion with interested contracting parties and consultations with the International Monetary Fund, the Contracting Parties granted Peru a 1-year extension of the waiver—until June 8, 1962.

At the 19th Session, Peru submitted its third annual report and requested a further extension of the waiver. The Peruvian representative explained that, in spite of a general improvement in the Peruvian economy during the period under review, his Government, because of the fiscal importance of the surcharges, would be unable to remove them by

[14] Inasmuch as El Salvador is not a contracting party to the General Agreement, only Nicaragua is obliged to report to the Contracting Parties on developments under the waiver. For the origin of the waiver, see *Operation of the Trade Agreements Program*, 6th report, p. 50.

[15] For a discussion of Peru's first annual report, see *Operation of the Trade Agreements Program*, 13th report, pp. 24–26.

the deadline (June 8, 1962). The representative reported that revenue derived from the surcharges during the preceding fiscal year had accounted for approximately 5 percent of his Government's total budget receipts. He indicated that the Peruvian Government would replace the surcharges with revenue measures not in conflict with the provisions of the General Agreement. After discussion the Contracting Parties voted to extend the Peruvian waiver until April 30, 1963. Under the terms of the extension, Peru was to report to the Contracting Parties by September 15, 1962, on any action taken under the waiver.

United Kingdom's waivers for dependent overseas territories and Commonwealth countries

At both the 17th and 19th Sessions, the United Kingdom submitted reports on actions under two waivers of most-favored-nation obligations (art. I). During their Ninth Session in 1954–55, the Contracting Parties had granted the United Kingdom a waiver to permit that country to accord preferential treatment to its dependent overseas territories in order to assist in the economic development of those territories. At their Eighth and Ninth Sessions, the Contracting Parties had granted the United Kingdom a waiver permitting it to increase certain preferences accorded to Commonwealth countries.[16]

In its reports,[17] the United Kingdom indicated that its actions under each of the waivers were extremely limited during the period under review. It had increased the preference extended to imports of two products from Commonwealth countries, and it intended to take actio n garding imports of a single product from its dependent overseas territories.

U.S. restrictions on imports of agricultural products

At both the 17th and 19th Sessions of the Contracting Parties, the United States reported on actions relating to U.S. restrictions on imports of agricultural products. To resolve the differences between its domestic legislation and the provisions of the General Agreement, the United States in 1954 had requested a waiver of its commitments under articles II and XI of the General Agreement, insofar as such commitments might be inconsistent with action it was required to take under section 22 of the Agricultural Adjustment Act.[18] The Contracting Parties granted the waiver in March 1955 at their Ninth Session; the United States was required to report annually on any actions it took thereunder.

At the 17th Session, the United States submitted its sixth annual report of actions taken under the waiver. The report, which covered the period 1959–60, indicated that import controls under section 22 were in

[16] For a more detailed discussion of the terms of the two waivers, see *Operation of the Trade Agreements Program*, 8th report, pp. 30–32 and 76–78.

[17] The annual reports relating to the dependent overseas territories were the 6th and 7th, and those relating to Commonwealth preferences, the 7th and 8th.

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

effect for seven products or groups of products: Wheat and wheat products; cotton and cotton waste; rye, rye flour, and rye meal; flaxseed and linseed oil; peanuts and peanut oil; tung nuts and tung oil; and certain manufactured dairy products. However, the quantities permitted entry under the import quotas imposed on Edam, Gouda, and Italian-type cheeses of cow's milk had been increased. The Contracting Parties noted that the United States had not imposed additional import restrictions during the year under review; as in earlier years, however, they expressed concern that the United States had neither reduced price-support levels for many agricultural commodities still subject to control, nor made significant progress toward achieving a better balance between supply and demand for its agricultural commodities. The Contracting Parties also noted that the basic U.S. price-support policy was generally a contributing factor to the continuing need of the United States for quantitative restrictions.

At the 19th Session the United States submitted its seventh annual report under the waiver. The report indicated that since its sixth annual report had been submitted the United States had removed import restrictions on peanut oil, flaxseed, linseed oil, and rye, rye flour, and rye meal. On August 1, 1961—i.e., the end of the period covered by the U.S. report—U.S. import controls under section 22 were in effect for five products or groups of products: Wheat and wheat products, cotton and cotton waste, peanuts, tung nuts and tung oil, and certain manufactured dairy products.[19]

After examining the U.S. report, the Contracting Parties stated that the United States had not made sufficient progress in removing the basic causes of its imbalanced supply and demand situation respecting certain commodities. They deemed the U.S. price supports for certain agricultural commodities to be chief among these causes. The Contracting Parties felt that progress by the United States in dismantling the remaining controls maintained under the waiver would encourage other nations to take similar action.

Releases From Obligations

Article XVIII of the General Agreement on Tariffs and Trade brings together various provisions of the agreement directly related to the problems of the less developed countries. In general, the article provides procedures whereby such countries may, under specified circumstances, obtain releases from their obligations under the agreement, permitting

[19] During the period covered by this report but subsequent to the preparation of the U.S. report, the United States took the following actions as a result of investigations by the U.S. Tariff Commission: (1) On Sept. 11, 1961, the President proclaimed an annual import quota of 1,000 pounds for cotton products produced in any stage preceding the spinning into yarn; and (2) on Mar. 29, 1962, the President proclaimed an increase in the import quota for blue-mold cheese from 4,167,000 pounds to 5,017,000 pounds.

them to adopt measures to promote the establishment of new industries or to protect their external financial positions.

To facilitate their affording tariff protection to new industries, for example, article XVIII permits certain less developed countries to modify or withdraw tariff concessions granted under the agreement through a procedure that is not generally available to other contracting parties. It also authorizes certain less developed countries to impose import restrictions for balance-of-payments reasons under less stringent conditions than those that apply to more developed countries.[20]

During the period under review, the Contracting Parties did not grant any new releases pursuant to article XVIII, but did modify or extend certain releases that had been granted previously to Ceylon. At its meeting held shortly before the 17th Session opened, the Council granted Ceylon's request that its article XVIII release on certain textile products be modified.[21] At the 17th Session, Ceylon further requested the Contracting Parties to extend its article XVIII release with respect to two items of ceramic ware. After discussion the Contracting Parties granted Ceylon an extension of its release on those products until the end of the 18th Session. The release was not reextended at the 18th Session and thus expired.[22]

Article XVIII requires the Contracting Parties to review annually all actions taken by GATT members under specified provisions of the article. At the 18th Session the Chairman of the Contracting Parties noted that the third annual review—scheduled for 1961—primarily involved measures applied by the Government of Ceylon. Since that country had suggested postponement of the review date and since there was not sufficient time to complete the review during the 18th Session, the Contracting Parties agreed to postpone the third annual review until the 19th Session.

At their 19th Session the Contracting Parties conducted the third annual review of all releases granted under article XVIII. Ceylon reported that it maintained import restrictions under only 6 of the 19 releases granted to it. Ceylon also stated that it would remove the restrictions applied under article XVIII at the earliest practicable date. Cuba did not report to the Contracting Parties on its article XVIII release, which was due to expire on August 9, 1962; the Cuban import restrictions on products covered by the release were still in effect. After

[20] For a more detailed discussion of the provisions of art. XVIII, see *Operation of the Trade Agreements Program*, 13th report, pp. 30–32.

[21] The modification proposed by Ceylon would, among other things, involve modification of its Industrial Products Act to permit imports to be regulated by quantity or value instead of by quantity only.

[22] Rather than intensify restrictions under existing releases or request new ones, Ceylon imposed certain tariff increases under a waiver granted to it on Apr. 10, 1961. See the section of this chapter on waivers of obligations.

brief discussion, the Contracting Parties adopted the third annual review of releases granted under article XVIII.

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

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

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

At their 17th Session the Contracting Parties adopted procedures designed to speed consideration of new or intensified import restrictions imposed by contracting parties for balance-of-payments reasons. After notification by a contracting party that it was imposing such restrictions, the Council was required to consult, or arrange to consult, with that contracting party within 10 days. The Council was also empowered to invite a contracting party to consult when it considered that new or intensified restrictions required it.

At their 19th Session, the Contracting Parties extended until December 31, 1962, the right of a contracting party to apply for a waiver under the so-called hard-core decision. Such a waiver would permit a contracting party that was no longer entitled to impose import restrictions for balance-of-payments reasons to continue for 5 years the restrictions already in effect. The purpose of the decision was to permit

countries dismantling their balance-of-payments restrictions to have a transitional period of adjustment. From July 1960 to June 1962 no contracting party applied for a waiver under the hard-core decision.

Eleventh annual report on discriminatory application of quantitative import restrictions

The 11th annual report on discriminatory application of quantitative import restrictions was approved by the Contracting Parties at the 17th Session. According to the report, 17 contracting parties still maintained balance-of-payments restrictions, compared with 24 a year earlier. Ten contracting parties still discriminated, to some degree, between import sources. A number of countries retained formal, though not substantial, discrimination against imports from dollar countries, and some discrimination persisted against goods from certain countries other than dollar countries. There was also some discrimination for other than balance-of-payments reasons.[23]

Consultations with Israel

During the 17th Session, the Contracting Parties held their first consultation with Israel on trade restrictions maintained by that country for balance-of-payments reasons. It was conducted without specific reference to any article of the General Agreement, because Israel, although then participating in the work of the General Agreement, was not yet a contracting party. The consultation revealed that Israel had relaxed certain of its restrictions. In a second consultation held in May 1962, the International Monetary Fund reported that Israel had further relaxed its restrictions on imports and on invisible transactions, and had reduced discrimination in its import policy.

Consultations under article XII

At the 17th Session of the Contracting Parties, the committee on balance-of-payments restrictions reported on the annual consultations held under the provisions of article XII with Denmark, Finland, Japan, New Zealand, and Norway. The report indicated that all of these countries had moved toward monetary stability and partial convertibility, had reduced or eliminated discrimination against dollar countries in the issuance of import licenses, had removed or relaxed certain quantitative restrictions, and had attempted to minimize any incidental protective effects of the nontariff restrictions that remained. Most of the consulting countries, however, had not found it possible to ease restrictions on imports of agricultural products; they feared that increased imports might interfere with domestic measures intended to support their agricultural industries. On the other hand, Denmark and New Zealand, both important exporters of agricultural products, reported that because

[23] At the close of the period covered by this report, the 12th annual report on discriminatory application of quantitative import restrictions had not been issued.

their foreign-exchange earnings were still limited by agricultural restrictions maintained by predominantly industrial countries in Europe and America, they were forced to limit their imports of manufactured goods.

During the 18th Session the committee on balance-of-payments restrictions consulted under article XII with Chile and South Africa. Chile, which had been attempting to stabilize prices and exchange rates after several years of rapid inflation, reported that it had adopted a new tariff which it hoped would obviate most other import restrictions. South Africa reported that it had intensified certain quantitative restrictions on a temporary basis.

At the 19th Session, in November 1961, the committee on balance-of-payments restrictions reported on consultations held with Denmark, Finland, Japan, and New Zealand under the provisions of article XII.[24] During the period under review, three of these countries (New Zealand excepted) had further eased their nontariff restrictions and were experiencing generally improved trading conditions. Nevertheless, all four still maintained certain restrictions, especially in the agricultural sector, which they said were made necessary by the agricultural policies of competing countries. New Zealand had generally intensified its restrictions on imports, because of its inability to earn sufficient foreign exchange from its principal exports—wool, meat, and dairy products. The Contracting Parties approved the committee's report.

At the Council meeting in May 1962, consultations were conducted with Brazil and Chile under article XII. Brazil reported that it had eliminated its preferential exchange rate, expanded and diversified its export and import trade, and achieved a trade surplus in 1961 after having experienced deficits in the several years preceding. Brazil maintained, however, that severe restrictions on certain of its imports were necessary to combat serious inflation. Chile reported that it had intensified its import controls following the 1962 earthquake, which had caused damage in 10 southern provinces.

Consultations under article XVIII:B

The Contracting Parties held consultations under article XVIII:B with Ceylon and Pakistan during the 17th Session and with Indonesia and Turkey during the 18th Session. The consultations revealed that although Pakistan and Turkey had removed some quantitative restrictions, all four countries retained trade controls designed to protect their monetary reserves. Ceylon and Turkey, moreover, had adopted certain measures to protect infant industries. After discussion of prospects for future liberalization, the Contracting Parties adopted the committee's reports on the consultations.

[24] Before the 19th Session, Austria and Norway announced that their respective balance-of-payments positions had improved sufficiently to enable them to discontinue resort to the provisions of art. XII; the planned consultations with these two countries accordingly did not take place.

At the 19th Session, the Contracting Parties consulted with Burma under article XVIII. Burma indicated that it expected sufficient improvement in its balance-of-payments position to permit some liberalization of its restrictions in 1962.

At the Council meeting in May 1962, consultations under article XVIII were held with Ghana and Greece. After a period of almost complete freedom from nontariff restrictions on imports, Ghana, in December 1961, had reimposed a system of import licensing and levied a purchase tax on luxury imports. Ghana explained that it had taken these steps to cope with new balance-of-payments difficulties attributable mainly to a fall in the world price of cocoa. The International Monetary Fund stated that the new restrictions were not higher than necessary to stop a serious decline in Ghana's monetary reserves. Greece reported further progress in removing import restrictions imposed for balance-of-payments purposes, made possible by an increase in its foreign exchange reserves.

REGIONAL ECONOMIC ARRANGEMENTS

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

During the period covered by this report the Contracting Parties took action with respect to six customs unions or free-trade areas—the European Economic Community (EEC), the European Free Trade Association (EFTA), the Latin American Free Trade Association (LAFTA), the Central American common market, the North Borneo-Sarawak free-trade area, and the Nicaragua-El Salvador free-trade area.[25] The contracting parties that were members of each group reported on the developments concerning it to the Contracting Parties, but the contents of the reports will not be dealt with here in view of the discussions elsewhere.[26]

[25] For a detailed discussion of the historical development of the first three regional arrangements listed, see *Operation of the Trade Agreements Program:* 12th report, pp. 134–166; 13th report, pp. 41–50.

[26] Nicaragua's reports on the operation of the Nicaragua-El Salvador free-trade area have been discussed in an earlier section of this chapter. Major developments in the EEC, EFTA, and LAFTA are discussed in ch. 4 of this report.

European Economic Community

At their sessions during the period under review, the Contracting Parties discussed three issues relating to the European Economic Community: The preferential tariff treatment which EEC members accord imports from associated overseas territories; the level of the common external tariff; and the association of Greece with the EEC.

At the 17th Session, a number of contracting parties expressed concern over the preferential tariff treatment accorded to the EEC associated overseas territories under the Common Market Treaty. Some contracting parties expressed the hope that, during the article XXIV:6 negotiations then in progress,[27] the EEC would take steps to discontinue such preferential treatment or compensate the parties injured thereby. In particular, they hoped that the EEC would provide satisfactory access for tropical products from nonassociated territories into the Common Market. At the 18th Session, a number of contracting parties noted that the action suggested at the 17th Session did not appear to be forthcoming, notwithstanding 8 months of negotiations. Moreover, certain contracting parties indicated that consultations with the EEC countries regarding compensation had not yielded satisfactory results. The Contracting Parties took note of these comments but deferred action until the 1960–62 GATT negotiations were completed. At the 19th Session, the EEC representatives reported that discussions were then in progress within the EEC regarding possible revisions of the Community's relationship with the associated overseas territories. The representative added, however, that 16 of those territories which had recently achieved independent status were free to express their own views regarding the terms of their association with the EEC. After discussion the Contracting Parties agreed to place the matter on the agenda of a future session if so requested.

At all three of the sessions reviewed here, the Contracting Parties discussed matters relating to the EEC common external tariff. The discussion centered on the language contained in article XXIV:5(a) of the General Agreement; that provision states that duties and other regulations of commerce imposed by a customs union shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the member states before the formation of the customs union. During the discussion, it became evident that fundamental disagreement existed between a number of contracting parties and the EEC representatives as to whether the EEC tariff conformed with that provision. When it became clear that the contracting parties were unable to agree at the 19th Session, the Executive Secretary suggested that the provision be placed before the Contracting Parties for definition at their next session, and that in the meantime those

[27] See ch. 1.

contracting parties claiming injury by virtue of the EEC common tariff could seek redress under the provisions of the agreement applicable to such injury. The Contracting Parties agreed to this proposal.

