UNITED STATES TARIFF COMMISSION

OPERATION OF THE TRADE AGREEMENTS PROGRAM

16th Report

July 1963 - June 1964

TC Publication 164

UNITED STATES TARIFF COMMISSION

Address all communications to

United States Tariff Commission

Washington, D.C. 20436

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TRADE AGREEMENTS PROGRAM

16th Report
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PREPARED IN CONFORMITY WITH SECTION 402(b)
OF THE TRADE EXPANSION ACT OF 1962

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1966

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For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C., 20402 - Price 30 cents

Foreword

This report, the 16th by the U.S. Tariff Commission on the operation of the trade agreements program, relates to the period from July 1, 1963, through June 30, 1964. Section 402(b) of the Trade Expansion Act of 1962 (76 Stat. 902) 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 16th report, the members of the General Agreement on Tariffs and Trade completed their preparation for, and formally opened, the sixth round of multilateral trade-agreement negotiations—widely known as the Kennedy Round. The 21st Session of the Contracting Parties to the General Agreement was held in the spring of 1964. These and other major developments respecting the trade agreements program are discussed in this report.

The Trade Expansion Act of 1962 provided the legal framework for conduct of the trade agreements program during the period under review. The major features of the act, and related Executive orders, are discussed in the appendix.

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

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Chapter 1

Developments Respecting the General Agreement on Tariffs and Trade

INTRODUCTION

During the 12 months ended June 30, 1964, the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) held their 21st Session at Geneva,[1] and the GATT Council of Representatives met four times. In May 1964 a ministerial-level GATT meeting was convened to open the sixth (Kennedy) round of tariff negotiations sponsored by the GATT members.

The Contracting Parties to the General Agreement usually meet in full session about once a year to review the many facets of the operation of the agreement and to take joint action consistent with its objectives. Between these plenary sessions the work of the Contracting Parties is carried on by the Council of Representatives (hereinafter referred to as the Council), by groups of experts, and by working parties and committees. When broad new programs or special actions are to be considered, the Contracting Parties usually convene their foreign ministers.

The General Agreement is the most comprehensive trade agreement among sovereign nations in history. Its contracting parties are committed to the substantial reduction of tariffs and other trade barriers and to the elimination of discriminatory treatment in international commerce. The agreement consists of (1) rules for the conduct of trade between the contracting parties and (2) schedules of tariff concessions granted by each of them. Under specified conditions, individual member countries may obtain temporary waivers of the rules to permit them to apply certain forms of trade restrictions. The agreement also provides for consultation and negotiation by interested contracting parties when

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

For a detailed report of the 21st Session, see "Report of the United States Delegation to the Twenty-first Session of the Contracting Parties to the General Agreement on Tariffs and Trade, Geneva, Switzerland, February 24–March 20, 1964," *Ninth Annual Report of the President of the United States on the Trade Agreements Program for 1964*, 1965, app. D.

a member country allegedly disregards any of the rules or fails to remove authorized temporary restrictions as promptly as promised.

On July 1, 1963, the following 50 countries were contracting parties to the General Agreement:

Australia
Austria
Brazil
Burma
Cameroon
Canada
Central African Republic
Ceylon
Chile
Congo (Brazzaville)
Cuba
Czechoslovakia
Denmark
Dominican Republic
European Economic Community: [1]
  Belgium
  France
  Germany (Federal Republic)
  Italy
  Luxembourg
  Netherlands
Finland
Gabon
Ghana
Greece
Haiti
India
Indonesia
Israel
Japan
Kuwait
Malaya [2]
New Zealand
Nicaragua
Nigeria
Norway
Pakistan
Peru
Portugal
Rhodesia-Nyasaland [3]
Sierra Leone
South Africa
Sweden
Tanganyika
Trinidad and Tobago
Turkey
Uganda
United Kingdom
United States
Upper Volta
Uruguay

[1] In matters involving joint action by the Contracting Parties, each member State of the Community has one vote. In tariff negotiations under the General Agreement, however, the European Economic Community (EEC) bargains as a unit but can take no position without the approval of all 6 member States.

[2] On Sept. 16, 1963, the Government of the Federation of Malaya became the Government of Malaysia and the latter assumed responsibility (transferred from the United Kingdom) for Singapore, North Borneo (known as Sabah), and Sarawak with respect to the General Agreement. See *Operation of the Trade Agreements Program*, 15th report, p. 32.

[3] On Dec. 31, 1963, the Federation of Rhodesia and Nyasaland was dissolved. Southern Rhodesia continued as a contracting party, while the United Kingdom assumed responsibility under the General Agreement for Northern Rhodesia and Nyasaland.

By June 30, 1964, 12 more countries had become full members: Chad, Cyprus, Dahomey, Ivory Coast, Jamaica, Kenya, Madagascar, Mauritania, Niger, Senegal, Spain, and Togo. On the same date 6 other countries—Argentina, Iceland, Switzerland, Tunisia, the United Arab Republic, and Yugoslavia—were provisional members; Cambodia and Poland participated under special arrangements; and 5 countries—

Algeria, Burundi, Congo (Leopoldville), Mali, and Rwanda—were applying the terms of the GATT on a de facto basis.[2]

Developments relating to the General Agreement during the 12-month period ending June 30, 1964, are summarized in this chapter under six headings: (1) The sixth round of tariff negotiations; (2) activities in the interest of less developed countries; (3) regional economic arrangements; (4) authorized actions relating to GATT obligations; (5) consultations and complaints; and (6) other developments relating to the agreement.

THE SIXTH ROUND OF TARIFF NEGOTIATIONS

At a meeting in Geneva held in May 1963, Ministers representing some 60 countries participating in the General Agreement agreed to hold a sixth round of tariff negotiations beginning the following May.[3] The plans for the proposed tariff conference contemplated more comprehensive and complex negotiations than any previously concluded under the General Agreement. The major objectives were a significant reduction in the tariff levels of all participants and the ultimate removal of nontariff barriers. This projected sixth round of negotiations, which was envisioned by and gained impetus from the U.S. Trade Expansion Act of 1962, soon became known as the Kennedy Round.

The Ministers established a Trade Negotiations Committee (TNC) composed of representatives of all prospective participating countries. The TNC was instructed to elaborate a plan for negotiating substantial and equal linear tariff reductions[4] with a minimum of exceptions and to supervise the conduct of the negotiations. It was directed to prepare recommendations on—

> (1) the depth of the linear tariff reductions to be sought, and the rules for exceptions;
>
> (2) the criteria for determining significant disparities in the tariff levels of the contracting parties and special rules for tariff reductions in these instances;
>
> (3) the manner of achieving adequately balanced concessions for countries having low tariff levels, or for those having special trade situations (such as the less developed countries or countries whose exports consist predominantly of agricultural or other primary products);

[2] During the year ended June 30, 1964, Vietnam submitted, and later withdrew, an application for accession to the General Agreement, and Ireland renewed discussions concerning possible accession that had been initiated in 1960 and postponed in 1961.

[3] Five earlier rounds of multilateral tariff negotiations under the auspices of the General Agreement were held at Geneva, Switzerland, in 1947; at Annecy, France, in 1949; at Torquay, England, in 1950–51; at Geneva in 1956; and again at Geneva in 1960–62.

[4] The term "equal linear tariff reductions" refers to uniform percentage decreases in rates of duty in a country's tariff schedules. This proposed across-the-board procedure constituted a departure from the item-by-item procedure generally used in previous negotiations under the General Agreement.

(4) rules for negotiating acceptable conditions of access to world markets for agricultural products; and
(5) procedures for the reduction of nontariff trade barriers.

For the formulation of proposals on agricultural products, the Ministers directed the special GATT groups on cereals and meats to collaborate with the TNC; they also established a study group on dairy products for a similar purpose.[5]

The TNC met six times during the period under review. It established subsidiary working groups to handle the problems relating to (1) the tariff negotiation plan; (2) agriculture; (3) nontariff barriers; and (4) the participation of the less developed countries (LDC's).

On May 4, 1964, the sixth round of negotiations was inaugurated at a meeting of Ministers representing the 43 countries that wanted to participate.[6] Although procedures for handling various problems were still at issue, the Ministers accepted the tariff negotiating plan recommended by the TNC subcommittee. The plan provided that the general linear reduction in tariff rates should equal 50 percent and that exceptions to this rule should be kept to a minimum. The Ministers agreed that exceptions lists would be exchanged on September 10, 1964 (later changed to November 16, 1964), and that each country would have to justify its exceptions list to the other participants on the basis of "overriding national interest." Also, consistent with their 1963 resolution, the Ministers agreed that certain "developed" countries (viz, Australia, Canada, New Zealand, and South Africa) might not obtain adequate benefits from negotiations conducted on a linear basis. Accordingly, these countries were requested to grant concessions commensurate with the benefits received.

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[5] For the resolution adopted May 21, 1963, see Contracting Parties to the General Agreement on Tariffs and Trade, *The Role of GATT in Relation to Trade and Development*, Geneva, 1964, pp. 45–47.

[6]
Argentina
Australia
Austria
Brazil
Canada
Czechoslovakia
Dahomey
Denmark
EEC:
Belgium
France
Germany (Federal Republic)
Italy
Luxembourg
Netherlands
Finland
Gabon
Ghana
Greece
India
Indonesia
Israel
Ivory Coast
Japan
Kuwait
New Zealand
Nigeria
Norway
Pakistan
Peru
Poland
Portugal
Sierra Leone
South Africa
Southern Rhodesia
Spain
Sweden
Switzerland
Turkey
United Arab Republic
United Kingdom
United States
Uruguay
Yugoslavia

Rules for the participation by the LDC's were not formulated by the close of the period here under review. Progress by the TNC subcommittee in this regard depended in large measure on clarification of other aspects of the negotiating plans. At the close of the Ministers' meeting in May 1964, the TNC reaffirmed that a major objective of the negotiations was to reduce barriers to the exports of the less developed countries. The TNC reported that all participants would consider taking steps to make tariff cuts deeper than 50 percent, or to eliminate duties, on products of special interest to the LDC's.[7]

Plans for the treatment not only of tariff disparities, but also of nontariff restrictions on agricultural and other primary products, were still at issue on June 30, 1964. The disparity problem was the subject of extensive discussions between the European Economic Community and the United States. The Community, whose common external tariff is largely an average of the members' preassociation tariffs, argued that in the common tariff most rates ranged between 10 and 20 percent ad valorem, while in the U.S. tariff many "peaks" exceeded 50 percent. The EEC pointed out that equal linear reductions would, therefore, leave most of its duties at low levels, while many U.S. duties would still be high. The United States responded that the average incidence of its tariff was about the same as that of the EEC's common external tariff and that the United States merely had more low and high rates than the EEC. For many months the TNC subcommittee on the tariff negotiating plan attempted to develop a general rule to identify meaningful tariff disparities (in terms of trade volume). Although full agreement was not reached by June 30, 1964, the differences in views were significantly narrowed.[8]

Discussions in the TNC subcommittee on agriculture made little progress toward formulating rules and procedures for liberalizing trade in agricultural products.[9] A serious impediment to such progress was the complex agricultural programs in the participating countries—programs that could not readily be reconciled with the broader aim of providing producers of agricultural products acceptable conditions of access to world markets. Participants generally agreed, however, that for certain agricultural products the appropriate solution was to seek worldwide arrangements dealing not only with conditions of access to markets, but also with the respective national policies directly affecting agriculture. The aforementioned special groups concerned with cereal products and meats (established in November 1961 and February 1962,

[7] See also the following section of this chapter on activities in the interest of less developed countries.

[8] For a detailed discussion of some of the proposed formulas, see U.S. Department of Commerce, *International Commerce*, vol. 70, No. 18, May 4, 1964, pp. 3–6.

[9] Not even on the definition of agricultural products was agreement obtained.

respectively) continued their work toward this solution. Further, a pilot group was established in November 1963 to investigate the possibility of dealing with dairy products also on a worldwide scale; in June 1964 it recommended that a full group on dairy products be constituted shortly. The majority of the Ministers recommended that further liberalization of trade in tropical products (including oilseeds) should be considered in the proposed round of negotiations.[10]

Meanwhile, preparatory work for negotiations concerning nontariff barriers proceeded, although not with the sense of urgency that attended the discussions on tariff barriers (disparities) and agriculture. In the TNC subcommittee on nontariff barriers, considerable disagreement developed among the participating countries concerning which nontariff barriers should be the subject of negotiation. In mid-June 1964 the subcommittee established panels to begin consultations on the following topics:[11] (a) Customs valuation methods; (b) Government procurement policies; (c) administrative and technical regulations; and (d) the U.S. system of assessment on imported bottled spirits. Other panels on antidumping policies, state trading,[12] and trade in coal were tentatively set up, and the future establishment of still others was provided for.

In late June 1964 the subcommittee on nontariff barriers created a special group on the participation of Poland in the Kennedy Round.[13] The group met for the first time on June 29, 1964.

ACTIVITIES IN THE INTEREST OF LESS DEVELOPED COUNTRIES

At their meeting in May 1963, the Ministers outlined the major activities planned by the Contracting Parties in the interest of the less developed countries. The Ministerial directives expanded the

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[10] See discussion on Committee III in the following section of this chapter.

[11] GATT press release 874, Geneva, June 17, 1964.

[12] Art. XVII contains provisions relating to state trading enterprises. Before the 20th Session of the Contracting Parties, annual reports were required from the contracting parties establishing or maintaining such enterprises. At that session the Contracting Parties modified the reporting procedures and requested the Council to examine the reports submitted and, if necessary, reestablish a panel of experts or a working party to study the problems relating to state trading. The first series of reports under the new procedure (due Jan. 31, 1963) were examined by committee III. Succeeding reports were required every 3 years, except in the event of changes which were to be reported annually. State trading, which was not listed on the agenda of the 21st Session, was cited by the Chairman of that session, in his opening address, as a major problem of international trade.

[13] For several years Poland had participated in the work of the Contracting Parties under special arrangements. (See Contracting Parties to the GATT, *Basic Instruments and Selected Documents*, 8th supp., Geneva, 1960, pp. 11–12 and 61–62. This series will hereafter be referred to as *Basic Instruments . . .*)

functions of committee III, established an Action Committee to help implement the eight-point Action Program for the expansion of exports from LDC's, set up a Committee on Legal and Institutional Framework to propose appropriate amendments to the General Agreement in the interest of the LDC's, and enunciated a policy for participation by the LDC's in the sixth round of tariff negotiations.

The developments relating to the participation of the LDC's in the sixth round were discussed in the preceding section of this chapter. Other developments under the General Agreement pertaining to the LDC's are discussed below under three topics—committee III, Action Committee, and amendment of the General Agreement.

Committee III

Committee III was established by the Contracting Parties in 1958 [14] for the express purpose of dealing with the trade problems of the LDC's. Thereafter the work of the committee expanded materially, owing in part to the accession of an increasing number of contracting parties in the LDC category,[15] and in part to the increasing interest of the Contracting Parties in expanding the export earnings of the LDC's. The committee's role in the LDC program was greatly enhanced in December 1961, when the Contracting Parties adopted the Declaration on Promotion of the Trade of Less Developed Countries[16] and designated committee III as the appropriate subsidiary body to make recommendations for specific programs as outlined in the Declaration and to review and coordinate the actions taken.

After 1958, the activities of the committee were aimed primarily at the removal of trade barriers affecting export commodities of special interest to the LDC's; the committee's activities were also directed to the formulation of guidelines for meeting the trade problems of LDC's holding GATT membership. During the period under review, committee III was concerned with (a) commodity studies, giving special attention to tropical products, (b) development studies, (c) the role of the General Agreement regarding financial assistance to LDC's, and (d) the establishment of trade information services.

Commodity studies

On the recommendation of committee III, a special group was established by the GATT Council in February 1962 to propose means for expanding LDC trade in such tropical products as coffee, cocoa, tea,

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[14] *Operation of the Trade Agreements Program*, 12th report, pp. 63–64.

[15] More than two-thirds of the 75 countries participating in the General Agreement on June 30, 1964, were deemed to be in this category.

[16] For the Declaration of Dec. 7, 1961, see Contracting Parties to the GATT, *The Role of GATT . . .*, pp. 47–50.

tropical timber, and vegetable seeds and oils. The Action Program adopted by the Ministers in May 1963, based on proposals of that special group, had called for the duty-free entry of tropical products into the industrial countries by December 31, 1963. By the close of their May 1963 meeting, however, the Ministers had reached unanimous agreement in this regard concerning only the elimination of customs duties on tea and tropical timber, if practicable before the end of 1963. The Ministers of various countries had expressed specific reservations concerning the elimination of tariffs on other tropical products, as well as on the other primary products mentioned in the Action Program.

Committee III met in October 1963 and again in March 1964. At the earlier meeting, significant progress was reported in the reduction of trade barriers affecting the products or groups of products examined previously. The committee then undertook to examine a new list of products covering about 170 tariff items,[17] of which 78 were selected for immediate study.

At the October 1963 meeting the committee also recommended that—

> . . . the Special Group on Trade in Tropical Products should be reconvened at an early date to re-examine the problems facing the cocoa industry, following the failure of the United Nations Cocoa Conference to reach an agreement during the recent negotiations, and to seek solutions to these problems in so far as they come within the purview of the GATT.[18]

After October 1963 most of the work of committee III relating to specific commodities involved the work of the Action Committee.

In February 1964 the aforementioned special group on trade in tropical products was convened to examine problems concerning trade in cocoa. That group (Brazil abstaining) endorsed a recommendation by the U.S. representative that problems affecting the trade in tropical products (including cocoa) be referred to the TNC of the Kennedy Round. At the 21st Session the Contracting Parties adopted the report of the special group and agreed that the problems relating to trade in tropical products would be considered by the TNC of the Kennedy Round in cooperation with the special group.

Development studies

Committee III's original schedule had provided for studies of projected trade and development programs of individual LDC's to complement the committee's efforts to remove trade barriers affecting specific products. Such studies were initiated in 1961. On the basis of a report of its activities in this field to the Ministerial meeting in May 1963, the functions of the committee were expressly expanded by the requirement that it cooperate with other interested agencies, including the

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[17] In terms of the Brussels Tariff Nomenclature.

[18] *Basic Instruments . . .*, 12th supp., p. 113. The United Nations Cocoa Conference was held in Geneva Sept. 25 to Oct. 24, 1963.

Action Committee, in analyzing the development plans of LDC's and various proposals for tariff preferences and export promotion. At the 21st Session, committee III submitted a program for the study of national development plans of 12 LDC's. Working arrangements with other international agencies had been established, and the cooperation of the national governments obtained. At that time, three other contracting parties requested that their countries be among the first studied.

Financial assistance

The gap between export earnings and outlays for imports, a chronic problem of many LDC's, prompted various proposals at the Ministerial meeting in May 1963 and at the committee III meeting in October 1963 for extending the activities of the General Agreement to include financial assistance to LDC's. Committee III recommended that an expert group be established to study these proposals and make a report to the Contracting Parties.

Such a group met in January 1964; its report, submitted at the 21st Session, endorsed the activities of committee III already undertaken in connection with its studies of development programs. With respect to actual financial assistance, however, the report stated that the proper role of the GATT was to provide trade expertise which would contribute to the effectiveness of the assistance by lending governments and agencies. The report was adopted by the Contracting Parties.

Trade information center

At the 21st Session, the Contracting Parties unanimously adopted a recommendation of committee III to establish a center for disseminating international trade information. The objective of such a center would be to provide exporters in the LDC's with the type of trade-promotion services generally available to exporters in the industrialized countries. The contemplated GATT international trade center opened in Geneva on May 1, 1964, with facilities for disseminating trade information and answering correspondence. The center's plans for the immediate future included publication of registers and bulletins of trade information sources, issuance of a manual on efficient export operations, and establishment of training facilities. The group of experts in the field of trade information that had assisted committee III in the elaboration of the plans for the trade center was to guide its activities.

Action Committee

In July 1963 the Council established an Action Committee to implement the eight-point Action Program adopted at the Ministerial

meeting held the preceding May. Stated briefly, the Action Program for GATT participants had the following objectives:

(1) Prevention of new tariff or nontariff barriers against imports of typical LDC products;
(2) Elimination of existing quantitative restrictions on imports from LDC's which are inconsistent with the provisions of the General Agreement;[19]
(3) Attainment of duty-free entry of tropical products into industrialized countries by December 31, 1963;
(4) Elimination of tariffs on primary products important in the trade of LDC's;
(5) Elimination of tariff barriers to imports of semiprocessed and processed products from LDC's;
(6) Progressive reduction of internal charges and revenue duties on products wholly or mainly produced in LDC's, culminating in elimination of such charges and duties by December 31, 1965;
(7) Mandatory submission of annual reports to the GATT Secretariat by industrialized countries maintaining the barriers mentioned in points 1–6 above;
(8) Urgent consideration of the adoption of other measures to assist LDC's.