Shortly before the close of the 19th Session, the Contracting Parties appointed a working party to examine the text of the agreement of association of Greece with the EEC. The working party reported its findings to the Council; at its meeting in May 1962, the Council postponed consideration of the report until its meeting scheduled for September 1962.

European Free Trade Association

At the 17th Session, the Contracting Parties for the first time gave consideration to the compatibility of the convention of the European Free Trade Association with the provisions of the General Agreement. In May 1960, the Contracting Parties had appointed a working party to undertake a preliminary examination of this matter. In a report in June 1960, the working party raised various issues, but made no recommendations for action. At their 17th Session, the Contracting Parties noted that certain legal and practical issues had to be reconciled before they could make definitive conclusions on the compatibility of the EFTA Convention with the General Agreement. The Chairman of the Contracting Parties stated, however, that certain action should be taken at the 17th Session to safeguard against the lapse of rights of the Contracting Parties under the provisions of article XXIV:7. To this end, the Chairman submitted draft "conclusions" to the Contracting Parties for ratification. The draft conclusions, in essence, provided notice that the Contracting Parties had examined the EFTA Convention and had noted the intention of its signatories to form a free-trade area within the meaning of article XXIV; that the Contracting Parties were not prepared to submit recommendations to the EFTA as provided in article XXIV:7, but reserved the right to do so later; and that the Contracting Parties reserved their right of recourse to normal procedures when measures taken conflict with the General Agreement. After discussion, the Contracting Parties adopted the draft conclusions.

Before the 18th Session, the Secretary General of the EFTA informed the Contracting Parties pursuant to article XXIV:7(a) that Finland and the member countries of the EFTA had signed an agreement in Helsinki on March 27, 1961. The agreement provided for the formation of a free-trade area between the seven members of the EFTA and Finland. After taking note of the various comments by interested parties, the Contracting Parties decided that, as they had done with other agreements involving the formation of free-trade areas, they would study the agreement in the light of the relevant provisions of the General Agree-

ment.[28] Accordingly, the Contracting Parties appointed a working party to make the examination.

At the 19th Session the Contracting Parties considered the report of the aforementioned working party respecting the Agreement of Association between Finland and the member countries of the EFTA. The working party concluded that the rights and obligations arising from that agreement were substantially equivalent to those contained in the EFTA Convention. Members of the working party disagreed, however, on whether the Agreement of Association constituted a free-trade area within the sense of article XXIV of the General Agreement. Part of the controversy involved the question whether the bilateral agreement between Finland and Denmark precluded Finland from eliminating trade restrictions on "substantially all the trade" with EFTA members as would be required under article XXIV:8(b) of the General Agreement. In view of this and other unresolved issues regarding the compatibility of the Agreement of Association with the provisions of the General Agreement, the working party recommended that the Contracting Parties adopt "draft conclusions" similar to those which it adopted at the 17th Session in connection with the EFTA Convention. After discussion, the Contracting Parties adopted the report of the working party and the draft conclusions contained therein. Meanwhile, at the 19th Session, the EFTA submitted to the Contracting Parties a report on its progress during the 15 months that it had been in full operation.[29]

Latin American Free Trade Association

At the 17th Session, the Contracting Parties undertook to examine the relationship of the Latin American Free Trade Association (LAFTA) to the General Agreement on Tariffs and Trade. The treaty establishing LAFTA was signed in Montevideo on February 18, 1960, not only by four contracting parties to the General Agreement—Brazil, Chile, Peru, and Uruguay—but also by three other countries—Argentina, Mexico, and Paraguay.[30] After signature the treaty was sent to the Contracting Parties for examination under article XXIV:7 of the General Agreement. During preliminary discussion at the 16th Session, the Contracting Parties had indicated their general support of the projected Latin American free-trade area, and established a working party to ex-

[28] During discussion of the Fenno-EFTA agreement during the 18th Session, a number of contracting parties expressed concern over Finland's ability to adhere to the most-favored-nation requirement of art. I, inasmuch as it was a party to a bilateral trade agreement with the U.S.S.R., under which Finnish duties on imports from the Soviet Union were to be eliminated by 1970.

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

[30] Although Bolivia participated in the negotiations which resulted in the draft treaty, it did not sign the Montevideo Treaty. As of June 1962, Bolivia had not become a member of LAFTA.

amine the Montevideo Treaty and its relationship to the General Agreement.

At the 17th Session, the working party submitted its reports, which treated three subjects: The provisions of the Montevideo Treaty and their effects on trade; the compatibility of the Montevideo Treaty with article XXIV of the General Agreement; and draft conclusions for the approval of the Contracting Parties. The draft conclusions provided, in essence, that the Contracting Parties had examined the treaty, that the signatories could apply the treaty upon ratification, and that the Contracting Parties reserved their rights without prejudice. During the discussion, most contracting parties agreed that the proposed free-trade area would operate within the spirit of the General Agreement and would significantly aid the development of the individual members' economies. The Contracting Parties adopted the conclusions of the working party.

At the 18th and 19th Sessions, as well as at Council meetings, the contracting parties that were members of LAFTA reported on their actions involving the establishment of a free-trade area.[31] These reports were noted by the Contracting Parties.

Central American Common Market

By its decision of November 13, 1956, the Contracting Parties had granted Nicaragua the right to claim the benefits of certain provisions of article XXIV arising out of its proposed free-trade area with Costa Rica, El Salvador, Guatemala, and Honduras. Under the terms of the 1956 decision, Nicaragua was to submit annual reports on its progress in eliminating tariffs and other trade restrictions within the free-trade area.

At the 17th Session, Nicaragua submitted to the Contracting Parties its first report on actions taken toward the establishment of a Central American free-trade area. A treaty—the Multilateral Central American Free Trade and Economic Integration Treaty—had been signed by Costa Rica, El Salvador, Guatemala, and Nicaragua in June 1958; it had gone into effect for the latter three countries on June 2, 1959, and for Honduras on April 22, 1960.[32] Nicaragua was the only signatory that was also a member of the General Agreement. Since, by the time of the 17th Session, the treaty had not been in force long enough to have significant effect on the trade relations between the member countries, the Contracting Parties postponed a general review of the treaty until the 19th Session.

At its meeting in September 1961, the Council took note of a new instrument, the General Treaty for Central American Economic Inte-

[31] For a discussion of actions by LAFTA members, see ch. 4 of this report.

[32] The treaty went into effect for Costa Rica on Sept. 23, 1963.

gration. The treaty had gone into effect for El Salvador, Guatemala, and Nicaragua on June 4, 1961, and for Honduras on April 27, 1962.[33] The Council appointed a working party to examine the two treaties as well as Nicaragua's second annual report. In its report to the Contracting Parties at the 19th Session, the working party did not comment on the June 1959 treaty because, in the opinion of the working party, it had had little effect since its entry into force. The working party noted, however, that the General Treaty for Central American Economic Integration provided for acceleration of plans for a Central American common market. Under its terms the proposed common market was to be made effective within 5 years instead of the 10-year period provided for under the 1959 treaty. The working party also reported that in its second annual report Nicaragua requested that the Contracting Parties grant it a 3-year waiver of certain of its obligations under the General Agreement. Nicaragua felt that the waiver was necessary for it to implement certain provisions of the 1961 treaty. The working party recommended that the Contracting Parties grant Nicaragua the requested waiver under the provisions of article XXV. After discussion, the Contracting Parties unanimously approved the report of the working party.

North Borneo-Sarawak Free-Trade Area

At the 19th Session, the United Kingdom notified the Executive Secretary of the Contracting Parties that its dependent territories of Sarawak and North Borneo had agreed to establish a free-trade area; the text of the agreement had been submitted to the Contracting Parties for consideration under article XXIV:7.

After discussion in a plenary meeting late in the 19th Session, the Contracting Parties noted that the Borneo-Sarawak free-trade area would be established on January 1, 1962, and that there would be no transitional period in connection therewith. Rather than make any specific recommendations under article XXIV:7, the Contracting Parties invited the United Kingdom to provide additional information to interested contracting parties, and agreed that any contracting party affected by the agreement should be allowed to request the Council to examine the matter in detail.

OTHER DEVELOPMENTS RELATING TO THE AGREEMENT

Invocation of Article XXXV Against Japan

At the beginning of the period covered by this report, 14 contracting parties did not apply the provisions of the General Agreement to Japan, which was also a contracting party. Article XXXV of the General Agreement provides that the agreement shall not apply between any

[33] There were no other signatories to this treaty.

two contracting parties if either of them, at the time either becomes a contracting party, does not consent to such application. In such event, the two contracting parties involved are not required, among other matters, to extend the tariff concessions that they had granted in GATT negotiations to articles imported from the other.

During the 2-year period under review, four contracting parties which had previously invoked article XXXV against Japan—Malaya, Cuba, New Zealand, and Ghana [34]—decided to withdraw their invocation of article XXXV and apply the provisions of the agreement to Japan. On the other hand, three countries that became independent and became contracting parties to the General Agreement in their own right—Nigeria, Sierra Leone, and Tanganyika—chose to continue the invocation of article XXXV with respect to Japan which the United Kingdom had initiated earlier on their behalf. Thus, at the close of the period under review, 13 contracting parties refrained from applying the provisions of the General Agreement to Japan.[35]

Trade in Cotton Textiles

At the Council meeting in June 1961, the United States requested that a meeting of countries substantially engaged in international trade in cotton textiles be convened for the purpose of regulating such trade. The U.S. representative stated that such regulation should provide for the orderly development of trade in cotton textiles so as to increase export markets for the less developed countries and Japan, while avoiding disruptive conditions in import markets. The Council agreed to convene the meeting on July 17, 1961.

Sixteen contracting parties were represented at the July meeting; a number of others sent observers. At that meeting these contracting parties agreed to certain short-term arrangements which would govern trade in cotton textiles between the participating parties for a 12-month period ending on October 1, 1962. Ultimately 19 contracting parties became participants.[36] In principle, the arrangements aimed to increase gradually international trade in cotton textiles, especially by improving access to markets where imports had been severely restricted; to maintain orderly access to markets where severe restrictions were not maintained; and to secure from exporting countries, where necessary, agreements to limit their exports.

At the meeting in July, the participating parties also agreed to appoint a provisional cotton textiles committee, subject to confirmation by the

[34] Malaya, in August 1960; Cuba, in December 1961; New Zealand and Ghana, in March 1962.

[35] Australia, Austria, Belgium, France, Haiti, Luxembourg, the Netherlands, Nigeria, the Federation of Rhodesia and Nyasaland, Sierra Leone, South Africa, Tanganyika, and the United Kingdom.

[36] See the later section of this chapter on embargoes of U.S. imports of textiles.

Contracting Parties at their 19th Session, to make recommendations for a long-term solution to the cotton textiles problem. At the 19th Session the Contracting Parties approved the establishment of the committee. The committee completed a draft long-term arrangement in February 1962. The long-term arrangement, which contained provisions similar to the short-term agreement, was to go into effect on October 1, 1962, subject to ratification by the participating governments.

Consultations

During the period under review the Contracting Parties took note of three consultations under article XXII [37] and one consultation under article XXV.[38] A fourth article XXII consultation, that with France, was begun in 1961 at the request of the United States but had not been fully resolved by the close of the period covered by this report.

Consultations with Italy

Before the 18th Session in May 1961, the United States requested that consultations be held with Italy on certain of its import restrictions. The Contracting Parties appointed a working party to hold the consultations and report its findings.

The working party reported that Italy still maintained a number of restrictions which could no longer be justified for balance-of-payments reasons and which appeared to restrict severely imports of certain agricultural products of interest to several contracting parties. In addition, the working party found that Italy discriminated among currency blocs in the issuance of import licenses. At a plenary session of the Contracting Parties the Italian representative stated that his Government planned to submit—by July 31, 1961—a program looking toward the elimination of the restrictions discussed in the working party's report.

At the 19th Session the Italian representative stated that his Government had removed certain restrictions discussed at the earlier session and was studying the possibility of removing others. The Contracting Parties noted the statement.

Italian import restrictions on Israeli products

After bilateral consultations with Italy in September 1961 had failed, from Israel's point of view, to achieve progress toward the elimination

[37] Art. XXII of the General Agreement provides that each contracting party shall afford adequate opportunity for consultation regarding such representations as may be made by another contracting party with respect to any matter affecting the operation of the General Agreement. If no satisfactory solution may be found through such consultation, the Contracting Parties may, at the request of a contracting party, consult with any other contracting party regarding such matters.

[38] Art. XXV:1 of the General Agreement provides that representatives of the contracting parties shall meet from time to time for the purpose of giving effect to those provisions of the General Agreement which involve joint action, and, generally, with a view to facilitating the operation and furthering the objectives of the General Agreement.

of discriminatory import restrictions on Israeli products, Israel requested the Contracting Parties to undertake multilateral consultations with Italy. The request was placed on the agenda of the 19th Session of the Contracting Parties.

At an early meeting in the 19th Session, the Israeli representative stated that his Government had long sought agreement with Italy on removing discriminatory restrictions, but that the disparity between the restrictions applied to imports from Israel and those applied to imports from most other nations had in fact been broadened as a result of the easing of restrictions on imports from other countries. After further discussion, the Contracting Parties appointed a working party to consult with Italy. In its report at the 19th Session, the working party expressed concern that Italy still maintained import restrictions which were not justified for balance-of-payments reasons. The Israeli representative stated that he hoped that progress would result from these consultations. The Contracting Parties adopted the report of the working party.

Italian import restrictions on Japanese products

At the 19th Session of the Contracting Parties the Japanese representative stated that the Governments of Japan and Italy were then holding bilateral consultations regarding trade problems. The Japanese representative did not propose any action by the Contracting Parties at that time, but he noted that unless a satisfactory solution was soon reached by the two Governments, Japan would consider referring the matter to the Contracting Parties. By the close of the 19th Session, however, Japan had not taken further action.

Consultation on the marketing of butter in the United Kingdom

On March 24, 1961, New Zealand requested the Council to arrange a multilateral consultation under the provisions of article XXV:1 to inquire into the difficulties encountered by that country in marketing butter in the United Kingdom. In compliance with New Zealand's request, a conference in which 19 contracting parties participated was convened the following month. The consulting group agreed to take a number of short-term actions—to increase the consumption of butter in the home markets of supplier countries, to curtail exports to the United Kingdom, and to reduce subsidies on butter sold in the United Kingdom. The group also recommended that the Contracting Parties keep developments in the United Kingdom market for butter under review. At the 18th Session the Contracting Parties invited the consulting group to continue its work.

Shortly before the 19th Session, New Zealand requested the Contracting Parties to consider the longer term problems connected with marketing butter in the United Kingdom. The short-term measures previously agreed upon had not succeeded in raising butter prices in the United

Kingdom. The United Kingdom therefore had negotiated bilateral agreements with supplier countries, to limit the supply of imported butter during the period October 1, 1961, through March 31, 1962. The Contracting Parties appointed a working party, composed of the contracting parties that had participated in the earlier consultation. The consulting countries met in January 1962 but failed to reach agreement. The United Kingdom therefore announced that it would impose quotas—to be allotted to 14 countries—on its imports of butter for a period of 1 year beginning April 1, 1962.

Expansion of International Trade

The Contracting Parties in 1958 appointed three committees to study obstacles to the expansion of international trade. Committee I was assigned the task of preparing for a future round of tariff negotiations; committee II was directed to study problems arising out of the widespread use of nontariff measures to protect agriculture; and committee III was authorized to consider other obstacles to the expansion of trade, with special reference to the problems of the less developed countries.

Committee I

Committee I laid the groundwork for the 1960–61 tariff Conference, which is discussed elsewhere in this report.[39] Subsequently, at their 19th Session, the Contracting Parties agreed to try to devise techniques of negotiation better designed to cope with recent shifts in world trading relationships. A working party, which was to work under the aegis of committee I, was established.

Committee II

During the 18th Session, committee II submitted to the Contracting Parties its third and most comprehensive report on barriers to trade in certain agricultural products.[40] The report, which had been started in 1959, summarized the results of consultations that the committee had held with 34 contracting parties regarding their policies on trade in cereals, meat, dairy products, fish, sugar, and vegetable oils.