At its first meeting in September 1963, the Action Committee set up three subcommittees: Subcommittee 1—to deal with the removal of barriers to the trade of less developed countries, as outlined in the first six points of the Action Program; subcommittee 2—to elaborate positive measures to help the less developed countries, as provided in the eighth point; and subcommittee 3—to maintain liaison between the various GATT and other international bodies dealing with projects related to the Action Program.

The Action Committee met again in December 1963 and in March 1964 to review the progress of its subcommittees and to provide a forum for discussing both the goals of the Action Program and means to achieve them. Subcommittee 1 limited its initial concern to quantitative restrictions and fiscal charges. After drawing up a list of restrictive measures reported by the LDC's, the subcommittee held consultations in December 1963 with the industrialized contracting parties applying those measures,[20] and advocated accelerated action toward their removal. Subcommittee 3 surveyed the work of various committees and working groups of the Contracting Parties in matters relevant to the Action Program; meanwhile, the work of subcommittee 2 had to await prior

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[19] To be accomplished within a period of 1 year, or, under certain conditions, by Dec. 31, 1965.

[20] Austria, Benelux, Denmark, Federal Republic of Germany, France, Italy, Japan, Sweden, United Kingdom, and the United States.

action by such bodies as committee III and the working party on preferences.[21]

When the Action Committee presented its report to the 21st Session, it enumerated certain measures undertaken by industrialized countries to liberalize their controls restricting imports from less developed countries. Representatives of several LDC's expressed disappointment not only with the accomplishments of the Action Committee but also with what they deemed to be a lack of will on the part of various industrialized contracting parties to implement the Action Program. However, the Chairman of the Action Committee pointed out that it was unrealistic to expect that the many complex problems confronting his Committee could be adequately resolved in the short period since its first meeting in September 1963. He emphasized the substantial progress made in other GATT groups on projects that would facilitate the expansion of trade by the LDC's.

Amendment of the General Agreement

The Ministers at their meeting in May 1963 recognized "the need for an adequate legal and institutional framework to enable the Contracting Parties to discharge their responsibilities" in expanding the trade of less developed countries. A special committee (Committee on Legal and Institutional Framework of GATT in Relation to Less Developed Countries) was set up by the Council in July 1963 to examine the adequacy of the General Agreement in this respect. The committee decided that explicit directives ought to be added to the text of the General Agreement. Accordingly, it prepared amendments pertaining to trade and development problems of the LDC's; the amendments were based in part on suggestions received from contracting parties, both industrialized and less developed.

The Contracting Parties agreed that a new section on trade and development, containing the proposed amendments, should be added to the text of the General Agreement, but did not fully agree on what provisions to include. Some contracting parties wished to coordinate the new arrangements, in due time, with relevant or related actions of

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[21] Among the possible measures discussed at the Ministerial meeting in May 1963 to facilitate the expansion of exports by LDC's, as contemplated by point 8, was the granting of preferential treatment to the semimanufactured and manufactured goods exported by such countries. In accordance with a Ministerial decision, a working party on preferences was established to study proposals for granting preferences and to report to the Contracting Parties. The working party held three meetings—in October and December 1963 and again in March 1964—but was unable to formulate a set of conclusions to submit to the Contracting Parties. At the 21st Session, the Contracting Parties noted the report of the working party and instructed the Council to reconvene that body to continue its work.

the United Nations Conference on Trade and Development.[22] The committee was instructed to report to the Council by September 30, 1964, with recommendations on the text of a protocol for amendment of the General Agreement and a declaration for its provisional application. The Council was to submit appropriate recommendations to a session of the Contracting Parties to be held not later than November 1964.

REGIONAL ECONOMIC ARRANGEMENTS

GATT members participating in the formation of a customs union or free-trade area are required to report to the Contracting Parties on pertinent developments. During the period here under review, the Contracting Parties received reports on two customs unions—the European Economic Community[23] and the Equatorial Customs Union-Cameroon arrangement—and on four free-trade areas—the European Free Trade Association (EFTA), the Latin American Free Trade Association (LAFTA), the Central American common market, and the Ghana-Upper Volta free-trade area. The principal features of the reports to the Contracting Parties, together with an account of the action taken, are summarized in this chapter; details of the major developments respecting commercial policy in the EEC, the EFTA, and the LAFTA, however, are discussed in chapter 3.

Article XXIV:4 of the General Agreement permits the formation of a customs union or a free-trade area embracing the territories of two or more contracting parties, provided that the trade barriers of the new trading entity to the commerce of all other contracting parties are not generally more restrictive than the trade barriers of the former trading areas. Both customs unions and free-trade areas aim to abolish tariffs and other trade barriers between the participating countries; a significant difference between the two is that countries participating in a customs union maintain, or plan eventually to maintain, a common tariff and other

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[22] The Governments of Algeria, Argentina, Ceylon, Chile, Ghana, Guinea, India, Indonesia, Jordan, Mali, Morocco, Nepal, Nigeria, Pakistan, Sudan, Tanganyika, Thailand, Tunisia, the United Arab Republic, Venezuela, and Yugoslavia, acting independently of the General Agreement, submitted a draft resolution in the General Assembly of the United Nations in October 1962, proposing a United Nations Conference on Trade and Development. In December 1962 the Assembly adopted the resolution with amendments proposed by Canada and Peru, by a vote of 91 to 0. Delegates from 120 countries attended this Conference, which opened in March 1964 at Geneva and continued for about 3 months. For their use the Secretariat of the General Agreement prepared a document summarizing the efforts and achievements by the Contracting Parties on behalf of the LDC's; see Contracting Parties to the GATT, *The Role of GATT* . . . .

[23] The association of Greece (in 1962) and that of Turkey (in 1963) with the EEC technically formed separate customs unions. At the 21st Session, Greece and Turkey, as well as the EEC, reported on the status of their respective agreements of association.

common trade restrictions vis-a-vis all outside countries, while the participants in a free-trade area continue to maintain their own external tariffs and other trade restrictions.

European Economic Community

At the 21st Session of the Contracting Parties, the European Economic Community informed the Contracting Parties of the progress since the last session toward its ultimate goal of achieving the economic integration envisioned by the Rome Treaty of 1958. The report summarized the relation between economic expansion in the Community and the trend of its trade with other countries. It gave special attention to a study of the operation of the Community's common agricultural policy during the period July 30, 1962, to June 30, 1963, indicating that the regulations initiated in 1962 for various cereals, dairy products, animal products, fruits, and vegetables had not caused any disturbance in the markets of member States, or any decline in total agricultural imports from other countries. Recognizing that the period covered by the study was too short to afford a basis for meaningful analysis, the spokesman for the EEC suggested that similar studies scheduled to be made periodically would reveal any need for measures essential to the fulfillment of the Community's responsibilities under the General Agreement.

The EEC report called attention to the recent agreements of association with Turkey and with the 18 associated overseas countries that had formerly been colonies of member States. It pointed out that the objective of the agreement with Turkey, signed on September 12, 1963, was full membership as soon as Turkey's economic situation attained an appropriate level. The convention with the 18 associated overseas countries, signed at Yaoundé, Cameroon, on July 20, 1963,[24] was open to all countries whose economic development was comparable to that of the original signatories. The convention, in providing for substantial tariff reductions on a number of important tropical products entering the European Economic Community, followed the principles outlined in the aforementioned GATT Action Program designed to aid the LDC's. Other EEC actions to assist LDC's included the elimination of duties on tea and tropical timber, as well as the suspension of the duties on a number of traditional export products of certain LDC's.

[24] Officially referred to as the Convention of Association between the European Economic Community and the African and Malagasy States associated with that Community. On the date of signature, 14 of the 18 States were still formally associated as the Union Africaine et Malgache; all 18 States were members of the Organization of African Unity founded at Addis Ababa in May 1963. Early in 1964 the Union Africaine et Malgache was replaced by the Union Africaine et Malgache de Coopération Economique. For a list of the signatories to the Yaoundé Convention, see ch. 3.

In discussing the EEC report, some delegates praised the Community's achievements, while others expressed concern for the effects of the Community's policies on the trade of nonassociated countries. The Contracting Parties directed the Council to establish separate working parties to examine the two agreements of association. Both working parties were organized at the Council's meeting held in May 1964.

Not mentioned in the Community's report to the 21st Session was the status of the article XXIV:6 renegotiations that had been pending since 1962. On June 18, 1963, the EEC had informed the GATT Secretariat that it was ready to negotiate on tobacco products, one group of articles on which the United States and the EEC had not negotiated during the 1960–62 tariff Conference.[25] These renegotiations were initiated but not concluded during the period here under review. Moreover, on June 12, 1964, the Secretariat was informed that the EEC was ready to negotiate on petroleum products, another group of articles not included in the 1962 EEC-U.S. agreement negotiated under article XXIV:6.

Equatorial Customs Union-Cameroon Arrangement

Between November 16, 1962, the closing date of the 20th Session of the Contracting Parties, and July 12, 1963, all four member States of the Equatorial Customs Union (ECU)[26] and the Republic of Cameroon became full contracting parties. In September 1963 these five States, acting jointly, notified the GATT Secretariat that the ECU-Cameroon common external tariff had become operative on July 1, 1962, and that a joint ECU-Cameroon Commission[27] was responsible for the proper applicaton of the common external tariff and the regulations on trade between the five States as provided for in a convention signed in June 1961.[28]

A working party appointed to examine the various documents of association and also the status of the concessions in the General Agreement granted originally by France on behalf of Gabon reported to the 21st Session of the Contracting Parties. The working party agreed that an arrangement for a full customs union had been operative before

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[25] See *Operation of the Trade Agreements Program*, 14th report, pp. 10–11.

[26] On June 23, 1959, the Central African Republic, the Republic of the Congo (Brazzaville), the Gabon Republic, and the Republic of Chad signed a convention establishing the Equatorial Customs Union.

[27] Consisting of the Minister of Finance of each State.

[28] On June 23, 1961, the four States of the ECU and the Republic of Cameroon signed a protocol of agreement, its objective "the progressive creation of a common market between the five States and, by stages, the establishment of a customs union." On the same date, a special convention was signed by the five States to regulate their economic and customs relations.

the five States became contracting parties and that a proposed new treaty [29] would merely replace the existing convention. Because the five States were associated with the EEC,[30] their common external tariff had limited application.

The working party recorded a difference of views, however, respecting the status of Gabon's former concessions. The United States and some other members of the working party contended that Gabon's accession under the provision of article XXVI required the continuance of obligations previously undertaken. Accordingly, they held that any variance between Gabon's rates in the General Agreement and the rates in the common external tariff of the ECU-Cameroon area required negotiations. Gabon did not preclude such negotiations but indicated that, from a practical point of view, its independence and the creation of the ECU made invalid the former concessions. The Contracting Parties adopted the report of the working party.

European Free Trade Association

The EFTA report to the 21st Session summarized the Association's progress toward the elimination of tariff restrictions on the trade between the seven original member States and the developments relating to the agreement of association with Finland. The spokesman for EFTA expressed regret for the suspension of negotiations between EFTA member States and the EEC and reiterated the high hopes of the EFTA Ministers for a successful outcome of the Kennedy Round negotiations. The EFTA report was noted without discussion.

Latin American Free Trade Association

Five members of the Latin American Free Trade Association (Argentina, Brazil, Chile, Peru, and Uruguay) are also members of the General Agreement.[31] They reported to the Contracting Parties at the 21st Session on the continuing implementation of the provisions of the Montevideo Treaty (signed in 1960) and on plans for the future development of the Association. The liberalization of intra-area trade was reported to be ahead of the minimum requirements of the treaty; statistical data were submitted to indicate the expansion of intra-area trade from 1961 to 1962 (the latter year being the first of the liberalization program). In

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[29] Scheduled to be ready for signatures by Dec. 15, 1964.

[30] They were among the 18 States that signed the Convention of Yaoundé in July 1963.

[31] Argentina is a provisional member.

1963 LAFTA proceeded with its plans for economic integration as provided in the treaty. Under the auspices of the LAFTA advisory committee on industrial development, the entrepreneurs of various industrial sectors were convened to consider the possibilities for the integration of industrial projects. A proposal for the gradual harmonization of the tariff systems of the member States was also reported to be under consideration.

A brief discussion followed the presentation of the LAFTA report. The delegate of the United States pointed out that comprehensive reports of the techniques used by LAFTA members in implementing their treaty would be particularly helpful in connection with the GATT programs for the LDC's.

Central American Common Market

At the 21st Session Nicaragua submitted a brief report on its trade with the other Central American Republics participating in the arrangements arising from the operation of a complex of treaties for the promotion of economic integration and ultimately the formation of a Central American customs union. The report consisted of statistics covering Nicaragua's total trade in 1962 and its trade with Guatemala, El Salvador, and Honduras. Nicaragua's trade with Costa Rica and Panama was not separately discussed; during 1962 none of the integration agreements signed by those two countries and Nicaragua was fully operative.[32]

Following a discussion of Nicaragua's report, the Contracting Parties instructed the Executive Secretary of the General Agreement to obtain from the Nicaraguan representatives additional data on the Central American integration programs, particularly information on action taken or planned by the Government of Nicaragua under two waivers[33] of GATT obligations granted in connection with the harmonization of duties within the Central American area. The required information, which was to be submitted to the Council for any necessary action, was not received by June 30, 1964.

Ghana-Upper Volta Free-Trade Area

The agenda of the 21st Session included the matter of the free-trade area that had been created in 1961 by an agreement between Ghana

[32] The Multilateral Treaty on Free Trade and Central American Economic Integration signed by Costa Rica in 1958 and the General Treaty on Central American Economic Integration signed in 1960 became effective for Costa Rica during 1963. The Treaty of Preferential Interchange and Free Trade between the Republics of Costa Rica, Nicaragua, and Panama became effective during 1962 for all three countries, but the lists of products to be included in a free-trade system were established in 1963.

[33] One in November 1961 and the second a year later.

and Upper Volta. In response to earlier action, the Government of Ghana had replied to questions submitted by interested contracting parties. The information thus developed was made a matter of record without discussion at the 21st Session. The Contracting Parties were advised, however, that they could submit additional questions.

AUTHORIZED ACTIONS RELATING TO GATT OBLIGATIONS

Developments during the period July 1963 through June 1964 relating to authorized actions taken by contracting parties that impinge on their obligations under the General Agreement are discussed below under the following topics: Import restrictions for balance-of-payments reasons; special exchange agreements; import restrictions to protect new industries; U.S. import restrictions on agricultural products; preferential tariff treatment; escape-clause actions; and other modifications of tariff concessions.

Under certain circumstances, the General Agreement permits contracting parties to act in a manner inconsistent with their basic GATT obligations to reduce tariffs and other trade barriers and to eliminate discriminatory practices in international commerce. Article XII, for example, allows a contracting party to impose restrictions on imports in order to safeguard its external financial position and its balance of payments. For contracting parties in the early stages of economic development, article XVIII includes various provisions to facilitate their development programs. Under specified circumstances, such countries may adopt protective duties or other measures to promote particular industries, as well as to protect their external financial positions. Articles XIX and XXVIII provide for the modification or withdrawal of tariff concessions under certain conditions, and article XXV permits the Contracting Parties, in "exceptional circumstances not elsewhere provided for" in the agreement, to grant a temporary waiver of any obligation imposed by the agreement.

Contracting parties imposing restrictions for balance-of-payments reasons under the authority of articles XII or XVIII are required to consult with the Contracting Parties periodically;[34] those utilizing article XII must consult annually and those utilizing article XVIII, biennially. Waivers granted under the authority of article XXV or authorizations

[34] The committee on balance-of-payments restrictions carries out these consultations according to procedures adopted at the 17th Session. Because of the interrelationship of balance-of-payments restrictions and exchange measures, an examination by the International Monetary Fund is held in conjunction with each consultation. (See *Operation of the Trade Agreements Program*, 15th report, pp. 46–47.)

under article XXVIII:4 generally have fixed terminal dates but, if requested by the recipients, such waivers or authorizations are frequently extended.

Import Restrictions for Balance-of-Payments Reasons

On the opening date of the 21st Session of the Contracting Parties, 18 members were imposing import restrictions for balance-of-payments reasons under provisions of article XII or article XVIII:B, as indicated in the following tabulation:

Country	*GATT authority (article No.*[1]*)*
Brazil	XVIII:B.
Burma	
Ceylon	
Chile	
Denmark	XII.
Finland	
Ghana	XVIII:B.
Greece	
India	
Indonesia	
Israel	(2).
New Zealand	XII.
Pakistan	XVIII:B.
South Africa	XII.
Turkey	XVIII:B.
United Arab Republic [3]	
Uruguay	XII (unrevised).
Yugoslavia [3]	XVIII:B.

[1] Unless otherwise specified, the numbers identifying the articles of the General Agreement, as used in this chapter, are those of the amended agreement. By the end of 1963, the protocol amending the preamble and pts. II and III of the agreement was in force for all the contracting parties except Uruguay. Acceptance of these amendments by Chile (in 1962) and by Brazil (in 1963) transferred the authority for their import restrictions from the unrevised art. XII to the revised art. XVIII. For the General Agreement so amended, see *Basic Instruments . . .*, vol. III, *Text of the General Agreement, 1958*, Geneva, 1958.

[2] Authority not clear; Israel is considered "less developed" for some purposes. However, Israel agreed to annual consultations, a requirement under art. XII.

[3] Provisional member.

During the period here under review, 13 of the countries listed above reported to the Contracting Parties with respect to import restrictions imposed for balance-of-payments reasons. Ceylon reported at the 21st Session on the tariff increases imposed to overcome a threat to its monetary reserves and in May 1964 consulted with the committee on balance-of-payments restrictions concerning its quantitative import restrictions. India informed the Contracting Parties of an emergency surcharge

imposed on imports in addition to the quantitative restrictions previously authorized under article XVIII:B, and Uruguay requested and received an extension of a waiver permitting the use of certain temporary import surcharges. For 10 countries—Burma, Chile, Finland, Indonesia, Israel, New Zealand, South Africa, Turkey, United Arab Republic, and Yugoslavia—the committee on balance-of-payments restrictions reported to the 21st Session on the consultations held during 1963. A consultation with Denmark also scheduled for December 1963 was postponed because of a pending consultation with the International Monetary Fund (IMF). Before the close of the 21st Session, however, Denmark announced its removal of the restrictions.

During the period considered here, some contracting parties continued to maintain nontariff import restrictions originally imposed for balance-of-payments reasons, but no longer justified for such reasons. These import controls, known in GATT parlance as residual import restrictions, are treated below in the section on consultations and complaints.

Ceylon

As noted above, during the period under review Ceylon imposed both tariff and nontariff import controls for balance-of-payments reasons. A decision adopted by the Contracting Parties at the 20th Session had allowed Ceylon to increase its duties on a number of tariff items as an emergency measure.[35] This waiver of article II:1 obligations[36] was to expire December 31, 1964. Meanwhile, Ceylon was required to report on action taken to reduce or eliminate the additional duties and also to consult with the Contracting Parties at the 21st Session on the nature of its balance-of-payments difficulties. Consultations with the IMF were also required.

The statements made at the 21st Session by the representative of Ceylon and the representative of the IMF indicated that Ceylon's balance-of-payments difficulties were continuing. Its import program was still under review by the IMF. The Contracting Parties agreed that the two statements constituted the required consultation. Later, in May 1964, the committee on balance-of-payments restrictions held consultations with Ceylon to discuss the continuation and intensification of Ceylon's quantitative import restrictions. The representative of Ceylon explained that his country's balance-of-payments position had been deteriorating for about 8 years and that exchange reserves had declined sharply during 1963 primarily because of worsening terms of trade. The committee was scheduled to report on this consultation at the 22d Session.

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

[36] Art. II forbids imposition of a rate of duty in excess of that provided for in the appropriate schedule of tariff concessions annexed to the agreement.

India

On July 31, 1963, the Government of India informed the Contracting Parties that the Indian Parliament had imposed an emergency surcharge on imports in order to raise additional revenue to meet increased defense costs, to prevent a worsening of India's balance-of-payments position, and to combat inflation. The surcharge was applied at the uniform rate of 10 percent to all import duties, including those on which India had granted concessions in the General Agreement.

Both the IMF and the GATT committee on balance-of-payments restrictions met with the Indian representatives to discuss the financial aspects of the measure. In December 1963 the committee reported to the Council that, because of existing severe quantitative restrictions previously sanctioned, the surcharge had not caused a significant reduction in India's imports. Accordingly, the committee made no recommendation.[37]

Uruguay

Like Ceylon, Uruguay utilized both tariff and nontariff import controls to support its external financial position. Uruguay's monetary situation was reviewed in December 1963 by the committee on balance-of-payments restrictions in connection with Uruguay's request for an extension of the waiver originally granted in May 1961. That waiver had permitted Uruguay to apply certain import-duty surcharges as a temporary measure to redress deficits in its balance of payments and to simplify its complex system of surcharges and prior deposits. In accord with the IMF's decision that Uruguay's measures were not more severe than necessary to correct the situation, the committee advised granting the extension. Accordingly, the Council approved a draft decision extending the waiver until the close of the 21st Session. Although some contracting parties, including the United States, maintained at the 21st Session that Uruguay was applying the surcharges in a manner that discriminated against goods brought to Uruguay in foreign ships, the Contracting Parties extended the waiver until March 31, 1965. The extension was granted under the authority of article XXV:5; the original waiver of article II obligations had been granted in connection with Uruguay's quantitative restrictions maintained under the authority of article XII (unrevised).