The committee found that each of the countries imposed a variety of controls on agricultural products even though their policy objectives were sometimes quite different. For example, the committee observed that industrial countries generally applied agricultural controls to maintain or raise the level of farm incomes, usually relative to incomes in other sectors of the economy, while countries whose economies were more dependent on agricultural exports applied controls to attempt to reduce fluctuations in prices of agricultural commodities. The committee con-

[39] See ch. 1.

[40] The first and second reports were submitted to the Contracting Parties at their 14th and 16th Sessions, respectively.

cluded that such widespread application of governmental controls on agricultural products had a depressive effect on international trade.

At their 19th Session the Contracting Parties decided that practical steps should be taken to create improved access for agricultural commodities in international trade. To this end, the Contracting Parties requested the Council (1) to appoint groups to study the trade problems related to two groups of commodities, cereals and meat, and (2) to invite contracting parties to notify it of changes in their agricultural policies so that the data acquired by committee II could be kept up to date.

The cereal group reported to the Council at its meeting in February 1962. The group suggested that, through international accords such as the International Wheat Agreement, the cereal-producing countries might coordinate their internal agricultural policies with policies designed to facilitate international trade in cereal products. The group also studied the steps taken by the EEC toward a common agricultural policy in relation to the importation of cereals into the Community. The Council took note of the progress report by the group on cereals.

In May 1962 the meat group convened to consider problems affecting international trade in meat. The group prepared a report on obstacles to trade in beef, lamb, and mutton. The Contracting Parties did not meet on the group's report during the period under review.

Committee III

At both the 17th and 18th Sessions, committee III submitted reports on its inquiry, namely, the examination of obstacles to trade, with particular reference to the problems of less developed countries. The reports stressed the need for industrial countries to relax their restrictions on certain raw materials and light manufactures exported by the less developed countries. The Contracting Parties adopted the reports.

Committee III met in June and September 1961 to prepare for the November meeting of Ministers. At these meetings the committee prepared reports on the tariff and nontariff restrictions imposed by GATT members on products of special interest to the less developed countries. At their meeting in November 1961, the Ministers recommended that the Contracting Parties adopt a declaration of intent to promote the trade of less developed countries by reducing trade barriers to products exported by these countries. At their 19th Session the Contracting Parties adopted the recommendations.

In February 1962 the Council appointed a special group to study international trade in tropical products. The group met in June 1962 to prepare data for consideration by the Contracting Parties at a future session.

Export Subsidies

At their 17th Session, the Contracting Parties opened for signature

two declarations relating to export subsidies. One declaration [41] would commit the signatory countries not to extend the scope of their existing export subsidies on nonprimary products [42] and, in effect, not to reimpose individual subsidies once they were terminated. This declaration was similar to one that had been signed by most contracting parties in 1959. The other declaration [43] would commit the signatory countries not to impose export subsidies on nonprimary products; this declaration had been proposed by France. Neither of these declarations entered into force during the period under review.

The declarations relating to export subsidies represented steps taken by the Contracting Parties to carry out the provisions of article XVI:4. Under that article and the related note in annex I of the General Agreement, contracting parties were obligated to abolish—by January 1, 1958, or by the earliest practicable date thereafter—all direct or indirect subsidies on nonprimary products when the exportation of these products resulted in their sale at prices lower than those for like products being sold in the domestic market. If such subsidies were not abolished by January 1, 1958, the contracting parties—under the so-called standstill provision—were obligated not to extend their scope beyond that existing on January 1, 1955, and were to abolish them as soon as possible.

At the 18th Session the Contracting Parties noted that article XVI provides for a general review to be conducted periodically for the purpose of determining the effectiveness of that article. A panel appointed at an earlier session to carry out preparations for the review had submitted its third and final report and the Contracting Parties agreed to conduct the general review at their 19th Session. At the 19th Session, however, the Contracting Parties postponed the review until the 20th Session, pending further inquiry by the meeting of Ministers into the problem of subsidies on agricultural products.

Restrictive Business Practices

At their 17th Session the Contracting Parties discussed a report by a group of experts regarding restrictive business practices that hamper international trade. In 1958 the Contracting Parties had adopted a resolution recognizing that the expansion of world trade and economic development of countries might be hampered by the activities of inter-

[41] Contracting Parties to GATT, *Basic Instruments . . .*, 9th supp., Sales No.: GATT/1961–1, Geneva, 1961, pp. 33–35.

[42] The General Agreement defines a primary product as "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." The term "nonprimary" is intended to include all products other than "primary products."

[43] Contracting Parties to GATT, *Basic Instruments . . .*, 9th supp., Sales No.: GATT/1961–1, Geneva, 1961, pp. 32–33.

national cartels and trusts. To this end the Contracting Parties appointed a group of experts to recommend whether, and if so to what extent, the Contracting Parties should deal with such restrictive business practices. The group of experts agreed that the Contracting Parties were competent to deal with restrictive business practices that hamper international trade, but did not agree on the appropriate procedures to be followed by the Contracting Parties.

After discussion the Contracting Parties decided that any contracting party could request consultations, either bilateral or multilateral, with any other contracting party regarding such restrictive business practices. After consultations the consulting parties were to report the nature of the complaint and the conclusions reached to the Secretariat, which would refer the information to the Contracting Parties.

Chapter 3

Actions of the United States Relating to Its Trade Agreements Program

During the period covered by this report, the major action of the United States under the trade agreements program was its participation in the 1960–62 tariff Conference sponsored by the General Agreement on Tariffs and Trade. The resultant trade-agreement negotiations and U.S. participation therein are discussed separately in chapter 1 of this report. This chapter (ch. 3) sets forth the status of U.S. trade-agreement obligations at the close of the period under review and describes changes in U.S. import restrictions on trade-agreement items during that period.

U.S. TRADE-AGREEMENT OBLIGATIONS

Status of U.S. Trade Agreements

On July 1, 1960, the United States was a party to trade agreements with 43 countries; these agreements had been negotiated under the authority of the Trade Agreements Act of 1934, as amended and extended.[1] Added to this number of countries during the 2-year period covered by this report were three countries—Sierra Leone, Nigeria, and Tanganyika —which had become contracting parties to the General Agreement on Tariffs and Trade, and Tunisia, which had acceded provisionally to the General Agreement. Also during the 2-year period, the U.S. bilateral trade agreement with Iran was terminated. On June 30, 1962—i.e., the close of the period under review—the United States was a party to trade agreements with 47 countries. These countries are listed below in three groupings.

The first group consisted of 39 countries with which the United States was a party to trade agreements on June 30, 1962, as a result of their

---

[1] For more detailed data on the trade agreements that the United States had concluded with foreign countries, see U.S. Tariff Commission, *Trade Agreements Manual: A Summary of Selected Data Relating to Trade Agreements Negotiated by the United States Since 1934*, 3d ed., misc. ser., 1959.

accession to the General Agreement on Tariffs and Trade.[2] These countries are listed below, together with dates on which the United States gave effect to the respective tariff concessions initially negotiated therewith:

Country	*Date*	*Country*	*Date*
Australia	Jan. 1, 1948	Italy	May 30, 1950
Austria	Oct. 19, 1951	Japan	Sept. 10, 1955
Belgium [1]	Jan. 1, 1948	Luxembourg	Jan. 1, 1948
Brazil [1]	July 31, 1948	Malaya [3]	Do.
Burma	July 30, 1948	Netherlands [1]	Do.
Canada [1]	Jan. 1, 1948	New Zealand	July 31, 1948
Ceylon	July 30, 1948	Nicaragua [1]	May 28, 1950
Chile	Mar. 16, 1949	Nigeria [3]	Jan. 1, 1948
Cuba [1 2]	Jan. 1, 1948	Norway	July 11, 1948
Denmark	May 28, 1950	Pakistan	July 31, 1948
Dominican Republic	May 19, 1950	Peru [1]	Oct. 7, 1951
Finland [1]	May 25, 1950	Portugal. [4]	
France [1]	Jan. 1, 1948	Rhodesia and Nyasaland [5]	July 12, 1948
Germany (Federal Republic)	Oct. 1, 1951	Sierra Leone [3]	Jan. 1, 1948
Ghana [3]	Jan. 1, 1948	Sweden [1]	Apr. 30, 1950
Greece	Mar. 9, 1950	Tanganyika [3]	Jan. 1, 1948
Haiti [1]	Jan. 1, 1950	Turkey [1]	Oct. 17, 1951
India	July 9, 1948	Union of South Africa	June 14, 1948
Indonesia [3]	Mar. 11, 1948	United Kingdom [1]	Jan. 1, 1948
		Uruguay [1]	Dec. 16, 1953

[1] The bilateral trade agreement that the United States had previously concluded with this country has been either suspended or terminated.

[2] An embargo was placed by the United States on U.S. trade with Cuba—with certain exceptions—effective Feb. 7, 1962; the United States suspended application of trade-agreement rates of duty to imports that are the products of Cuba, effective May 24, 1962.

[3] Acceded to the General Agreement under art. XXVI, which permits a contracting party to sponsor the accession of its territories, on behalf of which it had previously accepted the rights and obligations of the agreement.

[4] Portugal acceded to the General Agreement on May 6, 1962, but the U.S. concessions initially negotiated with Portugal did not become effective until July 1, 1962.

[5] On Oct. 30, 1953, the Federation of Rhodesia and Nyasaland succeeded to the status of Southern Rhodesia as a contracting party to the General Agreement, and to the interests of Northern Rhodesia and Nyasaland, to which the agreement had previously applied as areas for which the United Kingdom has international responsibility.

The second group consisted of two countries which had provisionally acceded to the GATT. These countries, together with the dates on

---

[2] On June 30, 1962, a total of 41 countries, including the United States, were contracting parties to the General Agreement. Although Czechoslovakia was a contracting party to the agreement on that date, neither Czechoslovakia nor the United States had any obligations to the other under the agreement. On Sept. 29, 1951, the United States, with the permission of the Contracting Parties, suspended all its obligations to Czechoslovakia under the General Agreement. Subsequently, effective Nov. 2, 1951, the United States suspended the application of trade-agreement reductions in duties and import taxes to imports from Czechoslovakia.

which their provisional accession became effective with regard to their trade with the United States, are listed below:

Country	*Date*
Switzerland[1]	Apr. 29, 1960
Tunisia	June 15, 1960

[1] By an exchange of notes on Mar. 29, 1960, the United States and Switzerland agreed that the obligations under the U.S.-Swiss bilateral trade agreement would continue in force but that that agreement would not prevent either country from taking action permitted under an exception, reservation, or waiver under the GATT.

The third group consisted of the seven countries with which the United States had bilateral trade agreements, all of which had been negotiated prior to the formation of GATT. These countries, together with the effective dates of the respective bilateral agreements, are listed below:[3]

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

[1] The schedules of concessions, as well as the provisions of the agreement relating to the concessions, were terminated, effective Aug. 8, 1962, for El Salvador, and Feb. 28, 1961, for Honduras.

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

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

During the period under review the United States continued to apply trade-agreement rates of duty to imports from nearly all countries, regardless of whether it had most-favored-nation obligations in effect with them. This policy of "generalizing" its trade-agreement rates of duty was initially established by the Trade Agreements Act of 1934. As exceptions to its policy of "generalizing," however, the United States continued during the period under review to suspend the application of trade-agreement concessions to imports from Communist-controlled countries or areas;[4] the United States reapplied trade-agreement rates of duty to imports from Poland and suspended their application to imports from Cuba. These actions are discussed in following sections. The United States also continued to prohibit the entry, or withdrawal from warehouse, for consumption, of specified furs that are the product of the Soviet Union or of Communist China.[5]

[3] The Republic of the Philippines is not included in this group inasmuch as the current U.S. bilateral trade agreement with that country was negotiated under the provisions of the Philippine Trade Agreement Revision Act of 1955 (69 Stat. 413), not under the Trade Agreements Act of 1934, as amended and extended.

[4] Required by sec. 5 of the Trade Agreements Extension Act of 1951.

[5] Pursuant to sec. 11 of the extension act of 1951. For details of U.S. actions under secs. 5 and 11 of the Trade Agreements Extension Act of 1951, see *Operation of the Trade Agreements Program*, 6th report, pp. 77–78.

Termination of Trade Agreement With Iran

By mutual agreement, the Governments of the United States and Iran terminated, effective August 26, 1960, a trade agreement that they had negotiated in 1943.[6] Termination of the agreement was requested by Iran, which had undertaken a comprehensive economic stabilization program to cope with its balance-of-payments problem. The program was expected to result in the modification of various rates of duty in the Iranian import tariff schedule—particularly those on commodities not deemed essential to the country's economic development. Iran therefore wished to be free of its commitments in the trade agreement with the United States.

After the termination of the agreement, trade relations between the United States and Iran were governed by the terms of the 1955 treaty of amity, economic relations, and consular rights. This treaty, which became effective June 16, 1957, contained several provisions similar to those included in the 1943 bilateral trade agreement; hence, even after termination of the trade agreement, each country was obliged to accord the other most-favored-nation treatment.

In the 1943 bilateral trade agreement with Iran, the United States agreed to reduce or bind against increase the existing rates of duty on products in 14 tariff paragraphs or subparagraphs of the Tariff Act of 1930. These products included opium; copper or brass table, household, kitchen, and hospital utensils; dried barberries; dates in bulk; pistachio nuts; certain cotton articles block-printed by hand; hair of the cashmere goat; certain handwoven carpets, rugs, and mats; and turquoise, cut but not set. The United States also agreed to bind free-of-duty the commodities contained in 11 tariff paragraphs or subparagraphs, including bristles, rough or uncut turquoise, quince seed, saffron and madder, certain gums and resins, and iron ore. Iran, on the other hand, granted the United States concessions on products contained in 48 tariff classifications, including fresh, dried, or preserved fruits and vegetables; lubricating oils and greases; certain motion picture films; tires and inner tubes; motors; pumps; certain agricultural, refrigerating, and air-conditioning machinery; typewriters; certain electrical equipment; radio receiving sets; and tractors, buses, and passenger cars. Forty-five of the Iranian concessions involved reductions in the existing rates of duty or bindings of the existing rates of duty against increase; three concessions consisted of bindings on the free list.[7]

---

[6] The trade agreement was signed on Apr. 8, 1943, and became effective on June 28, 1944. The exchange of notes terminating the agreement took place on July 27, 1960 (TIAS 4581; 11 UST 2163).

[7] For the schedules of concessions in the bilateral trade agreement, see U.S. Department of State, *Reciprocal Trade Agreement . . . Between the United States and Iran*, Executive Agreement Series 410, Publication 2189, 1944.

When the bilateral trade agreement was terminated, most of the commodities on which the United States had granted concessions to Iran were also subject to concessions in other trade agreements. Articles included in seven tariff paragraphs or subparagraphs, however, had not been the subject of U.S. concessions in other trade agreements. With the termination of the agreement with Iran, the rates of duty on articles contained in these seven tariff classifications either reverted to the statutory rates, or (for the bound rates of duty) remained the same but reverted to an "unbound" status. The rates of duty applicable to these tariff classifications before and after the termination of the trade agreement with Iran are shown in the following tabulation:

Tariff Act of 1930 paragraph	Article	Rate of duty	
		Before termination of trade agreement	After termination of trade agreement
736	Barberries, edible, dried, desiccated, or evaporated.	1¼¢ per lb.	2½¢ per lb.
741	Dates, fresh or dried, except when packed in units of any description weighing (with the immediate container, if any) not more than ten pounds each:		
	With pits	1¢ per lb.[1]	1¢ per lb.
	With pits removed	2¢ per lb.[1]	2¢ per lb.
762	Apricot and peach kernels	2½¢ per lb.	3¢ per lb.
911 (a)	Quilts or bedspreads, wholly or in chief value of cotton, whether in the piece or otherwise, if block-printed by hand.	12½% ad val.	25% ad val.
911 (b)	Table and bureau covers, centerpieces, runners, scarfs, napkins, and doilies, made of plain-woven cotton cloth, and not specially provided for, if block-printed by hand.	15% ad val.	30% ad val.
1102 (b)	Hair of the cashmere goat:		
	In the grease or washed	18¢ per lb. of clean content.	34¢ per lb. of clean content.
	Scoured	21¢ per lb. of clean content.	37¢ per lb. of clean content.
	On the skin	16¢ per lb. of clean content.	32¢ per lb. of clean content.
	Sorted, or matchings, if not scoured.	19¢ per lb. of clean content.	35¢ per lb. of clean content.
1552	Cigar and cigarette boxes, finished or unfinished, not specially provided for:		
	Wholly or in chief value of silver and valued at 40 cents or more per ounce.	30% ad val.	60% ad val.

[1] Rate of duty bound against increase in the 1944 bilateral trade agreement with Iran.

Partial Termination of Trade Agreement With Honduras

By mutual agreement, the Governments of the United States and Honduras terminated, effective February 28, 1961, parts of the 1936 trade agreement between the two countries.[8] Terminated were the schedules of tariff concessions and all provisions of the agreement relating directly thereto. Various general provisions of the agreement remained in effect obligating each country to maintain most-favored-nation treatment in its trade with the other, to accord to the other national treatment in the application of internal taxes, and to administer its import policies on an equitable basis.

In requesting termination of the bilateral trade agreement, the Government of Honduras contended that, among other things, the agreement impeded full implementation of its current economic and financial policies, such as the establishment of adequate protection for domestic industries and revision of import duties for fiscal purposes. The Honduran Government also pointed out that its commitments to participate in a Central American common market obligated it ultimately to adopt the proposed external tariff of the Central American common market.

In the 1936 bilateral trade agreement with Honduras, the United States had agreed to reduce or bind against increase the existing rates of duty on products in three tariff paragraphs or subparagraphs of the Tariff Act of 1930; these products were pineapples in crates and in bulk, certain balsams, prepared guavas, and mango and guava pastes and pulps. The United States had also agreed to bind the free-of-duty treatment of products in five tariff paragraphs or subparagraphs, including bananas, plantains, cocoa beans, coffee, sarsaparilla root, and raw deerskins. Honduras, in return, had granted the United States concessions on 37 products, including automobiles, trucks, buses, hand tools, leathers, certain textile products, soaps, tire casings, and lumber; 17 of the concessions provided for reductions in rates of duty, and 20, for bindings of existing rates.[9]

Termination of the U.S. schedule of concessions in the bilateral agreement with Honduras resulted in a change in only one U.S. import duty—that on pineapples in bulk. All other commodities on which the United States had granted tariff concessions in the agreement were also subject to concessions in other agreements.

Pursuant to the Honduran agreement, the United States had reduced its import duty on pineapples in bulk from 1¼ cents each to 0.9 cent

[8] The partial termination was proclaimed by Presidential Proclamation No. 3390 on Jan. 18, 1961 (26 F.R. 507). The trade agreement was signed on Dec. 18, 1935, and became effective on Mar. 2, 1936. The exchange of notes terminating parts of the agreement took place at Tegucigalpa on Jan. 18, 1961 (TIAS 4677; 12 UST 85).

[9] For the schedules of concessions in the bilateral trade agreement, see U.S. Department of State, *Reciprocal Trade Agreement Between the United States of America and Honduras*, Executive Agreement Series No. 86, 1936.

each. With the termination of the U.S. schedule of concessions, the duty on pineapples in bulk, other than the product of Cuba, reverted to the full rate of 1⅛ cents each. Because of the obligation under article I of the General Agreement on Tariffs and Trade not to increase the absolute margin of preference between the duty on articles imported from Cuba and the duty on the same articles of non-Cuban origin, the U.S. duty on pineapples in bulk that are the product of Cuba was increased at the same time from 0.58 cent each to 0.84⅔ cent each.[10]

Partial Termination of Trade Agreement With El Salvador

By an exchange of notes on June 29, 1962, the Governments of the United States and El Salvador terminated parts of the 1937 trade agreement between the two countries.[11] Effective as of the close of August 8, 1962, the schedules of tariff concessions in the agreement and the provisions of the agreement that related directly thereto were terminated. The general provisions of the agreement that remained in effect continued the obligation of each country to maintain most-favored-nation treatment in its trade with the other, to accord the other national treatment in the application of internal taxes, and to administer its import policies on an equitable basis.

The partial termination of the bilateral trade agreement was requested by the Government of El Salvador. Like Honduras, El Salvador indicated that its tariff commitments in the agreement conflicted with its objective of participating in the Central American economic integration program and of adopting the proposed external tariff of the Central American common market.

In the 1937 bilateral trade agreement with El Salvador, the United States had agreed to bind against increase the existing rates of duty on products in three tariff paragraphs of the Tariff Act of 1930. These products were Peru balsam, honey, prepared guavas, and guava and mango pastes and pulps. The U.S. rates of duty on these products had previously been reduced pursuant to concessions granted in bilateral trade agreements negotiated with other countries. The United States had also agreed to bind the free-of-duty treatment of products in four tariff paragraphs, including cocoa beans, coffee, tortoise shell, deerskins, and reptile skins. El Salvador, in return, had granted the United States concessions on products in 25 tariff items, including ham, canned pork, wheat, certain leather, canned mackerel and salmon, oatmeal, certain canned fruits and vegetables, sawed wood, rubber tires, inner tubes,

[10] Presidential Proclamation No. 3394 of Feb. 25, 1961, effective Feb. 28, 1961 (26 F.R. 1751).

[11] The exchange of notes terminating parts of the agreement took place at San Salvador (TIAS 5095). The termination was made effective for the United States by Presidential Proclamation No. 3480 of June 29, 1962 (27 F.R. 6253). The bilateral trade agreement was signed on Feb. 19, 1937, and became effective May 31, 1937 (50 Stat. 1564).

rubber hose and tubing, and phonograph records. Concessions on six of the tariff items had consisted of bindings of existing rates of duty, and concessions on the remainder, of duty reductions.

Termination of the U.S. schedule of concessions in the agreement with El Salvador did not result in any changes in U.S. import duties, inasmuch as the United States had made commitments on the same items in the General Agreement on Tariffs and Trade.

Reapplication of Reduced Rates of Duty to Imports From Poland

Section 5 of the Trade Agreements Extension Act of 1951 required the President, as soon as practicable, to suspend, withdraw, or prevent the application of any trade-agreement concession to imports from the Soviet Union and imports from any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement. Under this provision the President during 1951 and 1952 suspended the application of trade-agreement concessions to products of 19 specified countries or areas.[12] The President's action with respect to imports from Poland and areas under Polish administration and control became effective on January 5, 1952. Subsequently, the Polish areas to which the suspensions applied were redefined by the President, effective February 19, 1953, as follows: Poland and areas under the provisional administration of Poland (the former Free City of Danzig and areas in Germany including the area in East Prussia).

The President ended the suspension of the application of trade-agreement rates of duty on imports from Poland, effective December 16, 1960, thus reducing the duties applicable to U.S. imports of some articles therefrom.[13] The principal imports from Poland to which the reduced duties applied were glass Christmas tree ornaments valued under $7.50 per gross, wire nails over 65/1000 inch in diameter or 1 inch long, poppy seed, decorated or colored blown-glass household articles, and wet-salted calf hides.[14] The rate of duty applicable to the most important commodity imported from that country—canned ham—was not changed by either the suspension or the reapplication of the trade-agreement rates of duty, inasmuch as no trade-agreement concession has been made by the United States on that product.

Special Restrictions on U.S. Trade With Cuba

During the period covered by this report, the President proclaimed

[12] For a list of these countries and areas, see *Operation of the Trade Agreements Program*, 6th report, p. 77.

[13] 3 CFR, 1960 Supp., 101.

[14] For a more complete list of the principal commodities imported from Poland to which reduced rates of duty applied, as well as a list of the principal commodities for which no change of duty resulted from the President's action, see U.S. Tariff Commission, *Reapplication of Trade-Agreement Reductions in Import-Duty Rates to Imports from Poland*, 1961 [processed].

an embargo on trade between the United States and Cuba, and, the Congress took action to deny to Cuba the benefits of U.S. trade-agreement concessions.

In January 1962, at the Punta del Este Conference,[15] the members of the Organization of American States resolved, in their Final Act, that the Government of Cuba was incompatible with the objectives of the inter-American system and urged the member states to take appropriate steps for their individual and collective self-defense. Under the provisions of section 620(a) of the Foreign Assistance Act of 1961, as amended,[16] the President, by proclamation effective February 7, 1962, imposed an embargo on trade between the United States and Cuba.[17] Specifically, the President prohibited the importation into the United States of all goods of Cuban origin and all goods imported from or through Cuba, except as authorized by the Secretary of the Treasury. The President further directed the Secretary of Commerce, under the provisions of the Export Control Act of 1949, as amended,[18] to continue to prohibit all exportation from the United States to Cuba, except as authorized by the Secretary. Under regulations issued by the Secretary of the Treasury and the Secretary of Commerce, the United States limited exports to Cuba largely to foodstuffs and medicines and limited imports from Cuba to goods contained in passengers' baggage.

Section 401 of the Tariff Classification Act of 1962 [19] declared Cuba to be a nation described in section 5 of the Trade Agreements Extension Act of 1951, as amended, i.e., dominated or controlled by the foreign government or foreign organization controlling the world Communist movement; the section also specifically directed that products of Cuba be denied the benefits of trade-agreement concessions. Accordingly, on May 24, 1962, the United States suspended the application of reduced rates of duty established pursuant to trade agreements, including preferential rates of duty, to imports of articles which are products of Cuba. Inasmuch as U.S. imports of Cuban goods had already been virtually prohibited under the embargo, the immediate effect of the suspension of trade-agreement rates of duty was exceedingly limited. The suspension was to remain in effect until the President determined that Cuba was no longer a Communist-dominated country.

ACTIONS RELATING TO RESTRICTIONS ON TRADE-AGREEMENT ITEMS

During the period under review various actions were taken by the

[15] The Eighth Meeting of Consultation of Ministers of Foreign Affairs, Serving as Organ of Consultation in Application of the Inter-American Treaty of Reciprocal Assistance.

[16] 75 Stat. 444.

[17] Presidential Proclamation No. 3447 of Feb. 3, 1962 (27 F.R. 1085).

[18] 50 U.S.C. App. 2021–2032.

[19] 76 Stat. 78.

United States relating to import restrictions applied to certain items on which it had previously granted trade-agreement concessions. As a result of court decisions and measures taken by the President to renegotiate concessions, the United States took action with respect to its duties on bicycles, wool fabrics (including billiard cloth), and waterproof cotton cloth. In addition, other U.S. actions, discussed below, were taken under section 22 of the Agricultural Adjustment Act; section 7 of the Trade Agreements Extension Act of 1951, as amended; Executive Order 10401; and section 204 of the Agricultural Act of 1956, as amended.

Proclamation of New Import Duties

Bicycles

In February 1961, the President proclaimed trade-agreement rates of duty for bicycles,[20] which were the same as those imposed by the President in 1955,[21] after an escape-clause investigation and recommendations by the U.S. Tariff Commission.[22] This action followed negotiations with the United Kingdom, the Federal Republic of Germany, Belgium, the Netherlands, Luxembourg, and Austria.

The President undertook the negotiations with the above-mentioned countries in order to establish a trade-agreement basis for the increased rates of duty on bicycles which had previously been established under the escape-clause procedure, but which had been negated by the decision of the U.S. Customs Court in *Schmidt Pritchard & Co.* v. *United States*.[23] In its decision, rendered on October 6, 1958, the court invalidated one of the rates of duty and cast doubt on the other rates on bicycles proclaimed by the President in 1955. The decision of the Customs Court was affirmed by the Court of Customs and Patent Appeals on July 20, 1960.[24] On December 12, 1960, the U.S. Supreme Court denied a petition for certiorari,[25] thus refusing to review the decision of the lower court. As a result of these decisions, the President undertook to assure the continued application of the rates of duty that he had proclaimed in 1955 by negotiating those rates in a trade agreement with the major supplying countries.[26]

The rate of duty proclaimed in 1955 and again in 1961 for large-wheel light-weight bicycles was $1.87½ each, but not less than 11¼ percent

---

[20] Proclamation No. 3394 of Feb. 25, 1961 (3 CFR, 1961 Supp., 27), effective Feb. 27, 1961.

[21] Proclamation No. 3108 of Aug. 18, 1955 (3 CFR, 1954–1958 Comp., 54).

[22] For details of the Tariff Commission's recommendations and the President's action, see *Operation of the Trade Agreements Program*, 9th report, pp. 118–119.

[23] C.D. 2029, 41 Cust. Ct. 108 (1958).

[24] 47 C.C.P.A. 152 (1960).

[25] 364 U.S. 919 (1960).

[26] For details of the negotiations, see ch. 1 of this report on the art. XXVIII renegotiations on bicycles.

nor more than 22½ percent ad valorem. All other bicycles were subject to a minimum rate of 22½ percent and a maximum rate of 30 percent ad valorem; specific rates proclaimed were $3.75 each for large-wheel bicycles weighing 36 pounds or more; $3 each for bicycles with wheels over 19 but not over 25 inches in diameter; and $1.87½ each for bicycles with wheels not over 19 inches in diameter. Each of these rates was 50 percent higher than the trade-agreement concession rate that the United States negotiated at Geneva in 1947.

Waterproof cotton cloth

In January 1955 the Bureau of Customs began to apply a "use" test, as well as the "cup" test, to determine whether certain imported cloths were classifiable as waterproof cloth within the meaning of paragraph 907 of the Tariff Act of 1930.[27] Application of the "use" test excluded from classification under paragraph 907 those cloths which were not generally used in the manufacture of articles designed to afford protection against water to the extent expected in raincoats, protective sheeting, dress shields, umbrella fabrics, and similar articles, even though such cloths possessed water-repelling characteristics and could pass the "cup" test. This limitation of the coverage of paragraph 907 resulted in the assessment of a higher rate of duty on some cloths than had previously been assessed on them.

In November 1959 the Court of Customs and Patent Appeals rejected the "use" test as a method for determining whether imports qualified for classification as "waterproof cloth" under paragraph 907.[28] In September 1960, Congress enacted legislation reimposing the "use" test.[29]

Inasmuch as the application of the "use" test resulted in the levying of higher rates of duty on some cloths than had previously been assessed under paragraph 907, the United States found it was necessary to negotiate in 1961 with several countries on the effect of the "use" test on concessions that had been granted on such cloth.[30]

Certain woolen and worsted fabrics

In January 1961 the President established new rates of duty for imports of certain woolen and worsted fabrics.[31] The new schedule of duties replaced the tariff quota system which had been in effect from October 1, 1956, to December 31, 1960.[32]

---

[27] Abstract of T.D. 53630, dated Oct. 12, 1954.

[28] *United States* v. *D. H. Grant & Co., Inc.*, decided Nov. 16, 1959 (C.A.D. 723, 47 C.C.P.A. 20).

[29] Sec. 2, Public Law 86–795, approved Sept. 15, 1960 (74 Stat. 1052).

[30] See ch. 1.

[31] Proclamation No. 3387 of Dec. 28, 1960, effective Jan. 1, 1961 (3 CFR, 1960 Supp., 52).

[32] For a discussion of the operation of the Geneva wool-fabric quota between Oct. 1, 1956, and Dec. 31, 1960, see *Operation of the Trade Agreements Program:* 11th report, pp. 83–84; 12th report, pp. 91–92; and 13th report, pp. 98–99.

In a note attached to its schedule of concessions granted at Geneva in 1947 in the General Agreement on Tariffs and Trade, the United States reserved the right to increase to 45 percent the ad valorem parts of the compound rates of duty applicable to any of the fabrics provided for in items 1108 and 1109(a) on such fabrics entering in any calendar year in excess of an aggregate quantity (by weight) of 5 percent of the average annual production of similar fabrics in the United States during the three immediately preceding calendar years. In October 1956 the President invoked this so-called Geneva wool-fabric reservation and established a tariff quota for imports of certain woolen and worsted fabrics.[33] The trade-agreement rates of duty on the woolen and worsted fabrics covered by the reservation had been 30 or 37½ cents per pound, depending on the nature of the fabric, plus 20 or 25 percent ad valorem, again depending on the nature of the fabric. Under the tariff quota the specific rates of duty on imports of the specified woolen and worsted fabrics remained unaltered; however, the ad valorem parts of the compound duties were increased to 45 percent on imports in excess of the quotas, as provided in the reservation.