Other countries

Consultation by the committee on balance-of-payments restrictions with Burma in December 1963 revealed that increased exports and reserves had greatly strengthened that country's balance-of-payments position. Since Burma's foreign trade had recently been nationalized, the consultants hesitated to assess the current outlook. The committee

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[37] Ordinarily a contracting party wishing to impose a surcharge on any articles in its schedule of concessions requests a waiver.

recommended, however, that Burma permit an increase in imports in 1964.

Consultations with Chile, Indonesia, and Turkey were held in June 1963, and with the United Arab Republic in December 1963. The reports for these countries noted no significant improvements in the respective balance-of-payments positions that would warrant liberalization of the quantitative restrictions sanctioned earlier.[38] Owing to the operation of government development programs, the trend of annual imports had been upward in each country, and that trend was expected to continue. Annual exports, also increasing in terms of value, had not kept pace with annual imports.

The consultation with Finland in June 1963 revealed that its weak balance-of-payments position continued. During the recent domestic recession, imports had not declined as much as anticipated, nor had exports increased appreciably. Nonetheless, some import restrictions and discriminations had been removed and certain global quotas had been increased. The committee on balance-of-payments restrictions welcomed these liberalizing measures taken despite the weak state of Finland's external finances.

The balance-of-payments consultation with Israel was held in December 1963. The report recorded a substantial increase in the export earnings and monetary reserves of Israel, as well as a relaxation of restrictions on both imports and invisible transactions. The committee urged further liberalization.

The report on the consultations held in December 1963 with New Zealand noted that an improved balance-of-payments position had allowed various liberalizing measures, including elimination of discrimination in the issuance of import licenses for automobiles from the dollar area. The Government took the position that further liberalization was prevented by New Zealand's dependence for export earnings on primary products which are subject both to considerable price fluctuation and to agricultural restrictions in major markets.

The consultation with South Africa in December 1963 revealed that great improvement in exports, in financial reserves, and in general economic conditions was accompanied by some measures to liberalize foreign trade. The committee expressed disappointment that further liberalization of the complex restrictions had not occurred. In May 1964 the committee reviewed an IMF report on South Africa's restrictions. The committee welcomed the liberalization measures that had been introduced

[38] During the consultation with Chile, consideration was also given to the request (made at the 20th Session) for an extension of a waiver of Chile's obligations under art. II to permit the imposition of import surcharges pending the completion of a new tariff. In June 1963 the Council extended the expiration date of that waiver to Dec. 31, 1964 (*Basic Instruments . . .*, 12th supp., pp. 52–53).

by South Africa in March 1964, and recommended that a plan for the elimination of the remaining restrictions be formulated. The representative of South Africa stated that his Government would implement the recommendations as rapidly as it appeared safe to do so.

In December 1963, at the time of the consultation, Yugoslavia's payments position appeared to be improving. In 1961 the Government had substituted a single rate of exchange for multiple rates, but had partially nullified the effect of this action by extending subsidies for the exportation of certain goods. Following an impressive increase in exports and improvement in reserves, the Government had eased trade restrictions considerably, and had reduced its reliance on bilateral agreements.

Special Exchange Agreements

On April 2, 1964, the Republic of Cuba withdrew from the International Monetary Fund, and the Fund notified the Executive Secretary of the General Agreement of this action. On April 20 the Executive Secretary addressed a communication to the Cuban delegation in Geneva, inquiring whether Cuba was prepared to enter into a special exchange agreement with the Contracting Parties, as required by article XV:6 of the General Agreement. On April 29 Cuba replied that it was taking steps to do so. In a communication received by the Executive Secretary early in May, however, Cuban representatives stated that the application of a special exchange agreement would raise a number of difficulties of a legal and practical nature, but promised that any exchange measures adopted by Cuba would be compatible with the principles of such an agreement, as well as with the objectives of the General Agreement. Accordingly Cuba requested a waiver from the requirement to enter into a special exchange agreement. Cuba's request was placed on the agenda of the next meeting of the Council, which was scheduled after the close of the period here considered.

Import Restrictions To Protect New Industries

Only one item relating to releases from obligations under article XVIII:C came before the Contracting Parties during the year. At the 21st Session, Ceylon requested and received an extension until August 27, 1968, of a release, originally granted in November 1958, that permitted import restrictions on certain textile goods.

U.S. Import Restrictions on Agricultural Products

In November 1963 the United States submitted its ninth annual report on its import restrictions of agricultural products; the report related to the

period September 1962–August 1963. Inasmuch as U.S. agricultural legislation required the imposition of some import restrictions which were inconsistent with U.S. commitments under articles II and XI of the General Agreement, the United States had in 1954 requested a waiver of such commitments. The Contracting Parties had granted the waiver in 1955 and required the United States to report annually on any actions taken.[39]

The U.S. report stated that, under section 22 of the Agricultural Adjustment Act, as amended, import controls were still maintained on wheat and wheat products, cotton of certain specified staple lengths, cotton waste and cotton picker lap, peanuts, and certain dairy products. No changes had been made in the restrictions during the period reviewed; a proposal by the U.S. Secretary of Agriculture to charge a fee on the cotton content of imported articles had been rejected on the basis of an investigation and report by the U.S. Tariff Commission.[40]

Since no changes in U.S. regulations had occurred, the report was not referred to a working party but was reviewed at the 21st Session. There, a number of contracting parties expressed appreciation for the comprehensive report by the United States, and for the limited use of import restrictions under section 22. Some expressed the desire for further relaxation and some hoped that the United States might be able to renounce the waiver at an early date; others suggested that the United States might ease the restrictions in the sixth round of negotiations.

Preferential Tariff Treatment

At the 21st Session the Contracting Parties considered reports relating to nine waivers of most-favored-nation obligations under article I that permitted contracting parties to accord preferential tariff treatment to certain of their imports. These waivers had been granted under the authority of article XXV:5.

Australian preferences for products of Papua-New Guinea

Australia presented its 10th annual report on trade with the Trust Territory of Papua-New Guinea. In 1953 the Contracting Parties had granted a waiver to Australia to permit duty-free treatment of certain products of Papua-New Guinea in order to aid their development. The 10th report indicated that in 1963 the authorized duty-free treatment was

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[39] Decision of Mar. 5, 1955 (*Basic Instruments . . .*, 3d supp., pp. 32–38). See also *Operation of the Trade Agreements Program*, 8th report, pp. 43–47.

[40] U.S. Tariff Commission, *Cotton Products: Report to the President on Investigation No. 22–25 Under Section 22 . . .*, TC Publication 69, 1962 [processed].

accorded to Australian imports of passion fruit, peanuts, coffee, specified forest products, and certain manufactures of wood, and that Australia had increased the margins of preference for coffee and certain timber. The report was noted with the understanding that interested contracting parties were free to request consultations with Australia on the timber items; consultations on coffee had been concluded.

Franco-German treaty on the Saar

France and the Federal Republic of Germany reported on their special relations with the Saar as allowed by a waiver granted in 1957. Trade between the Saar (part of the German customs and currency area) and France is duty free but subject to quotas. The sixth annual reports indicated that the volume of such trade was substantially less than that allowed by the quotas.

Italian preferences for products of Libya

In accordance with a 1952 decision waiving obligations under article I, Italy submitted the 11th annual report on its special customs treatment of Libyan products. The waiver had been granted to aid the developing economy of Libya. Though not a contracting party to the General Agreement, Libya submitted a report that confirmed the view expressed by Italy that Libya benefited from the special tariff treatment, particularly with respect to olive oil and tunafish.

Italian preferences for products of Somalia

Italy and Somalia[41] reported to the Contracting Parties on a waiver relating to their trade relations. In 1960, at Italy's request, the Contracting Parties had waived Italy's most-favored-nation obligation to allow it to extend preferential tariff treatment to Somali products. Such treatment had been authorized for 5 years, and reports from Italy and Somalia were required at the end of the third year. The required reports were submitted at the 21st Session. The report by Italy indicated that Italy was an important outlet for the products exported by Somalia, but Italy's imports from that country had declined considerably. The representative of Somalia reported on his Government's plans for diversifying agricultural production and encouraging the establishment of industries during the following 5 years.

Rhodesia-Nyasaland preferences for products of dependent territories of the United Kingdom

The Government of Rhodesia and Nyasaland, before the dissolution of the Federation,[42] submitted its third annual report under the waiver

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[41] The Somali Republic was one of the signatories of the convention signed at Yaoundé between the EEC and the associated overseas countries (see ch. 3).

[42] See footnote 3 to tabulation on p. 2 of this report.

relating to imports from dependent territories of the United Kingdom. That waiver, granted in 1960, permitted the Federation to reduce the preferential rates on certain items to assist the economic development of dependent territories of the United Kingdom. The report showed that during 1963 the Federation had accorded such treatment to imports of certain articles (principally clothing) from the dependent territories. The action was taken after due notification; no contracting party asked for consultations.

South African preferences for products of Rhodesia and Nyasaland

South Africa submitted its fourth annual report under the Contracting Parties' decision of June 4, 1960, waiving obligations under article I to allow special treatment of goods imported from Rhodesia and Nyasaland. The report noted that in June 1963 special treatment had been extended to certain knitted clothing and that requests for consultation in regard thereto had been received from the European Economic Community and the United States. Later the U.S. request was withdrawn, but the consultations with the EEC were still pending during the 21st Session.

United Kingdom preferences for products of dependent territories and Commonwealth countries

The United Kingdom submitted reports on actions under two waivers of its most-favored-nation obligations. One waiver, granted in 1953, permitted the United Kingdom under certain circumstances to reduce preferential rates on imports from Commonwealth countries; the other, granted in 1955, permitted preferential treatment for products of dependent overseas territories to assist their economic development. At the 21st Session, the United Kingdom reported that no action had been taken under either waiver since the preceding session of the Contracting Parties.

Escape-Clause Actions

During the period covered by this report, four contracting parties used article XIX to withdraw or modify tariff concessions in their GATT schedules.