On March 7, 1958, the President provided that imports of certain handwoven and "religious" fabrics would be subject, effective January 1, 1958, to an overquota rate in which the ad valorem part of the compound duty would be 30 percent.[34] On April 21, 1959, the President established an overquota rate, effective January 1, 1959, in which the ad valorem part of the compound duty would be 30 percent for a maximum of 350,000 pounds of overquota imports of certain high-priced, high-quality fabrics.[35]

During the period that the tariff quota was in effect, the annual quotas established by the President were as follows: For the last 3 months of 1956, 3.5 million pounds; for 1957, 14.0 million pounds; for 1958, 14.2 million pounds; for 1959, 13.5 million pounds; and for 1960, 13.5 million pounds.

When announcing the wool-fabric quota for 1960, the President noted that many problems had arisen during the operation of the quota and that the tariff-quota system had disrupted normal marketing practices in the woolen goods trade. U.S. importers, clothing manufacturers, and retailers found it necessary to place orders far in advance of delivery and were uncertain as to the rates of duty that would be applicable at the time the fabrics were imported. Late in 1959 the United States announced that to provide a solution better suited to the needs of all parties concerned, it intended to renegotiate the concessions on the wool-

---

[33] Proclamation No. 3160 of Sept. 28, 1956, effective Oct. 1, 1956 (3 CFR, 1954–1958 Comp., 94).

[34] Proclamation No. 3225 (3 CFR, 1954–1958 Comp., 145).

[35] Proclamation No. 3285 (3 CFR, 1959 Supp., 29).

en and worsted fabrics covered by the Geneva wool-fabric reservation with the United Kingdom, Belgium, and other interested contracting parties to the General Agreement on Tariffs and Trade.[36] On November 9, 1960, the Department of State announced that the renegotiations had been completed and that new rates of duty on imports of the specified woolen and worsted fabrics—which would replace the tariff quota system—would become effective on January 1, 1961.

Except for the specified specialty fabrics mentioned above, the new rates of duty negotiated by the United States, which became effective on January 1, 1961, were 30 or 37½ cents per pound,[37] depending on the nature of the fabric, plus 38 percent ad valorem for fabrics valued at more than $2 per pound, and 76 cents per pound for fabrics valued at $2 or less per pound, with a maximum ad valorem limit of 60 percent. The specialty fabrics mentioned above were dutiable at 37½ cents per pound, plus 25 or 30 percent ad valorem, depending on the nature of the fabric. Under the wool-fabric-quota system the total duty on all imports of the specified fabrics in 1959 was equivalent to about 45 percent ad valorem. Based on data for 1959, the new rates of duty were equivalent to about 48 percent ad valorem for fabrics valued at more than $2 per pound, and 57 to 60 percent ad valorem for fabrics valued at $2 or less per pound.

Actions Under Section 22 of the Agricultural Adjustment Act

Section 22 of the Agricultural Adjustment Act, as amended,[38] authorized the President to restrict imports of any commodity, by imposing either fees or quotas (within specified limits), whenever such imports rendered or tended to render ineffective, or materially interfered with, programs of the U.S. Department of Agriculture relating to agricultural commodities or products thereof. Section 22 required the Tariff Commission, when so directed by the President, to conduct an investigation of the specified commodity and to make a report and recommendation to him.[39]

At the beginning of the period under review, there were no investiga-

---

[36] See ch. 1.

[37] The specific part of the compound duty is compensatory for the duty on raw wool.

[38] 7 U.S.C. 624.

[39] Under subsection (f) of sec. 22, as amended by sec. 8(b) of the Trade Agreements Extension Act of 1951, no trade agreement or other international agreement entered into at any time by the United States could be applied in a manner inconsistent with the requirements of sec. 22. At their Ninth Session in 1954–55, the Contracting Parties to the General Agreement on Tariffs and Trade granted the United States a waiver of its commitments under arts. II and IX of the General Agreement to the extent that those commitments were inconsistent with action that the United States was required to take under sec. 22. For a discussion of the annual report of the United States on its actions under the waiver, see the section of ch. 2 on U.S. restrictions on imports of agricultural products.

tions pending before the Tariff Commission. During the period covered by this report, the Commission instituted seven investigations. Of these, the Commission by June 30, 1962, had completed five investigations and had dismissed one without formal finding; one investigation was in process. The outcome or status of the seven investigations, as well as the outcome of one which the Commission had completed but on which the President had not yet acted by June 30, 1960, are shown in the following tabulation (where appropriate, the vote of the Commission and the dates of action by the Commission and the President are shown in parentheses):[40]

Commodity	*Status*
1. Articles containing cotton (1960).	The Commission made no recommendation for the imposition of import restrictions (4–2) (June 27, 1960). The President accepted the Commission's report (Aug. 23, 1960).
2. Tung oil and tung nuts (1960).	The Commission recommended, in general, that U.S. imports be limited to 14,000,000 pounds for the 12-month period beginning Nov. 1, 1960 (5–0) (Oct. 19, 1960). The President extended for 3 years the existing quota of 26,000,000 pounds per quota year; the quota was allocated by countries and limited the amount that might be entered during the first quarter of each quota year (Oct. 27, 1960).
3. Peanut oil, flaxseed, and linseed oil (supplemental investigation) (1961).	The Commission recommended that the existing fee on peanut oil be removed and that the fee on flaxseed and linseed oil be reduced from 50 percent to 15 percent ad valorem (4–0) (Jan. 26, 1961). The President eliminated the fee on all the products specified (May 5, 1961).
4. Certain cotton products (chiefly cotton picker laps) (1961).	The Commission recommended that imports be limited to 1,000 pounds in any 12-month period (4–0) (Sept. 1, 1961). The President imposed the quota recommended by the Commission (Sept. 11, 1961).
5. Blue-mold and Cheddar cheeses (supplemental investigation) (1961).	The Commission made no recommendation for the modification or elimination of either of the existing quotas (3–0) (Sept. 1, 1961). The President enlarged the quota on blue-mold cheese by 850,000 pounds annually (Mar. 29, 1962), but by June 30, 1962, had not announced his decision with respect to Cheddar cheese.
6. Rye, rye flour, and rye meal (1961).	The Commission dismissed the investigation without formal findings (Sept. 14, 1961), after the President withdrew his request for an investigation (Sept. 7, 1961).
7. Tung oil and tung nuts (supplemental investigation) (1961).	The Commission made no recommendation for termination of the existing quota (5–0) (Dec. 4, 1961). The President terminated the quota (May 1, 1962).
8. Articles or materials wholly or in part of cotton (1962).	This investigation was pending before the Commission at the close of the period covered by this report.

Actions Under the Escape Clause

After 1943 all the trade agreements that the United States concluded under the Trade Agreements Act incorporated a safeguarding clause,

[40] For a more detailed résumé of the nature and status of the investigations pending before the Commission and the action taken thereon by the President during the 2-year period covered by this report, see *Annual Report of the United States Tariff Commission* (45th and 46th reports).

commonly known as the standard escape clause. The clause provided, in essence, that either party to the agreement could withdraw or modify any concession made therein if, after a concession, imports of the particular commodity entered in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles.[41] During the period covered by this report, the procedure for administering the escape-clause of trade agreements was prescribed by section 7 of the Trade Agreements Extension Act of 1951, as amended, Executive Order 10401 of October 14, 1952, and Executive Order 10741 of November 25, 1957.

Section 7 of the Trade Agreements Extension Act of 1951, as amended, provided that the Tariff Commission, upon request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon its own motion, or upon application by any interested party, was to promptly conduct an escape-clause investigation. The Commission was to make a report in an escape-clause investigation within 6 months of the date it received the application. In arriving at its findings and conclusions, the Commission, without excluding other factors, was required to take into consideration the following factors expressly set forth in section 7(b) of the act: A downward trend of production, employment, prices, profits, or wages in the domestic industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers. The act further provided that increased imports, either actual or relative, were to be considered as the cause or threat of serious injury to the domestic industry producing like or directly competitive products when the Commission found that such increased imports had contributed substantially toward causing or threatening serious injury to such industry.

If the Commission found, as a result of its investigation, the existence or threat of serious injury as a result of increased imports, either actual or relative, due, in whole or in part, to the duty or other customs treatment reflecting the concession, it was required to recommend to the President, to the extent and for the time necessary to prevent or remedy

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

such injury, the withdrawal or modification of the concession, or the suspension of the concession in whole or in part, or the establishment of an import quota. When, in the Commission's judgment, no sufficient reason existed for a recommendation to the President that a trade-agreement concession be modified or withdrawn, the Commission was to make and publish a report stating its findings and conclusions.[42]

Status of escape-clause investigations

On July 1, 1960, a total of 6 escape-clause investigations were pending before the Commission. During the ensuing 2-year period, the Commission instituted 24 additional investigations.[43] By June 30, 1962, the Commission had completed 22 of the 30 investigations and had terminated 4 without formal findings; the other 4 investigations were in process. The outcome or status of the 30 escape-clause investigations pending before the Tariff Commission at one time or another during the period July 1, 1960–June 30, 1962, together with a brief description of the products and, where applicable, the vote of the Commission and the date on which the investigation was terminated or completed, are shown below:[44]

Investigations terminated without formal findings:

- Tennis rackets (Apr. 4, 1961)
- Creeping red fescue seed (May 31, 1961)
- Unbrella frames (2d investigation) (Sept. 21, 1961)
- Umbrellas (Sept. 21, 1961)

Investigations in which the Commission decided against escape action (no reports were sent to the President):

- Barbed wire (4–0) (Aug. 3, 1960)
- Cast-iron soil-pipe fittings (6–0) (Aug. 23, 1960)
- Crude horseradish (6–0) (Sept. 15, 1960)
- Hatters' fur (2d investigation) (6–0) (Oct. 7, 1960)
- Iron ore (5–0) (Dec. 30, 1960)
- Ultramarine blue (6–0) (Mar. 16, 1961)
- Plastic raincoats (4–2) (Mar. 29, 1961)
- Cantaloups (6–0) (Mar. 30, 1961)
- Cellulose filaments (rayon staple fiber) (4–2) (Apr. 10, 1961)
- Watermelons (6–0) (Apr. 20, 1961)
- Rolled glass (3–2–1) (May 25, 1961)
- Procaine salts and compounds thereof (3–0) (Nov. 2, 1961)
- Standard clothespins (5–0) (Feb. 14, 1962)
- Creeping red fescue seed (2d investigation) (3–2) (May 21, 1962)

---

[42] For a more complete discussion of the escape-clause provision of U.S. trade agreements legislation, see *Operation of the Trade Agreements Program*, 13th report, pp. 108–109.

[43] Between Apr. 20, 1948, when it received the first application for an escape-clause investigation, and June 30, 1962, the Commission instituted a total of 134 such investigations.

[44] For a more complete résumé of the nature and status of the investigations pending before the Commission or the action taken thereon by the President during this period, see *Annual Report of the United States Tariff Commission* (45th and 46th reports).

Investigations in which the Commission decided in favor of escape action (reports sent to the President):
- Baseball and softball gloves (6–0) (May 1, 1961)
- Ceramic mosaic tile (6–0) (May 10, 1961)
- Sheet glass (6–0) (May 17, 1961)
- Certain carpets and rugs (2d investigation) (4–0) (Aug. 3, 1961)
- Straight pins (3d investigation) (4–2) (Feb. 28, 1962)

Investigations in which the vote of the Commission was evenly divided (reports sent to the President):
- Binding twines (2–2) (Dec. 9, 1960)
- Hard-fiber cords and twines (2–2) (Dec. 9, 1960)
- Alsike clover seed (2d investigation) (2–2) (Aug. 7, 1961)

Investigations in which decisions by the Commission were pending on July 1, 1962:
- Vanillin
- Household china tableware and kitchenware
- Earthenware table and kitchen articles
- Hatters' fur (3d investigation)

The actions taken by the President during the period July 1, 1960, to June 30, 1962, on escape-clause recommendations submitted to him by the Tariff Commission are shown below (the dates shown are those on which the President announced his decision):

President invoked the escape clause:
- Cotton typewriter-ribbon cloth (Aug. 23, 1960)
- Sheet glass (Mar. 19, 1962)
- Certain carpets and rugs (2d investigation) (Mar. 19, 1962)

President declined to invoke the escape clause:
- Binding twines (Feb. 7, 1961)
- Hard-fiber cords and twines (Feb. 7, 1961)
- Alsike clover seed (2d investigation) (Oct. 1, 1961)
- Baseball and softball gloves (Mar. 19, 1962)
- Ceramic mosaic tile (Mar. 19, 1962)
- Straight pins (3d investigation) (Apr. 28, 1962)

Review of escape-clause actions under Executive Order 10401

The standard escape clause in trade agreements and section 7(a) of the Trade Agreements Extension Act of 1951, as amended, provided that any escape-clause action that the President took with respect to a particular commodity would remain in effect only "for the time necessary to prevent or remedy" the injury. By Executive Order 10401 of October 14, 1952, and Executive Order 10741 of November 25, 1957, the President established a formal procedure for reviewing escape-clause actions. Paragraph 1 of Executive Order 10401 directed the Tariff Commission to keep under review developments with regard to products on which trade-agreement concessions had been modified or withdrawn under the escape-clause procedure, and to make periodic reports to the President concerning such developments.[45]

[45] The Commission was required to make the first such report in each case not more than 2 years after the original escape-clause action, and thereafter at intervals of 1 year as long as the concession remained modified or withdrawn in whole or in part.

Paragraph 2 of Executive Order 10401 provided that the Commission was to institute a formal investigation in any case whenever, in the Commission's judgment, changed conditions warranted it, or upon the request of the President, to determine whether, and, if so, to what extent, the withdrawal, suspension, or modification of a trade-agreement concession needed to be continued in order to prevent or remedy serious injury or the threat thereof to the domestic industry concerned. Upon completing such an investigation, the Commission was required to report its findings to the President.

The reports that the Tariff Commission sent to the President under the provisions of paragraph 1 of Executive Order 10401 during the period July 1, 1960, to June 30, 1962, are listed below (the dates shown are those on which the reports were submitted):

Linen toweling (3d report, July 25, 1960; 4th report, July 25, 1961)
Watch movements (5th report, July 25, 1960; 6th report, July 25, 1961)
Bicycles (4th report, Aug. 18, 1960) [1]
Dried figs (7th report, Aug. 30, 1960; 8th report, Aug. 30, 1961)
Lead and zinc (1st report, Sept. 30, 1960; 2d report, Oct. 2, 1961)
Spring clothespins (2d report, Dec. 9, 1960; 3d report, Dec. 11, 1961)
Safety pins (2d report, Dec. 30, 1960; 3d report, Jan. 2, 1962)
Clinical thermometers (2d report, May 22, 1961)
Stainless-steel table flatware (1st report, Nov. 1, 1961)

[1] The Commission was not required to submit a fifth periodic report on bicycles; see the separate section of this chapter relating to the new import duties on bicycles.

The President concurred with the Commission's conclusion in each of these reports that institution of a formal investigation under paragraph 2 of Executive Order 10401 was not warranted.[46]

After a review of the developments in the trade in clinical thermometers that had occurred subsequent to the second report, the Tariff Commission on May 18, 1962, instituted a formal investigation of clinical thermometers under paragraph 2 of Executive Order 10401. The Commission informed the President on May 22, 1962, that in view of this action no periodic report under paragraph 1 was being submitted to him at that time. On June 30, 1962—the close of the period covered by this report—the investigation was in process.

Embargoes of U.S. Imports of Textiles

On May 2, 1961, the President announced a seven-point program to assist the U.S. textile industry in meeting problems resulting from rapid technological changes, shifts in consumer preferences, and increasing international competition. To carry out part of the program, the President directed the U.S. Department of State to arrange for an early con-

[46] For a more complete résumé of these reports, see U.S. Tariff Commission, *Annual Report of the United States Tariff Commission* (45th and 46th reports).

ference of representatives of the principal cotton textile importing and exporting countries to seek an understanding which would provide a basis for international trade in cotton textiles that would avoid undue disruption of established industries.

During the period under review, the United States became a participant in a short-term cotton textile arrangement with 18 other contracting parties to the General Agreement on Tariffs and Trade,[47] as well as a bilateral cotton textile agreement with Japan—1 of the participants in the short-term arrangement. The United States and the same 18 contracting parties also completed negotiations for a long-term cotton textile arrangement, but it did not come into force until after June 30, 1962.[48]

Under the short-term cotton textile arrangement, a participating country, if imports of cotton textiles in any of 64 categories [49] were causing or threatening to cause disruption to its market, could request any other participating country to restrain its exports of cotton textiles classified in that category to a level not lower than that prevailing in the 12-month period ending June 30, 1961. If the exporting country failed to agree to such restraint within 30 days, the importing country could then prohibit the entry from the country in question of those cotton textiles in excess of the level specified in its request. In critical circumstances, moreover, a participant could impose a temporary prohibition of such character while its request was under discussion. The participants also agreed to take action to prevent "circumvention or frustration of this short-term arrangement by nonparticipants, or by transshipment, or by substitution of directly competitive textiles." If the purposes of the arrangement were being frustrated or were in danger of being frustrated through the substitution of directly competitive textiles, the arrangement permitted a participant to limit imports of such textiles to the extent necessary to prevent such frustration, but in any event to a level not lower than that prevailing in the 12-month period ending June 30, 1961.

The United States participated in the cotton textile arrangements under the provisions of section 204 of the Agricultural Act of 1956, as amended.[50] Section 204 authorized the President, whenever he deter-

---

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

[48] Concluded in Geneva on an ad referendum basis on Feb. 9, 1962. See ch. 2 of this report for a discussion of GATT sponsorship of these arrangements.

[49] Sixty-four categories of cotton textiles (e.g., velveteens, corduroy, dish towels) were specified in the short-term arrangement.

[50] 7 U.S.C. 1854.

mined it to be appropriate, to negotiate with representatives of foreign governments in an effort to obtain agreements limiting the export from such countries to the United States of any agricultural commodity or product manufactured therefrom, or textiles or textile products, and to issue regulations governing the entry of such articles to carry out such agreements.[51] Initially, section 204 authorized the President to impose restrictions on imports only from countries which were signatories to an agreement. The provision was amended effective June 1962 to permit the President, under specified circumstances, to restrict imports from countries which were not parties to an agreement.[52]

The procedures established for U.S. participation in the short-term cotton textile arrangement were set forth in memorandums sent by the President on October 18, 1961, to the Secretaries of State, Commerce, and Labor. The President requested the Secretary of Commerce, as Chairman of the President's Cabinet Textile Advisory Committee, to create an Interagency Textile Administrative Committee to carry out the rights and obligations of the United States under the short-term arrangement. The Interagency Textile Administrative Committee was composed of representatives of the Departments of Commerce (the Chairman), State, Treasury, Agriculture, and Labor.[53]

Between March 15, 1962—the date of the first request—and June 30, 1962, the United States made 43 separate requests to seven countries that they restrain their exports of certain categories of cotton textiles to the United States. The U.S. requests related to imports in 31 of the 64 categories of cotton textiles enumerated in the short-term arrangement. In response to 27 of the requests, the exporting country agreed to restrain to the specified level its exports to the United States of the designated cotton textiles. Lacking agreement in response to 16 requests, the United States in each instance imposed an embargo on imports of the specified category of cotton textiles from the country involved. Embargoes were imposed on 8 categories of cotton textiles from Hong Kong, 4 categories of cotton textiles from Portugal, and 1 each from Egypt, Colombia, Israel, and the Republic of China. The latter four countries were not participants in the short-term cotton textile arrangement.

---

[51] Sec. 204 also provided that nothing contained therein should affect the authority provided under sec. 22 of the Agricultural Adjustment Act of 1933, as amended.

[52] 76 Stat. 104.

[53] In his memorandum, the President also provided for (1) further cotton textile negotiations by the Secretary of State; (2) the appointment of a U.S. delegation to the Provisional Cotton Textiles Committee of the GATT; and (3) the establishment of a management-labor textile advisory committee to provide advice to the President's Cabinet Textile Advisory Committee, to the U.S. representation on the Provisional Cotton Textiles Committee of the GATT, and to U.S. negotiators of bilateral agreements (such as the United States-Japan cotton textile arrangement).

Under the provisions of the short-term cotton textile arrangement, a participant was permitted to enter into a bilateral arrangement regarding trade in cotton textiles on terms other than those provided in the short-term arrangement. The United States and Japan adopted such a bilateral arrangement, which was placed in effect for the 12-month period beginning January 1, 1962. Unlike the multilateral short-term arrangement, the United States-Japan bilateral arrangement established specific quotas on cotton textiles exported from Japan to the United States. By June 30, 1962, no embargoes had been imposed by the United States on imports from Japan, since they were covered by the United States-Japan bilateral cotton textile arrangement.

Chapter 4

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

INTRODUCTION

Since World War II, the trade policies of countries which in the aggregate have accounted for the great bulk of world trade have been guided largely by their commitments in the General Agreement on Tariffs and Trade (GATT). The General Agreement is based on principles of multilateralism and nondiscrimination. Since its inception, discriminatory quantitative trade restrictions maintained by its members have been relaxed significantly and their overall levels of import duties have been reduced.

In recent years actions to implement the GATT principles of multilateralism and nondiscrimination in matters related to trade have been accompanied by developments not altogether consistent with those principles, namely, the emergence of regional economic arrangements. The arrangements generally require, among other things, that member states eliminate their duties on imports of commodities from within the area governed by the arrangement, but not on imports from outside the area. The resultant discriminatory tariff aspects of the regional arrangements are not entirely consistent with the multilateral and nondiscriminatory approach of GATT. In terms of the overall GATT objective of liberalizing world trade, however, such discrimination is not as anomalous as it might appear. First, certain specific provisions of the General Agreement permit GATT members to participate in regional arrangements in which tariff discrimination is an intrinsic feature. In effect, the countries in the newly organized regional arrangements are permitted to negotiate as a unit in GATT quite as though they constituted one contracting party. Second, the discriminatory tariff treatment created by the regional groups results essentially from the elimination of tariffs on intraregional trade rather than from the imposition of higher tariffs on goods entering from outside the region.

Long before GATT was organized in 1947, tariff discrimination was practiced, in varying degrees, by regional or political groupings of countries. The Commonwealth of Nations (British Commonwealth) was perhaps the best known of such groups. Within the Commonwealth,

the United Kingdom and other members extended one another preferential rates of duty (known as Commonwealth preferences). Since the inception of GATT, the number of regional groups that practice tariff discrimination by means of intraregional preferences has increased significantly. The most important of these new regional groups, or organizations, and the years in which they became effective are the European Economic Community (1958); the European Free Trade Association (1960); and the Latin American Free Trade Association (1961).

The majority of the members of the above-mentioned regional organizations, considered collectively, are also members of GATT. As members, most of them have negotiated substantial reductions in the duties they apply to imports from other GATT members. On the other hand, as members of regional organizations (excluding the Commonwealth), they have undertaken to reduce, and ultimately to eliminate, duties on imports of all, or nearly all, commodities from within the area of their respective group. The extent to which tariff discrimination will ultimately prevail will therefore depend materially on the results of future GATT tariff negotiations.[1]

The extent to which members of three regional organizations had reduced the level of their duties on intraregional trade (and, for members of the European Economic Community, the extent to which they had adjusted their national tariffs to those of the common external tariff of the Community) by the end of the period covered by this report are described in the sections immediately following. Developments relating to nontariff trade restrictions maintained by these regional organizations and by the overseas sterling area are also discussed.

EUROPEAN ECONOMIC COMMUNITY

On January 1, 1962, the member states of the European Economic Community (EEC) completed the first of three stages of the transitional period during which they will gradually integrate their economies. In order to pass to the second stage, the member states had to attain certain objectives specified in the treaty.[2] These objectives, covering a wide range of economic goals, included the attainment of certain stages of progress toward the elimination of both customs duties and quantitative restrictions on intra-EEC trade and toward the establishment of a common customs tariff applicable to imports from countries outside

---

[1] GATT tariff negotiations conducted during 1960–62 are described in ch. 1 of this report.

[2] The decision to pass, as of Jan. 1, 1962, from the first to the second stage was in fact made by the Council of the European Economic Community on Jan. 14, 1962. The Community's transitional period was divided into three stages of 4 years each. If the length of the two remaining stages is not altered, the transitional period will terminate at the beginning of 1970.

the Community. A discussion of the extent to which these particular objectives were achieved during the period under review follows.[3]

Reduction of Internal Duties

The Treaty Establishing the European Economic Community specified that before passing from the first to the second stage of the transitional period the member states of the EEC were to attain two goals with respect to the reduction of import duties on intra-EEC trade: (1) To reduce their basic duties,[4] on the average, by at least 30 percent, and (2) to reduce each of their basic duties by at least 25 percent. By January 1, 1962, when the Community passed into the second stage of its transitional period, these minimum duty reductions had been made; for most commodities, they had been exceeded.

Duty reductions by the members of the Community on intraregional trade during the first stage of the transitional period were effected at four different times, three of which occurred during the period covered by this report. The first of the four reductions was made on January 1, 1959; at that time, the EEC members reduced each of their basic duties by 10 percent. The second reduction was made on July 1, 1960; like the first, it was a linear reduction equivalent to an additional 10 percent of the basic duties.[5] Unlike the 10-percent reduction of January 1, 1959, which, under the terms of the Common Market Treaty, had to be applied uniformly to all import duties, the 1960 reduction could have been applied unequally to the individual duties as long as the reduction for each duty was at least 5 percent and as long as the overall reduction for each country's tariff schedule amounted to 10 percent. At the urging of EEC officials, however, the member states agreed to reduce each of their import duties by 10 percent.

The third step toward the ultimate elimination of import duties on intra-EEC trade was taken on January 1, 1961, and the fourth, on January 1, 1962. The 1961 reduction was made pursuant to a May 12,

[3] Although the achievements of the Community discussed in this report are limited to those relating to customs duties and quantitative restrictions, the Community's other goals and achievements covered many additional aspects of economic life. Many of these goals and achievements were discussed in earlier reports by the Tariff Commission. See, in particular, *Operation of the Trade Agreements Program:* 10th report, pp. 112–129; 12th report, pp. 134–157.

[4] Basic duties are those national duties which were applied to imports by individual member states on Jan. 1, 1957.

[5] As it had done for the 1959 reduction of internal duties, the EEC Council authorized extension of the 1960 reduction to other contracting parties to GATT and to other countries entitled to most-favored-nation treatment to the extent that the resultant rates of duty were not below those provided in the common external tariff. Unlike the extension of the 1959 reduction, extension of the 1960 reduction was optional. Extension of neither the first nor the second duty reduction was generally made to third countries for liberalized agricultural commodities.

1960, decision of the EEC Council to accelerate implementation of the provisions of the Common Market Treaty;[6] each duty applying to an industrial commodity was reduced by an amount equivalent to 10 percent of the basic duty, and each applying to a nonliberalized agricultural product, by 5 percent. Duties applicable to liberalized farm products were not reduced.[7] On January 1, 1962, each duty (including, presumably, the duties on liberalized agricultural commodities) was reduced further by an amount equivalent to 10 percent of the basic duty.[8]

As a result of the reductions described above, the duties that the EEC member states had in effect on June 30, 1962, for trade within the Community were significantly lower than the maximum levels permitted by the Common Market Treaty to be in effect on that date. For most items, the percentage of the 1957 rate actually maintained on June 30, 1962, was as follows:

Industrial commodities	60 percent
Nonliberalized agricultural commodities	65 percent
Liberalized agricultural commodities	70 percent

The percentages of the 1957 rates specified above were not applicable to all commodities traded between EEC member states. The duties on commodities under the jurisdiction of the European Coal and Steel Community and of the European Atomic Energy Community (Euratom) were specifically excepted. Moreover, the duties on certain commodities had previously been reduced below the levels specified above. On the other hand, the duties on a small number of commodities had been specifically exempted from one or more of the four duty reductions instituted by June 30, 1962.

The Common External Tariff

The Common Market Treaty specified that member states of the European Economic Community should, in three steps, aline their national tariffs with the Community's common external tariff, which was to be applied to imports from third countries. The first step was to be taken

[6] In May 1962, the EEC Council decided to accelerate the implementation of the treaty provisions a second time. The additional acceleration will affect both internal and external duties but the decision was not scheduled to be implemented until after the close of the period covered by this report.

[7] A liberalized product was one to which quantitative restrictions were not applied.

[8] The reductions of Jan. 1, 1962, had been made earlier by France, for a wide range of commodities, on Apr. 1 and Sept. 15, 1961. The reductions made at those times were extended to non-EEC countries to the extent that the resultant rates of duty were not below those of the common external tariff. The reductions made by France on Jan. 1, 1962, therefore, were for those commodities for which duties had not been reduced to the full specified extent on the aforementioned dates. Germany also deviated from the Jan. 1, 1962, general reduction formula in that it did not reduce the duties for certain agricultural commodities by the full specified percentage until Mar. 1, 1962.

on January 1, 1962; the second, at the end of the aforementioned second stage; and the third, by the end of the transitional period. As a result of the EEC acceleration decision on May 12, 1960, however, the first step toward the common external tariff was taken on January 1, 1961.

In making the first adjustment of their national tariffs towards that of the common external tariff, the EEC member states did not follow the formula set forth in the Common Market Treaty. Under the provisions of the treaty, each member state would have been obliged in the first step to reduce by 30 percent the difference between each basic duty in its tariff schedule (i.e., those in fact applied by it on January 1, 1957) and the corresponding duty prescribed in the common external tariff. In addition, each basic duty which differed by 15 percent or less in either direction from the corresponding duty in the common external tariff was to be changed to that of the common external tariff. In practice, because the EEC member states expected that the 1960–62 multilateral negotiations, sponsored by the General Agreement on Tariffs and Trade, would result in reduced common external tariff rates, they generally based their first adjustment on the common external tariff reduced provisionally by 20 percent. Consequently, the member states reduced by 30 percent the difference between each of their basic duties and a rate equivalent to the corresponding duty prescribed in the common external tariff less 20 percent. No rates of duty, however, were reduced below those in the full common external tariff. Also, the duties on most agricultural commodities were not adjusted toward those of the common external tariff until January 1, 1962, the date on which the original adjustment for all duties was to have occurred; the formula generally followed for duties on those commodities was that prescribed by the treaty.

For the duties to which it applied, the alinement toward the common external tariff provisionally reduced by 20 percent, rather than toward the full common external tariff, was made in anticipation of reciprocal concessions to be granted by third countries in negotiations under the General Agreement on Tariffs and Trade. At the 1960–62 GATT negotiations, therefore, the EEC offered to make the provisional reduction in the common external tariff definitive to the extent that reciprocal concessions were obtained from the contracting parties to GATT.[9] Although the EEC offer for certain chemicals, plastics, and pharmaceuticals was withdrawn during the negotiations, many of the reductions made provisionally had been made definitive by the end of the period covered by this report.

The Elimination of Quotas

The Common Market Treaty specified that the member states of the

[9] GATT tariff negotiations conducted during 1960–62 are described in ch. 1 of this report.

European Economic Community were required to eliminate quotas on their exports to other EEC members by the end of the first stage and to eliminate quotas on their imports from other members by the end of the transitional period. In practice, the EEC members significantly exceeded these treaty requirements. Export quotas on intra-EEC trade were generally eliminated by January 1, 1962, (or soon thereafter) as were, with few exceptions, import quotas on intra-EEC trade in industrial commodities. Quotas maintained by EEC members on intra-EEC trade after the transition from the first to the second stage were, therefore, principally on imports of agricultural products. Many of the remaining import quotas were to be eliminated gradually with the implementation of the common agricultural regulations for the Community.[10] Quotas on intra-EEC trade in certain other agricultural commodities were to be enlarged and ultimately eliminated, thus continuing the policy followed during the period covered by this report.