Under the provisions of article XIX, the so-called escape clause,[43] a contracting party may suspend an obligation in whole or in part, or withdraw or modify a concession, if, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under the General Agreement, any product 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. Action under the escape clauser emains in effect to the extent and

[43] For a discussion of the escape clause of the U.S. Trade Expansion Act of 1962, see ch. 2.

for such time as may be necessary to prevent or remedy such injury. When a contracting party takes action under article XIX, it is required to notify the Contracting Parties and to consult with any adversely affected contracting party with a view to granting other concessions as compensation for those withdrawn or modified, or to permit the adversely affected party to withdraw concessions of interest to the party that took action under article XIX.

On the recommendation of the High Authority of the European Coal and Steel Community, France and Italy notified the Contracting Parties that on February 15, 1964, they would suspend tariff concessions on two classifications of pig iron. In the same month the Government of Austria advised the Contracting Parties that it was temporarily restoring restrictions on trade in chicken eggs and was prepared to consult with interested parties.[44] On March 9 these restrictions were removed. Australia gave notice that on May 14 it would increase its duty on certain heat-resisting glassware. In addition, Southern Rhodesia notified the Contracting Parties that on February 28, 1964, it had increased the tariff rate on imports of certain types of piece goods as a substitute for a quantitative restriction originally imposed under the escape-clause procedure.[45]

Other Modifications of Tariff Concessions

Open-season revisions

After 1947, the year when the first tariff negotiations under the General Agreement occurred, the contracting parties generally refrained from modifying or withdrawing tariff concessions extended to one another. Article XXVIII, as amended in 1955, provides for successive, automatically renewable 3-year periods—beginning January 1, 1958—during which contracting parties undertake to "freeze" their tariff concessions. Before the end of any 3-year period, however, a contracting party is faced with three choices: (1) To renew all the concessions in its schedule for the duration of the following 3-year period; (2) to enter into so-called open-season renegotiations with interested contracting parties for the modification or withdrawal of particular concessions to become effective on the first day of the next 3-year period; or (3) to reserve the right, for the duration of the next period, to modify its schedule of concessions. Whereas a decision to renew all its tariff concessions (the first choice listed) requires no formal action by a contracting party, a decision in favor of one of the alternatives does require that the Contracting Parties be duly notified.

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[44] Chicken eggs had been subject to "residual" import restrictions after Austria had ceased to apply quantitative restrictions for balance-of-payments reasons.

[45] See *Operation of the Trade Agreements Program*, 15th report, p. 33.

December 31, 1963, was the end of a 3-year period of firm validity of GATT concessions. Before that date both the EEC and Denmark gave notice of reserving the right during the next period to modify the schedules of their concessions. The EEC considered its action necessary in the event that the progressive application of its common commercial and agricultural policies should create a situation that required adjustment of the Community's schedule of concessions. The EEC expressed the hope of renouncing this reservation before December 31, 1966. Denmark's notice gave no explanation for the action. During the fall of 1963 a number of other contracting parties gave notice of their intentions to engage in open-season renegotiations. Many of these renegotiations, originally scheduled for conclusion by December 31, 1963, were still pending on June 30, 1964, including those between the United States and three countries that were modifying their schedules (viz, Australia, South Africa, and Finland). The same kind of renegotiations between the United States and Canada were concluded on February 28, 1964.[46]

Other tariff revisions

During the period under review two contracting parties—Peru and the United States—sought waivers in connection with revisions of their tariff schedules, and New Zealand sought an extension of such a waiver granted previously. Article XXVIII:4 of the General Agreement, as well as article XXV:5, permits the modification or withdrawal of concessions because of special or exceptional circumstances after authorization has been granted by the Contracting Parties.

Peruvian import charges.—A waiver that had been granted to Peru, under the authority of article XXV:5, to permit that country to impose an import surcharge pending the adoption of a new tariff schedule expired April 30, 1963; before that date Peru notified the Contracting Parties that it had eliminated the surcharge.[47] However, in November 1963 it imposed a new 10-percent surcharge.

At the 21st Session, Peru asked for authority under article XXV:5 to maintain the new surcharge on items in its schedule of GATT concessions and to renegotiate any concessions that were inconsistent with the proposed new tariff. A working party recommended (1) that a waiver be granted under the authority of article XXV:5 to permit the maintenance of the import surcharge either until the end of the 22d Session or until the negotiation of a new schedule of concessions, whichever should come first, and (2) that the Council consider the request for a waiver to permit renegotiations whenever information on the new tariff should become

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[46] The new concessions granted by Canada became effective Mar. 17, 1964 (Canadian Customs Memorandum D47/444).

[47] See *Operation of the Trade Agreements Program*, 15th report, pp. 41–42.

available. The Contracting Parties adopted the recommendation of the working party.

U.S. revised tariff schedules.—In 1962 the United States announced its intention of adopting a new tariff schedule. U.S. obligations under the General Agreement made the entry into force of its new tariff—the Tariff Schedules of the United States (TSUS)—contingent on either the completion of the appropriate negotiations with other GATT members as required under article XXVIII, or the obtainment of a temporary waiver of that requirement. Accordingly, consultations under article XXVIII were opened in September 1962. Later, when it became evident that the required negotiations would be lengthy and complex, the United States sought a waiver. In July 1963 the Contracting Parties granted the requested waiver under the authority of article XXV:5, and the TSUS was placed into effect on August 31, 1963. In June 1964 the expiration date of the waiver was extended by 1 year to June 30, 1965.[48]

New Zealand's tariff revision.—In June 1964 the Contracting Parties, by postal ballot, extended the validity of a waiver of New Zealand's obligations under article II. Originally granted in 1957, the waiver enabled New Zealand to put its new tariff schedule into effect before completion of the required renegotiations. The new expiration date was December 31, 1964.[49]

CONSULTATIONS AND COMPLAINTS

During the period here reviewed, a GATT panel adjudicated a U.S. claim against the EEC for impairment of a concession on poultry, and the United States took retaliatory action under the authority of article XXIII of the General Agreement. Meanwhile, a number of contracting parties, including the United States, made use of the consultation procedures of article XXII and complaint procedures of article XXIII in an attempt to solve specific trade problems with other GATT members. Details of the U.S. claim and action concerning poultry are discussed in chapter 2; the developments concerning other consultations and complaints are summarized here.

Although GATT articles XXII and XXIII are independent of one another, contracting parties at times proceed first under one article and then under the other in an attempt to obtain a satisfactory solution to a given problem. Article XXII requires a contracting party to consult when requested by another contracting party respecting any matter

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[48] For a discussion of these renegotiations, see ch. 2.

[49] See *Operation of the Trade Agreements Program*, 13th report, pp. 62–63, and 14th report, p. 37.

affecting the operation of the General Agreement.[50] If a satisfactory solution is not found through such bilateral discussions, the Contracting Parties may, at the request of a GATT member, arrange multilateral consultations regarding such matters.

Article XXIII provides that if a contracting party considers that a benefit accruing to it under the agreement is being nullified or impaired by the action of another contracting party, it may bring the alleged nullification or impairment to the attention of the party concerned. If an adjustment satisfactory to both parties does not result, the matter may be referred to the Contracting Parties for examination and appropriate recommendation. The Contracting Parties may authorize a contracting party to suspend the application to any other GATT member or members of such concessions or other obligations as they deem appropriate.

After 1960 the consultation and complaint procedures of articles XXII and XXIII were frequently employed to deal with the quantitative import restrictions imposed by individual contracting parties in contravention of GATT rules.[51] These so-called residual import restrictions were discussed at length during the 21st Session. The U.S. delegation reiterated the intention of the U.S. Government to utilize the procedures of these articles in dealing with the residual restrictions adversely affecting the United States; other contracting parties looked for a solution from the Kennedy Round negotiations, particularly from the negotiations of nontariff barriers.[52]

In the period July 1963–February 1964, seven countries reported to the Executive Secretary on their residual import restrictions. Benelux, Italy, and Norway submitted revised consolidated lists of their residual import restrictions; Japan submitted a list of such restrictions;[53] and Austria, Germany, and the United Kingdom gave notice of certain changes in their restrictions.

French import restrictions

The United States, as well as Canada, Australia, New Zealand, and Israel, had consulted with France in 1961 concerning France's residual import restrictions on agricultural products. France continued, however,

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[50] Various other articles of the General Agreement also provide for consultation between GATT members on the specific matters dealt with by the article concerned. Art. XXII, however, establishes the general consultation procedures.

[51] See *Operation of the Trade Agreements Program*, 15th report, p. 47.

[52] Sec. 252 of the U.S. Trade Expansion Act of 1962 directs the President to refrain from negotiating concessions under that act in order to obtain the reduction or elimination of any "unjustifiable foreign import restrictions [that] impair the value of tariff commitments made to the United States, oppress the commerce of the United States, or prevent the expansion of trade on a mutually advantageous basis."

[53] In March 1963 Japan had ceased to utilize the balance-of-payments justification under art. XII for the maintenance of quantitative import restrictions. Thereafter, Japan's quantitative restrictions were "residual."

to impose some of its residual restrictions during 1962; hence, the United States appealed to the Contracting Parties. France was advised to withdraw the restrictions that were inconsistent with article XI, particularly those which had been specifically complained of by the United States. At the same time, the Contracting Parties recommended that the United States refrain, for a reasonable period, from exercising its right to suspend equivalent obligations or concessions.

In February 1964 representatives of France and the United States had further discussions on the subject of France's import restrictions, and, with a view to reaching a final settlement, made arrangements for a resumption of discussions at a later date.

United Kingdom import quotas

An article XXII consultation with the United Kingdom regarding its import quotas on fresh winter grapefruit and processed orange and grapefruit products was initiated by the United States in July 1963. In August, Jamaica, Trinidad and Tobago, and Israel joined in the consultation. The United States maintained that the United Kingdom imposed no quantitative restrictions on imports of such products from any major citrus-producing country except the United States. The small countries expressed the fear that they would be unduly hurt by U.S. competition if the restrictions were removed. In March 1964 the United Kingdom removed the complained-of restrictions from imports of frozen concentrated orange juice only.

Japanese restrictions

In December 1963 the United States notified Japan of its intention to consult under article XXII concerning that country's tariff treatment of sea water magnesite. Final agreement with Japan was not obtained within the period under review.

Austrian restrictions

In July 1963 the United States requested Austria to consult under article XXII concerning quantitative restrictions that it maintained on more than 40 products; during the following September about 30 items were added to the list. Australia and Italy joined in the consultations, which were held in December 1963 and June 1964. Meanwhile, Austria freed a number of items from import controls.