The EEC treaty did not require member states to eliminate the quotas which they applied to imports from non-EEC countries. Nevertheless, members of the Community decided to attempt to eliminate them. During the period under review, the EEC countries abolished many quotas on imports from outside the Common Market and enlarged most of those remaining. By the early part of 1962, for example, each EEC country had fully liberalized [11] articles covered by 89 percent or more of the commodity groups listed in the Brussels Tariff Nomenclature [12] when imported from the United States and other non-EEC members of the Organization for Economic Cooperation and Development (OECD).[13] For the EEC countries as a group, about two-thirds of the commodities which had not been liberalized by that time were agricultural commodities.

EUROPEAN FREE TRADE ASSOCIATION

On May 3, 1960, the convention which established the European Free Trade Association (EFTA) came into force for seven European states—Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the United Kingdom. Unlike the EEC treaty, which provided for the adoption of a common external tariff and the harmonization of the economic, financial, and social policies of member countries, the EFTA convention

[10] Many regulations were agreed to immediately prior to the transition to the second stage and were scheduled to be implemented beginning shortly after the close of the period covered by this report.

[11] Fully liberalized commodities are those for which there are neither quotas nor certain other types of nontariff trade restrictions, such as specific licensing requirements and embargoes.

[12] The Brussels Tariff Nomenclature is an internationally agreed-to customs tariff nomenclature that is employed by more countries than is any other single tariff nomenclature.

[13] Data to show the share of total imports into the EEC countries that was fully liberalized are not available.

permitted each member country to maintain its own external tariff. It did not provide an elaborate set of institutions to guide its work, nor did it envisage the ultimate economic integration of its member states.

An important provision of the EFTA convention provided for the abolition of import duties and quantitative restrictions on trade between the member countries. During a transitional period which was to end before January 1, 1970, the member states were gradually to abolish their duties on industrial commodities [14] traded within the area of the association. Although the member states were not required to eliminate duties and other restrictions on nonindustrial commodities imported from each other, the convention did provide for measures designed to facilitate trade in those commodities.[15]

By the time the EFTA convention entered into force in May 1960, Finland had expressed its desire to establish some form of relationship with the Association. For a number of reasons, political as well as economic, Finland preferred to enter into an "association" with the EFTA—a relationship that was provided for in the EFTA convention—rather than to accede to full EFTA membership. After protracted negotiations, an agreement designed to "associate" Finland with the EFTA entered into force on June 26, 1961. Under the terms of the agreement, tariffs and quantitative import restrictions maintained by Finland against the products of EFTA members were to be reduced and eliminated, for most commodities, in conformity with the schedule established in the convention. Various other economic and commercial provisions of the EFTA convention were also contained in the agreement between Finland and the EFTA. Actions taken by the EFTA during the period covered by this report relating to the duties and quotas that apply to goods traded among the members also were generally applied to trade with Finland.[16]

Reduction of Internal Duties

Under the provisions of the Convention Establishing the European Free Trade Association, the member states agreed to abolish their duties

[14] As used in the convention the term "industrial commodities" covers all commodities except those agricultural products and fish and other marine products specially provided for in the convention. A number of important agricultural and fisheries products fall in the "industrial" sector and a number of commodities originally defined in the convention as "agricultural" have subsequently been redefined as "industrial."

[15] For member countries whose exports of agricultural products were an especially important element in intra-Association trade, the EFTA convention permits special agreements that had been or might be entered into between member states to facilitate the trade in those products. These agreements were to continue in force as long as EFTA remained effective; the tariff provisions of any such agreements were to be applied equally to all other members of the Association. Similar provisions in the convention also applied to the trade in specified fish and other marine products.

[16] For convenience, further references to the EFTA will be deemed to apply to Finland also, unless otherwise qualified or implied by the context.

on imports of industrial commodities from one another by January 1, 1970. The convention established a minimum schedule setting forth the time and magnitude of reductions in duty to be made by the member states.[17] At the end of the period under review, duty reductions by the EFTA members materially exceeded the minimum required by the convention. The duty reductions scheduled by the EFTA convention and those actually effected by the EFTA members by June 30, 1962, are shown in the following tabulation:

Date	Originally scheduled reductions	Reductions actually effected
July 1, 1960	20 percent	20 percent.
July 1, 1961		10 percent.[1]
Jan. 1, 1962	10 percent	
Mar. 1, 1962		10 percent.[2]
July 1, 1963	10 percent	
Jan. 1, 1965	10 percent	
Jan. 1, 1966	10 percent	
Jan. 1, 1967	10 percent	
Jan. 1, 1968	10 percent	
Jan. 1, 1969	10 percent	
Jan. 1, 1970	10 percent	

[1] The first reduction of duties between EFTA states and Finland did not take place until July 1, 1961. At that time, the EFTA member states extended to Finland the 20-percent reduction in duties which they had already carried out, as well as the additional 10-percent reduction which became effective on July 1, 1961. Finland simultaneously reduced its duties vis-a-vis the EFTA countries by 30 percent.

[2] Austria, Finland, and Norway did not reduce their duties on Mar. 1, 1962; however, they indicated that they would do so on July 1, 1962, Aug. 1, 1962, and no later than Sept. 1, 1962, respectively. Although Denmark did reduce its duties on Mar. 1, 1962, certain classes of commodities (which accounted for about 15 percent of its industrial production) were excepted from the tariff cut.

[17] The convention specified that duty reductions by the member states were to be based on the duties actually being applied by them on Jan. 1, 1960 (the so-called basic duties). Under special provision, however, the basic duties for Denmark were those which it applied on Mar. 1, 1960, and for Portugal, those applied on Jan. 6, 1960. Special provisions were provided for the elimination of duties by Portugal. The import duty reductions required by the EFTA convention were to be applicable only to those products that Portugal exported in quantities that equaled or exceeded 15 percent of its domestic production and to certain other specified commodities. For all other commodities, Portugal was not required to eliminate its import duties until the end of 1979.

In accordance with its provisions, Denmark applied the EFTA convention to Greenland on July 1, 1961. At the time that the convention became effective, all imports into Greenland were admitted free of duty. Denmark retained the right to extend, at any time before July 1, 1970, the Danish customs duties (and quantitative restrictions) to Greenland, provided that such duties (and restrictions) were reduced and eliminated progressively in accordance with the EFTA convention.

Export duties on industrial commodities shipped to other EFTA countries, in contrast with import duties on intra-EFTA trade, were eliminated by Jan. 1, 1962, in accordance with the terms of the convention.

The 40-percent reduction of duties on trade between themselves effected by EFTA members by the close of the period covered by this report exceeded by 10 percentage points the minimum cumulative reduction that the EFTA convention required them to have made by then. The acceleration of the originally scheduled reductions was occasioned principally by the desire of EFTA members to reduce their duties on trade with one another at a rate approximating that of the reduction of duties by EEC member states on their intraregional trade; as indicated above, the EEC members had also reduced their duties by 40 percent (for industrial commodities) by the end of the period covered by this report.[18]

The Elimination of Quotas

The member states of the European Free Trade Association were required not only to eliminate their duties on industrial commodities imported from members of the Association, but also to eliminate gradually the import quotas maintained vis-a-vis each other on industrial commodities. Specifically, the EFTA convention required that these import quotas be increased beginning July 1, 1960; the increase in each quota on that date was to be not less than 20 percent of the size of the quota existing in 1959. Quotas on industrial commodities which were also open to third countries had to be increased initially by not less than 20 percent of that part of the quota applying to member states. Similar increases, based on the size of the previous year's quota, were to become effective on July 1 of each subsequent year. All import quotas on intra-EFTA trade in industrial products were to be eliminated before January 1, 1970.[19]

The first two of the quota increases described above were effected, as scheduled, on July 1, 1960, and July 1, 1961.[20] On each occasion, quotas on many commodities were increased materially in excess of the required 20 percent minimum. Quotas were enlarged not only for imports from member countries, but also for most imports from third countries. As a result of these actions, the restrictive effect of the quotas on many commodities was substantially reduced or eliminated; subsequently many

---

[18] Near the close of the period covered by this report, the EFTA members agreed to accelerate further their tariff changes by reducing duties by another 10 percent on Oct. 31, 1962. This reduction was originally scheduled for Jan. 1, 1965. Austria and Norway, however, expected to make the accelerated reduction on Dec. 31, 1962, and Apr. 30, 1963, respectively. By the close of the period covered by this report, Finland had not yet decided to accelerate its reduction of duties.

[19] Export quotas (as well as other export restrictions) maintained by member countries vis-a-vis each other on industrial commodities were eliminated by Jan. 1, 1962, as required by the EFTA convention.

[20] At the time import quotas were first increased, quotas which were nil or negligible were increased to "appropriate" sizes.

of the enlarged quotas were abolished for both EFTA and non-EFTA countries.

During the latter part of the period under review, the EFTA members applied quantitative restrictions to the importation of only a small number of industrial commodities; such restrictions as did exist were applied with little or no discrimination as to country of origin. On the other hand, the EFTA countries maintained a number of quantitative restrictions on agricultural commodities. The fact that EFTA, in effect, constituted a limited type of free-trade arrangement contributed to the continued maintenance of agricultural import restrictions. The EFTA convention specifically required that tariff and quantitative restrictions were to be eliminated only for industrial commodities. Hence, the EFTA countries continued to maintain quantitative restrictions on many agricultural commodities when imported from EFTA members, as well as when imported from nonmember states. Moreover, at the close of the period covered by this report, the EFTA countries employed discriminatory import treatment to a greater extent in the agricultural sector than in the industrial sector.

LATIN AMERICAN FREE TRADE ASSOCIATION

The world trend toward regional economic integration was again apparent when, on June 1, 1961, the treaty establishing the Latin American Free Trade Association (LAFTA) became effective.[21] By June 30, 1962, nine countries—Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay—had become members of the association.[22] All Latin American countries were eligible for membership.

The ultimate objective of the Latin American Free Trade Association was to accelerate the development of the economies of the member states. To assist in achieving this goal, the Montevideo Treaty, which established the Association, required that member states gradually establish an area within which goods would be traded free from import restrictions. In addition, the treaty obliged the member states to harmonize their import and export policies and practices, and urged them to coordinate their national industrialization policies. Also, members of the Association were authorized to conclude agreements among themselves designed to facilitate the complementary development of particular economic sectors.

[21] For a brief survey of the studies and negotiations that were undertaken with a view to creating a Latin American regional market, see *Operation of the Trade Agreements Program*, 12th report, pp. 164–166.

[22] The Treaty Establishing a Free Trade Area and Instituting the Latin American Free Trade Association (the Montevideo Treaty) entered into force on June 1, 1961, for all members except Paraguay, Colombia, and Ecuador; for these three countries, it entered into force on July 21, Oct. 30, and Dec. 3, 1961, respectively.

The extent to which the economies of the member states were to be integrated beyond that required to establish a free-trade area—that is, beyond the elimination of restrictions to intra-Association trade—was not specified by the treaty.[23] However, as soon as the Montevideo Treaty had been in force 12 years, during which time the free-trade area was to be fully established, LAFTA members were to consider the desirability of further integrating their economies. In view of the cognizance taken by the treaty of the intentions of member states to continue their efforts to establish a Latin American common market, LAFTA members would probably also consider, at the end of the 12-year period, the desirability of gradually establishing a common external tariff (for some, if not all, commodities) and thereby gradually transforming the free-trade area into a customs union. Nevertheless, during the 12-year transitional period, the immediate goal was to establish a free-trade area.

To establish a free-trade area, the LAFTA members were to lower their duties, charges,[24] and other restrictions on imports of commodities from one another in 12 annual steps until such impediments to trade were eliminated for substantially all commodities traded within the area.[25] Relaxation of restrictions other than duties and charges on imports from other LAFTA members were also to be taken into account in making the annual reductions.

During the second half of 1961, after the Montevideo Treaty had become effective, LAFTA members met to negotiate the first annual reduction in duties and other import trade restrictions.[26] Concessions affecting hundreds of commodities were negotiated; they became effective on January 1, 1962. The duty reductions thus made effective sig-

---

[23] For a digest of the treaty's major provisions, see U.S. Tariff Commission, *The Latin American Free Trade Association*, TC Publication 60, 1962.

[24] The term "duties and charges" is defined by the treaty to mean "customs duties and any other charges of equivalent effect—whether fiscal, monetary or exchange—that are levied on imports."

[25] In effect, each annual reduction of import duties and charges levied by each LAFTA member was to be not less than 8 percent of the weighted average of the duties and charges it applied to imports from third countries. Duties and charges (as well as other restrictions) on imports by LAFTA members must be reduced annually by a specified percentage, and ultimately eliminated, only for commodities actually traded between member countries. The principal requirement to reduce restrictions on commodities not actually traded between member states is that members are to take steps to reduce them on "an increasing number of [those] products." The extent to which import restrictions will actually be reduced, and ultimately eliminated, on commodities not presently traded between members will depend, presumably, on the results of negotiations between LAFTA members.

[26] During the period in which negotiations were held, meetings devoted principally to organizational and procedural matters were conducted and a number of resolutions were adopted. Two of the resolutions made mandatory the use of the Brussels Tariff Nomenclature for all matters relating to the Montevideo Treaty.

nificantly exceeded the minimum 8 percent reduction specified by the treaty.[27]

In addition to calling for annual duty reductions, the Montevideo Treaty required member states to prepare a list of commodities (the so-called Common Schedule) for which they collectively agreed to eliminate duties, charges, and other restrictions on imports from one another by the end of the transitional period. The Common Schedule was to become effective during the third year after the treaty entered into force. The treaty further required that the commodities identified in the schedule should account for at least 25 percent of the average annual value of intra-area trade during the preceding 3 years. During the 6th, 9th, and 12th years, the Common Schedule was to be enlarged successively until it included commodities whose value (together with the value of those already on the list) accounted for 50 percent, 75 percent, and substantially all intra-area trade, respectively, during each preceding 3-year period. Commodities included in the Common Schedule were not to be withdrawn therefrom, and concessions granted for those commodities, in contrast with concessions granted annually for commodities not included in the Common Schedule, were not to be revoked (except under certain specified conditions).

In addition to reducing the levels of intra-area restrictions to trade during the period covered by this report, members of the Association continued to simplify the system of restrictions they applied to imports from nonmember countries. Import deposits and surcharges [28] are the most common types of import restrictions (other than basic duties) maintained by those LAFTA members with which the United States has

---

[27] Ecuador and Colombia became members of the Association too late to participate fully in the tariff negotiations. Consequently, the reductions effected on Jan. 1, 1962, were not extended at that time to those two countries by the other members of the Association. However, negotiations with Colombia were undertaken in early 1962. The resultant concessions became effective on Apr. 1, 1962, and the concessions which had previously been extended as between other members (except Ecuador) were simultaneously extended to Colombia.

[28] Import surcharges are of various types, of which three may be clearly distinguished: (1) A charge, in addition to the prevailing cost of foreign exchange, on foreign exchange purchased (frequently referred to as an exchange surcharge); (2) a charge based on the value of imports, which charge is in addition to the import duty; (3) a charge based on the amount of import duty. (Frequently both items 2 and 3 are referred to as a customs surcharge). For legal reasons, charges of types 2 and 3 above are frequently considered distinct from duties in the countries in which the charges are levied. However, the economic effects of those two types of charges, as well as of type 1, do not generally differ from the economic effect of import duties.

In general, import deposits are funds which must be deposited with national authorities (or their agents) as a prerequisite to the importation of specified commodities. The amount of advance deposit frequently differs for different commodities, and the deposits are refunded at a specified time.

trade agreements.[29] Partly to compensate for the elimination or decreased use of other types of restrictions, charges of these two types were newly applied to, or their levels were increased for, many commodities during the period covered by this report. Among those LAFTA countries with which the United States had trade agreements, quantitative trade restrictions were being maintained to a significant extent, in June 1962, by Brazil and Chile.

THE OVERSEAS STERLING AREA

Unlike the three regional arrangements described above, the sterling area was not of recent origin nor was it established by treaty or convention. The modern-day sterling area originated in 1931 after Britain departed from the gold standard; it assumed its present form at the beginning of World War II. Many of its current characteristics, however, resulted from developments which began during the 19th century. Although principally monetary and financial in character, sterling-area arrangements have also related to matters affecting trade and therefore complemented Commonwealth arrangements.