At the Netherlands' request a consultation under article XXII was held with Austria in June and November of 1963 regarding Austria's quantitative import restrictions, health regulations, and import fees that applied to a number of meat products. The United States joined in the consultation. In December it was announced that with relaxation of some of the complained-of restrictions the consultation would be regarded as concluded; the Netherlands reserved the right, however, to appeal to the Contracting Parties for an examination of any quantitative restrictions maintained by Austria on the eight items concerned.

Restrictions against Uruguayan exports

After consultation under article XXII with 15 contracting parties[54] in 1961 for the removal of certain import restrictions, Uruguay had appealed to the Contracting Parties in accordance with the complaint procedure outlined in article XXIII. A panel appointed by the Contracting Parties consulted with each of the 15 countries and found that 7 of them maintained restrictions that nullified or impaired concessions granted to Uruguay under the agreement. In July 1963, the panel was reconvened to examine the extent to which the 7 countries had removed the offending restrictions. In October it reported that West Germany and Sweden had complied with the GATT request for removal of the complained-of restrictions; Austria, France, and Italy had complied in part; Norway had initiated a study looking toward compliance; and Belgium had made no change in its regulations, claiming that they were not in contravention of the agreement.[55]

The panel suggested that Uruguay, if not fully satisfied in all instances, should refer the matters at issue to the Council. The panel also recommended that a multilateral consultation be held to review the sanitary regulations of contracting parties which Uruguay alleged unjustly exclude Uruguayan meat products. The question of certain phases of the common agricultural policy of the European Economic Community, which, Uruguay held, were detrimental to its export position, was deferred for consideration in connection with the sixth round of trade negotiations.

OTHER DEVELOPMENTS RELATING TO THE GENERAL AGREEMENT

Nonapplication of the Agreement Between Particular Contracting Parties

At the 21st Session the Contracting Parties again reviewed the extent to which article XXXV was being invoked against Japan by GATT members. This article provides that the General Agreement shall not apply between any two contracting parties if either of them, at the time either of them becomes a contracting party, does not consent to such application. In that event, either contracting party may withhold from the other the application of any part of the agreement, including the tariff concessions granted to other countries under the agreement.

At the session the Japanese representative expressed regret at the disposition of the newly acceding countries to invoke the article, or to

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[54] Austria, Belgium, Canada, Czechoslovakia, Denmark, Finland, France, West Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, and the United States.

[55] In March 1964 Belgium notified the Contracting Parties that it had removed some of the restrictions.

maintain the invocation initiated by their former mother countries. He reported that since May 1963 6 GATT members (Australia, France, Rhodesia-Nyasaland, Belgium, the Netherlands, and Luxembourg) had withdrawn their application of article XXXV against Japan but that 12 countries acceding to the GATT (Chad, Cyprus, Dahomey, Ivory Coast, Jamaica, Kenya, Madagascar, Mauritania, Niger, Senegal, Spain, and Togo) had invoked article XXXV and had thereby decided not to apply initially the provisions of the agreement to Japan. Some of the newly acceded countries, however, were not actually discriminating against Japan, and some had agreed to enter into contractual relationships with Japan after bilateral discussions.

The delegates of the United States and of several other developed countries stressed the importance of treating Japan as an equal and urged all GATT members that still discriminated against that country to disinvoke article XXXV. The United States pointed out that the less developed countries were afforded special protection under the GATT, making article XXXV action unnecessary.

In the weeks immediately following the 21st Session, the United Kingdom disinvoked article XXXV as previously applied against Japan, on behalf of a number of listed dependent territories. Iceland, a provisional GATT member, announced its intention when it became a full member not to invoke article XXXV against any country. At the end of June 1964, no major trading country was withholding application of the agreement to Japan; nevertheless, 27 of the 62 contracting parties still did so.

Implementation of the Cotton Textile Arrangement

During the year under review, various countries continued to participate in the Long-Term Arrangement Regarding International Trade in Cotton Textiles. An account of the arrangement, which had been negotiated under the auspices of the General Agreement, and of the U.S. restrictions imposed thereunder, is found in chapter 2.[56]

The first annual review of the arrangement by the Cotton Textiles Committee, which had been created by the Contracting Parties, was completed on December 6, 1963. During the course of the Committee's review, representatives of less developed countries expressed concern that excessive use of import restrictions, imposed under the arrangement to prevent market disruption, was thwarting another purpose of the arrangement—i.e., expansion of opportunities for the exports of the less developed countries.

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[56] For a more comprehensive account of the long-term arrangement, see *Operation of the Trade Agreements Program*, 15th report, pp. 71–74.

Article 4 of the arrangement permitted the participating countries to conclude bilateral agreements regarding trade in cotton textiles. Such agreements would regulate trade between the nations involved and thus obviate the need for the unilateral restrictions authorized under article 3. During the year a number of bilateral agreements were negotiated, the United States being a party to most of them. The United States concluded agreements with the Republic of China, Hong Kong, India, Israel, Jamaica, Japan, the Republic of the Philippines, Portugal, the Ryukyu Islands, Spain, and the United Arab Republic. An earlier agreement between the United States and Italy continued in force. On June 30, 1964, agreements were also in effect between Canada and Japan, and Norway and Hong Kong.

Trade in Primary Products

At the 21st Session the Contracting Parties reviewed developments relating to trade in primary products. Pursuant to a resolution adopted in 1956,[57] this review was based primarily on a report by the Chairman of the Interim Coordinating Committee for International Commodity Arrangements (ICCICA). The Chairman's report focused on (1) the various commodity arrangements sponsored by the United Nations and (2) the disposal of surplus stocks.

In his report the Chairman of the ICCICA called attention to the special study entitled "Inter-governmental Commodity Agreements," which his Committee had prepared for the United Nations Conference on Trade and Development.[58] He then gave a résumé of the consultations on primary commodities held during 1963 under the aegis of the United Nations, namely, those on olive oil, sugar, coffee, cocoa, tungsten, lead, and zinc. He reported that the ICCICA regarded the negotiation of agreements, commodity by commodity, as the only satisfactory way to meet the trade problems of primary products.

The U.S. representative commented that the United States recognized the difficulty of reconciling the aims of producers and consumers of primary products within the framework of international agreements. He reported, however, that the United States was prepared to examine new commodity proposals in a cooperative spirit.[59] The sixth round of

[57] Resolution of Nov. 17, 1956 (*Basic Instruments . . .*, 5th supp., p. 26). See also *Operation of the Trade Agreements Program*, 13th report, p. 69.

[58] United Nations, *Proceedings of the United Nations Conference on Trade and Development, Geneva, 23 March–16 June 1964*, New York, 1964, vol. III, pp. 113–139.

[59] On previous occasions the United States had been reluctant to support international agreements on primary commodities although it had participated in the agreements on sugar (in 1937) and wheat (in 1949). At the 10th and 11th Sessions of the Contracting Parties, for example, the United States had taken the position that an additional agreement of this kind was neither necessary nor desirable (see *Operation of the Trade Agreements*

negotiations, the U.S. delegate hoped, would give increased access to markets for all commodities.

On the question of the disposal of surplus stocks, the Chairman of the ICCICA noted that the various governments holding such stocks had been careful not to disrupt world markets. He noted that governments holding surplus stocks had taken the following steps which the ICCICA endorsed: (a) Lengthening of the time required for giving notice of intention to liquidate stocks; (b) consulting with multilateral groups concerned with particular commodities; and (c) relating the time of disposal to market conditions.[60] The problems relating to the disposal of surplus stocks were to be fully reviewed in the ICCICA's next report to the Contracting Parties.

Progressive Elimination of Consular Formalities as Import Restrictions

One of the continuing items taken up at the 21st Session consisted of progress reports from member countries on their efforts to eliminate unnecessary documents, formalities, and fees in connection with importation or exportation, as required by article VIII of the agreement. In 1962 a special panel had listed the countries that still maintained cumbersome procedures. Only a few such countries reported to the 21st Session, since many of them had already conformed with the GATT requirement.

Turkey reported that its legislature was considering bills to simplify consular procedures and eliminate the use of consular fees. Uruguay had simplified various procedures but retained certain fees. Brazil had simplified consular formalities and reduced some fees, but had been unable to remove them entirely. Yugoslavia had largely complied with article VIII and was progressing to complete compliance. Argentina reported that it had removed its consular formalities and fees but had then reinstated the fees. Indonesia reported that under present circumstances no action to reduce the formalities and fees was possible. The Contracting Parties agreed to hear another progress report at the 22d Session.

Program, 13th report, p. 68). At the 20th Session the U.S. representative stated that commodity agreements, which might provide important short-term relief, treated only the symptoms of the underlying difficulties. He noted also that the General Agreement, particularly through the activities of its committee III and the special group on trade in tropical products, was in a position to improve conditions in world commodity markets ("Report to the Secretary of State by the Chairman of the United States Delegation to the Twentieth Session of the Contracting Parties to the General Agreement on Tariffs and Trade, Held at Geneva, Switzerland, October 23–November 16, 1962," appended to the *Seventh Annual Report of the President of the United States on the Trade Agreements Program*, 1963).

[60] The ICCICA report, in effect, briefly summarized the information on government-owned stocks submitted previously to the 21st Session by the following GATT members: Australia, Canada, the Netherlands, Sweden, the United Kingdom, and the United States.

Subsidies

During the period under review, the Contracting Parties to the General Agreement approved a second declaration providing for an extension of a "standstill" in the use of export subsidies by GATT members; no changes in subsidies affecting their foreign trade were reported to the Contracting Parties by any GATT member.

As originally adopted, article XVI of the General Agreement provided that any contracting party granting or maintaining any subsidy, including any form of income or price support, which operated directly or indirectly to increase its exports or reduce its imports of any product had to notify the Contracting Parties of the extent and nature of the subsidization. A contracting party granting a subsidy found to be seriously prejudicial to the interests of any GATT member had to discuss the possibility of limiting the subsidization. In 1955 an amendment was proposed to require the GATT members to cease granting export subsidies on nonprimary products. Among other matters, the amendment provided that "from 1 January 1958 or the earliest practicable date thereafter, contracting parties shall cease to grant either directly or indirectly any form of subsidy on the export of any product other than a primary product which subsidy results in the sale of such product for export at a price lower than the comparable price charged for the like product to buyers in the domestic market."[61] Although most contracting parties had ratified the amendment to article XVI by 1960, they had not found it possible to provide for terminating their subsidies.[62] In that year, therefore, the Contracting Parties adopted a declaration which, on acceptance by the individual GATT members, would establish target dates for the cessation of subsidies and thus would effectuate the 1955 amendment.[63] By the close of the period here reviewed, this "cessation" declaration had been accepted by only 18 contracting parties,[64] whereas the amendment to article XVI had been ratified by all except Uruguay.