Neither the sterling area as a whole nor that part of the area referred to as the overseas sterling-area countries,[30] with which this section is principally concerned, has had a written constitution; hence, there has not been complete unanimity as to which arrangements and practices comprise undertakings of the sterling-area system and which do not. Of the propriety of including certain arrangements and practices, however, there can be no doubt. Principal among them has been the use of sterling by "member" countries to finance their external trade and payments. This practice originated in the 19th century when British international commercial and financial transactions and massive capital exports to various countries and areas were all carried on in sterling. Inasmuch as sterling, which was stable, was the most internationally acceptable currency, and as the bulk of the trade and financial transactions of these countries and areas were with Britain, it was practicable and efficient for them also to conduct their external transactions in sterling.

---

[29] The United States has trade-agreement obligations with all LAFTA countries except Colombia, Ecuador, and Mexico.

[30] Developments relating to nontariff trade restrictions discussed in this section are limited to overseas sterling-area countries (that is, to sterling-area countries other than the United Kingdom, Ireland, and Iceland) which were independent on June 30, 1962, and which at that time numbered 14. Those 14 countries were Australia, Burma, Ceylon, Cyprus, Ghana, India, Malaya, New Zealand, Nigeria, Pakistan, Federation of Rhodesia and Nyasaland, Sierra Leone, Republic of South Africa, and Tanganyika. On June 30, 1962, the United States had formal trade-agreement obligations with all of these countries except Cyprus. Although it had no formal trade-agreement obligation with Cyprus, it was applying, de facto, to that country the General Agreement on Tariffs and Trade, and Cyprus was similarly applying the General Agreement to the United States.

The use of sterling to finance international transactions was accompanied by the development of a second major aspect of the overseas sterling area: the holding of reserves in sterling. The reserves so held included not only working balances but also reserves which served as backing for domestic currency.

To conserve vital nonsterling exchange earnings (particularly dollar exchange) during and after World War II, sterling-area members acted with a certain degree of unity in imposing and maintaining exchange controls and quantitative restrictions on all but essential imports from outside the sterling area; they discriminated, in their trade and payments, in favor of sterling-area countries. These mutual discriminatory undertakings by sterling-area countries, together with other characteristics of the area,[31] gave to the sterling area a more distinct form and a greater cohesiveness than it had previously possessed.

Discrimination by sterling-area countries against imports from third countries, especially dollar-area countries, was particularly prevalent until about the time the pound sterling was made externally convertible at the end of 1958. Subsequently, most overseas sterling-area countries largely eliminated their discriminatory import trade restrictions and significantly relaxed even those restrictions which were not discriminatory.

By the close of the period under review, only a few of the 14 independent countries of the overseas sterling area applied their trade restrictions in a manner that discriminated against imports from the dollar area, and the restrictions so applied generally affected only a small proportion of the total number of commodities imported. The overall level of dollar-import-trade discrimination therefore was very low. The general level of nondiscriminatory restrictions, however, was quite high, although the level varied among overseas sterling-area countries. The principal type of restriction employed was the requirement that licenses be obtained for specified individual commodities or commodity groups before they could be imported. Near the end of the period covered by this report, the number of commodities for which individual licenses were required varied from a few in some overseas sterling-area countries to nearly all commodities in other such countries. For example, the Federation of Rhodesia and Nyasaland required licenses for only a few imported commodities; Ceylon, on the other hand, required them for a wide range of items, and Ghana and India, for nearly all commodities. Although formally nondiscriminatory, the licensing requirement, by its very existence, could facilitate de facto trade discrimination; licenses to import from one area could, if desired, be easily granted more freely than licenses to import from other areas.

---

[31] Although not subsequently discussed, another important feature of the sterling area was the access by sterling-area countries to the United Kingdom capital market on terms easier than those for nonsterling countries.

Appendix

U.S. Trade Agreements Legislation

INTRODUCTION

The foregoing report covers the period from July 1, 1960, through June 30, 1962. During those 2 years, the United States conducted its trade agreements program under the provisions of the following legislation and Executive orders: (a) The Trade Agreements Act of 1934,[1] as amended, (b) the Trade Agreements Extension Act of 1951,[2] as amended, (c) the Trade Agreements Extension Act of 1958,[3] (d) Executive Order 10082 of October 5, 1949, as amended, and (e) Executive Order 10741 of November 25, 1957.[4]

The Trade Agreements Extension Act of 1958 extended from the close of June 30, 1958, until the close of June 30, 1962, the period during which the President was authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended.[5] Inasmuch as his authority to negotiate trade agreements was thus scheduled to expire on June 30, 1962, the President early in that year requested Congress to grant him new negotiating authority. In his message on the trade agreements program, the President set forth the administration's specific proposals for a "Trade Expansion Act of 1962." These proposals were embodied in House bill 9900, which was introduced in the House of Representatives on January 25, 1962. By June 30, 1962, the close of the period covered by this report, the House had passed House bill 11970 and sent it to the Senate; House bill 11970 incorporated in amended form the provisions of House bill 9900. The final version of the bill was not agreed to by the Congress and signed by the President until October 1962.

PROVISIONS OF THE TRADE AGREEMENTS EXTENSION ACT OF 1958

Authority To Reduce Rates of Duty

The Trade Agreements Extension Act of 1958 provided that the President could, pursuant to commitments made in trade agreements, reduce the rate of duty on an article to the lowest rate resulting from the application of any one of three alternative methods. Under the first method the duty on an article could be reduced to a rate 20 percent below the rate applicable on July 1, 1958. Under the second method the duty could be reduced to a rate 2 percentage points below the rate existing on July 1, 1958, except that no duty could be entirely removed. Under the third method an ad valorem rate of duty could be reduced to 50 percent ad valorem, and a specific or compound rate of duty, to a rate or combination of rates equivalent to 50 percent ad valorem. The rate of duty on an article on July 1, 1958,

[1] 48 Stat. 943.

[2] 65 Stat. 72.

[3] 72 Stat. 673.

[4] For the provisions and legislative history of the Trade Agreements Act of 1934 and the subsequent extension acts, see *Operation of the Trade Agreements Program* as follows: 1st report, pt. II, ch. 2; 2d report, ch. 2; 3d report, ch. 2; 4th report, ch. 2; 6th report, ch. 2; 7th report, ch. 2; 8th report, ch. 1; 9th report, ch. 1; 10th report, ch. 1; 11th report, ch. 1; 12th report, ch. 1; and 13th report, ch. 1.

[5] Sec. 350 of the Tariff Act of 1930, as amended, is commonly referred to as the Trade Agreements Act of 1934, as amended.

determined which of these three methods would result in the maximum permissible reduction. Thus, rates of less than 10 percent ad valorem could be reduced in greatest degree by employing the second method (reduction by 2 percentage points); and those between 10 percent and 62½ percent, by the first method (reduction by 20 percent). For rates exceeding 62½ percent the maximum permissible reduction would be accomplished by using the third method (reduction to 50 percent ad valorem, or its equivalent).[6]

The Trade Agreements Extension Act of 1958 also provided that, regardless of the method employed in reducing a rate of duty, the reduction was to be effected in not more than four annual stages. Moreover, individual stages had to be at least 1 year apart, and the last stage had to be not later than 3 years after the first stage. In no stage was the duty reduction to exceed 10 percent of the base rate of duty under the first method, 1 percentage point under the second method, or one-third of the total amount of the reduction under the third method. Accordingly, reductions could be made in two to four annual stages under the first two methods and in either three or four annual stages under the third method.

Even though a rate of duty had been increased after July 1, 1958 (as a result, for example, of termination of a bilateral trade agreement), it could be reduced to the same level as would have been possible if such increase had not been made. Under the provisions of the Trade Agreements Extension Act of 1958, the rate of duty existing on July 1, 1958, was without exception the base for determining the permissible reductions in duty.[7]

The 1958 act permitted utilization of the full amount of the authority provided by any one of those alternatives to carry out any trade agreement entered into during the 4-year period that ended June 30, 1962. The reductions could be put into effect at any time during that period or thereafter, except that no part of any decrease could come into effect for the first time later than June 30, 1966.

Authority To Increase Rates of Duty

The Trade Agreements Extension Act of 1958 also authorized the President in carrying out trade-agreement commitments to increase by as much as 50 percent any rate of duty in effect on July 1, 1934. The act provided that a specific rate of duty existing on July 1, 1934, could be converted to its ad valorem equivalent based on the value of imports of the article concerned during the calendar year 1934, and that an ad valorem rate of duty not in excess of 50 percent above such ad valorem equivalent could be imposed on the article.

Like earlier trade agreements legislation, the extension act of 1958 forbade the transfer of any article from the dutiable to the free list, or vice versa. The extension act of 1958, however, authorized the President—in carrying out the escape-clause provisions of the trade agreements legislation—to impose a duty not in excess of 50 percent ad valorem on any article not otherwise subject to duty. Imposition of such a duty, of course, would be only for the time necessary to prevent or remedy serious injury or the threat thereof to the domestic industry concerned.

Escape-Clause Provisions

Although the Trade Agreements Extension Act of 1958 continued the escape-clause provisions of the Trade Agreements Extension Act of 1951, as amended, it made certain changes in the escape-clause procedure.

Section 7 of the Trade Agreements Extension Act of 1951, as amended (which established

[6] The first and second methods would give identical results if applied to a rate of exactly 10 percent ad valorem, and the first and third methods, if applied to a rate of exactly 62½ percent ad valorem.

In applying the second and third methods of rate reduction, in which the permissible reduction was stated in ad valorem terms, the base rate also had to be stated on an ad valorem basis. The law specified, therefore, that for specific and compound rates of duty, its provisions would apply on the basis of the ad valorem equivalents of such rates of duty during a period determined by the President to be representative.

[7] In situations of this kind the limitations on the amount of the reduction that might become effective at one time were either those set forth above or one-third of the total permissible reduction, whichever was the greater.

a statutory escape-clause procedure), provided that the Tariff Commission, upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Senate Committee on Finance or the House Committee on Ways and Means, upon its own motion, or upon application by any interested party, must promptly conduct an investigation to determine whether any product on which a trade-agreement concession had been granted was, as a result, in whole or in part, of the customs treatment reflecting such concession, being imported in such increased quantities, either actual or relative, as to cause or threaten to cause serious injury to the domestic industry producing like or directly competitive products. In arriving at its findings and conclusions, the Commission was required to consider several factors expressly set forth in section 7(b) of the extension act of 1951, as amended.

If the Commission found, as a result of its investigation, the existence or threat of serious injury as a result of increased imports, either actual or relative, due, in whole or in part, to the customs treatment reflecting the concession, it had to recommend to the President, to the extent and for the time necessary to prevent or remedy such injury, the withdrawal or modification of the concession, or the suspension of the concession in whole or in part, o r the establishment of an import quota.

The Commission had to make public immediately its findings and recommendations to the President, including any dissenting or separate findings and recommendations, and had to publish a summary thereof in the *Federal Register*. When, in the Commission's judgment, there was no sufficient reason to recommend to the President that a trade-agreement concession be modified or withdrawn, the Commission had to make and publish a report stating its findings and conclusions.

The Trade Agreements Extension Act of 1958 reduced from 9 months to 6 months the period within which the Tariff Commission was to make a report in an escape-clause investigation. It also made an important change in the escape-clause procedure by providing that the Congress might override the President's rejection of a Tariff Commission recommendation for escape-clause action or any part of such recommendation. Under earlier legislation the President was merely required to report to the Congress, stating his reasons, when he did not follow the Commission's recommendation in an escape-clause case. The new law continued the requirement that the President make such a report to the Congress. It provided, however, that the Congress could, by adopting a concurrent resolution by a two-thirds vote in each House, override the President's rejection of a Tariff Commission recommendation for escape-clause action. Within 15 days after the Congress adopted such a resolution, the President was to place the Commission's recommendation in effect.

Peril-Point Provisions

The Trade Agreements Extension Act of 1958 continued the statutory requirements for so-called peril-point determinations in connection with proposed trade-agreement negotiations, but made certain changes in the peril-point procedure. The peril-point provisions of the Trade Agreements Extension Act of 1951, as amended, required the President, before entering into any trade-agreement negotiations, to transmit to the Tariff Commission a list of the commodities that would be considered for concessions. The Commission was then required to make an investigation, in the course of which it was to hold a public hearing, and to report its findings to the President on (1) the maximum decrease in duty, if any, that could be made on each listed commodity without causing or threatening serious injury to the domestic industry producing like or directly competitive products; or (2) the minimum increase in the duty or the additional import restrictions that were necessary on any of the listed products to avoid serious injury to such domestic industry. The President could not conclude a trade agreement until the Commission had submitted its report to him or until the expiration of the period specified for completion by the Tariff Commission of its peril-point investigation. If the President concluded a trade agreement that provided for greater reductions in duty than the Commission specified in its report, or that

failed to provide for the minimum increase in duty or the additional import restrictions specified, he had to transmit to the Congress a copy of the trade agreement in question, identifying the articles concerned and stating his reason for not acting in accordance with the Tariff Commission's findings.

The Trade Agreements Extension Act of 1958 increased from 120 days to 6 months the period specified for the Tariff Commission to complete a peril-point investigation. The act also required that the Commission promptly institute an escape-clause investigation with respect to any article on the President's list upon which a tariff concession had been granted, whenever the Commission found in a peril-point investigation that an increase in duty or additional import restriction was required to avoid serious injury to the domestic industry producing like or directly competitive articles.

The extension act of 1958 further provided that in a peril-point investigation the Commission should, to the extent practicable and without excluding other factors, ascertain for the last calendar year preceding the investigation the average invoice price at which a listed foreign article was sold for export to the United States, and the average prices at which the like or directly competitive domestic articles were sold at wholesale in the principal markets of the United States. Moreover, the Commission was required, also to the extent practicable, to estimate for each article on the President's list the maximum increase in annual imports which could occur without causing serious injury to the domestic industry producing like or directly competitive articles.

National Security Provision

The so-called national security amendment enacted in section 7 of the Trade Agreements Extension Act of 1955 provided that whenever the Director of the Office of Defense Mobilization [8] had reason to believe that any article was being imported into the United States in such quantities as to threaten to impair the national security, he was to so advise the President. If the President agreed that there was reason for such belief, he was to cause an immediate investigation to be made to determine the facts. If, on the basis of such investigation and of findings and recommendations made in connection therewith, the President found that the article was being imported in such quantities as to threaten to impair the national security, he was to take such action as he deemed necessary to adjust imports of the article to a level that would not threaten to impair the national security.

The Trade Agreements Extension Act of 1958 continued the national security provision of the extension act of 1955, with certain changes and additions. The Director was required to make an investigation upon request of the head of any department or agency, upon application of any interested party, or upon his own motion. The second investigation by the President was eliminated, but the final decision respecting the need for action was retained by the President. The scope of the provision was enlarged to include authority to restrict imports of derivatives of the articles which were the subject of a request for investigation, in addition to imports of the articles themselves. A new section added to the national security provision directed the Director of the Office of Defense and Civilian Mobilization [8] and the President, in the light of the requirements of national security and without excluding other relevant factors, to consider domestic production needed for projected national defense requirements; the capacity of domestic industries to meet such requirements; existing and anticipated availabilities of the human resources, products, raw materials, and other supplies and services essential to the national defense; the requirements of growth of such industries and such supplies and services (including the investment, exploration, and development necessary to assure such growth); and the importation of goods in terms of their quantities, availabilities, character, and use as those affect such industries and the capacity of the United States to meet national security requirements.

[8] Later the Office of Civil and Defense Mobilization and, effective Sept. 22, 1961, the Office of Emergency Planning.

In their administration of the national security provision, the Director of ODCM and the President were directed to recognize the close relation of the economic welfare of the Nation to the national security, and to take into consideration the impact of foreign competition on the economic welfare of individual domestic industries. They were also directed to consider, without excluding other factors, any substantial unemployment, decrease in revenues of government, loss of skills or investment, or other serious effects resulting from the displacement of any domestic products by excessive imports, in determining whether such weakening of the internal economy might impair the national security.

☆ U. S. GOVERNMENT PRINTING OFFICE: 1964—729-612