The "standstill" declaration adopted by the Contracting Parties at their 21st Session in March 1964 provided that until December 31, 1967,

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[61] *Basic Instruments . . .*, vol. III, p. 31. The amendment also required that contracting parties seek to avoid subsidizing exports of primary products; it set forth guidelines for the subsidies granted on exports of such products. See *Operation of the Trade Agreements Program*, 8th report, pp. 13–14.

[62] See, for example, the report of the GATT working party on subsidies in *Basic Instruments . . .*, 9th supp., pp. 185–188.

[63] Declaration of Nov. 19, 1960, *Basic Instruments . . .*, 9th supp., pp. 32–33.

[64] Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Southern Rhodesia, Sweden, Switzerland, Uganda, the United Kingdom, and the United States. For the listed countries except Japan, the cessation date for export subsidies on nonprimary products was Nov. 14, 1962; it was Apr. 30, 1964, for Japan.

the signatory contracting parties would not extend the scope of their export subsidies on nonprimary products beyond that existing on March 5, 1964.[65] This 1964 declaration extended the "standstill" relating to export subsidies among GATT members that had been approved in 1957 and extended in 1960.[66]

As noted above, article XVI requires GATT members to report to the Contracting Parties on the nature and extent of the subsidies they maintain. At their 20th Session in the fall of 1962, the Contracting Parties had modified the reporting procedures. Thereafter, triennial reports were required, the first to be submitted by the end of January 1963. Any changes in subsidies, however, were to be reported annually; no changes were reported during the period here reviewed.

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[65] *Basic Instruments . . .*, 12th supp., pp. 50–52.

[66] *Basic Instruments . . .*, 6th supp., pp. 24–25; 9th supp., pp. 33–35.

Chapter 2

Actions of the United States Relating to Its Trade Agreements Program

U.S. TRADE-AGREEMENT OBLIGATIONS

At the end of June 1963 the United States had trade-agreement obligations in force with 58 countries. The mutual obligations with 50 of them had resulted from joint membership in the General Agreement on Tariffs and Trade (GATT). Those with 6 countries resulted from bilateral trade agreements between the United States and the respective powers, and those with 2 countries (Argentina and Switzerland), from both GATT membership and bilateral trade agreements. During the ensuing 12 months, 12 countries acceded to the General Agreement; the United States and Spain (1 of the 12) were already parties to a temporary bilateral trade agreement, which terminated on Spain's accession to the General Agreement. Thus, on June 30, 1964, the United States had trade-agreement obligations with 69 countries.

Status of U.S. Trade Agreements

The tabulation below lists the countries with which the United States had trade-agreement obligations on June 30, 1964 (the countries designated by an asterisk acceded to the General Agreement during the period covered by this report):

Full Contracting Parties [1]

Australia
Austria
Brazil
Burma
Cameroon
Canada
Central African Republic
Ceylon
*Chad
Chile
Congo (Brazzaville)
Cuba [2]
*Cyprus
*Dahomey
Denmark
Dominican Republic
European Economic Community (EEC):
Belgium
France
Germany (Federal Republic)
European Economic Community—Continued
Italy
Luxembourg
Netherlands
Finland
Gabon
Ghana
Greece
Haiti
India

See footnotes at end of table.

Full Contracting Parties—Continued

Indonesia	Nicaragua	*Spain
Israel	*Niger	Sweden
*Ivory Coast	Norway	Tanganyika
*Jamaica	Pakistan	*Togo
Japan	Peru	Trinidad and Tobago
*Kenya	Portugal	Turkey
Kuwait	*Senegal	Uganda
*Madagascar	Sierra Leone	United Kingdom
Malaysia	South Africa	Upper Volta
*Mauritania	Southern Rhodesia	Uruguay
New Zealand		

Provisional Contracting Parties [3]

Argentina	Tunisia
Switzerland	United Arab Republic

Bilateral Trade Agreements

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

[1] A total of 62 countries, including the United States and Czechoslovakia, were full contracting parties to the General Agreement on June 30, 1964. In September 1951 the United States, with the permission of the Contracting Parties, had suspended its obligations to Czechoslovakia.

[2] The trade-agreement obligations to Cuba were, in effect, nullified by the U.S. imposition of an embargo on trade between the United States and Cuba in February 1962; in May 1962 the United States suspended the application of trade-agreement rates of duty to products of Cuban origin.

[3] Yugoslavia and Iceland were provisional members of the General Agreement, but the United States had not accepted the declaration of provisional accession for either of them.

[4] The schedules of concessions and related general provisions have been terminated.

The accession of the 12 countries to the General Agreement as full contracting parties during the period considered here did not materially alter U.S. trade-agreement rights and obligations. Eleven of these countries (all but Spain) acceded under the provisions of article XXVI of the General Agreement. This article permits a contracting party to sponsor the accession of a former territory on behalf of which that sponsor had previously accepted the rights and obligations of the agreement. The 12th country—Spain—acceded to the General Agreement in August 1963, but, as noted above, an interim agreement negotiated at the 1960–62 GATT tariff Conference (effective Dec. 31, 1962) had previously provided for the exchange of concessions negotiated under the General Agreement between the United States and that country.[1]

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[1] For details of the trade agreement between the United States and Spain, see *Operation of the Trade Agreements Program*, 15th report, ch. 3.

U.S. Tariff Policy Respecting Communist Countries

As an exception to its traditional policy of "generalizing" its trade-agreement concessions to all countries,[2] the United States continued, during the period reviewed, to suspend trade-agreement rates of duty to imports from Communist countries and areas.[3] Initially, section 5 of the Trade Agreements Extension Act of 1951 provided for the suspension of trade-agreement concessions to imports from the Union of Soviet Socialist Republics and any other nation or area designated by the President as either dominated or controlled by the foreign government or foreign organization controlling the world Communist movement. Although section 231 of the Trade Expansion Act of 1962 contained a similar provision, the language differed somewhat from that of the earlier legislation.[4] The altered language was intended to assure that products imported from Cuba, Poland, and Yugoslavia would not be accorded trade-agreement rates of duty. At the time that section 231 was enacted, Cuban products were in fact being denied trade-agreement rates of duty,[5] but those of Poland and Yugoslavia were not. After the passage of the Trade Expansion Act, the administration sought legislation to restore to the President discretionary authority to accord trade-agreement rates of duty to imports from Poland and Yugoslavia. In December 1963 the act was amended to authorize the President to extend trade-agreement concessions to imports from Poland and Yugoslavia if he determined that such treatment would be important to the national interest and would promote the independence of those countries from domination or control by international communism. On March 26, 1964, the President made the appropriate determinations,[6] and announced that the United States would continue to apply trade-agreement concessions to imports from Poland and Yugoslavia.

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[2] The U.S. policy of "generalizing" trade-agreement concessions was initially established by the Trade Agreements Act of 1934 and was continued by sec. 251 of the Trade Expansion Act of 1962.

[3] Albania, Bulgaria, any part of China under Communist domination or control, Cuba, Czechoslovakia, Estonia, the Soviet Zone of Germany and the Soviet sector of Berlin, Hungary, Indochina (any part of Cambodia, Laos, or Vietnam under Communist domination or control), any part of Korea under Communist domination or control, the Kuril Islands, Latvia, Lithuania, Outer Mongolia, Rumania, Southern Sakhalin, Tannu Tuva, Tibet, and the Union of Soviet Socialist Republics (including the area in East Prussia under the provisional administration of the U.S.S.R.).

[4] See the section on general provisions, in the appendix.

[5] Pursuant to sec. 401(a) of the Tariff Classification Act of 1962.

[6] 29 F.R. 4851.

TRADE-AGREEMENT NEGOTIATIONS AND CONSULTATIONS IN 1963–64

In the period under review, the United States prepared for its participation in the sixth round of tariff negotiations under the General Agreement on Tariffs and Trade (the Kennedy Round) and negotiated with a number of countries regarding the implementation of the new Tariff Schedules of the United States (TSUS). The United States and the European Economic Community consulted regarding the restrictions of the EEC on imports of poultry.

On July 1, 1963, the second (and, generally, final) stage of most of the concessions granted by the United States at the 1960–62 GATT tariff Conference became effective. A few of those concessions were to become operative in three steps; the third step was scheduled to enter into force a year later. The second stage of the concessions granted to Spain at the 1960–62 Conference became effective on January 1, 1964.[7]

Preparations for the Sixth Round

In October 1963 the President gave formal notice of the intention of the United States to undertake trade-agreement negotiations at the GATT sixth round, and published a list of articles (the so-called public list) on which it would consider granting trade-agreement concessions.[8] Under section 221 of the Trade Expansion Act of 1962, the Tariff Commission promptly instituted an investigation preparatory to advising the President of its judgment as to the probable economic effects on domestic industries of the possible tariff concessions. Under other provisions of the Trade Expansion Act and associated Executive orders, the Trade Information Committee undertook public hearings to provide interested persons the opportunity to present their views concerning any matter perti-

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[7] For an account of the 1960–62 Conference, see *Operation of the Trade Agreements Program*, 14th report, ch. 1. For an account of the negotiations with Spain, see *Operation of the Trade Agreements Program*, 15th report, ch. 3.

[8] In his notice, the President indicated that he intended to use the authority conferred by the Trade Expansion Act of 1962 primarily in multilateral trade-agreement negotiations under the General Agreement on Tariffs and Trade, but that he might use it to conclude other agreements including ones required to compensate other nations for modifications or withdrawals of U.S. trade-agreement concessions. (Office of the Special Representative for Trade Negotiations, *Negotiations Under the Trade Expansion Act of 1962: Notice of Proposed Trade Agreement Negotiations and Articles to be Considered for Negotiation*, October 1963.)

nent to the proposed trade-agreement negotiations, and Government agencies instituted various programs to prepare for the negotiations.[9]

On May 4, 1964, the sixth round of tariff negotiations under the General Agreement on Tariffs and Trade formally opened at Geneva, Switzerland. The negotiations were scheduled to continue for a number of months.

The public list

Section 221 of the Trade Expansion Act of 1962 provided, among other matters, that, before entering into trade-agreement negotiations, the President must publish a list of articles being considered for trade-agreement concessions. For each listed article on which a reduction in the rate of duty in excess of the President's basic trade-agreement authority was to be considered (i.e., in excess of 50 percent of the rate in effect on July 1, 1962), the President was to specify the section or sections of the act under which such reductions might be made.

On October 21, 1963, the President published the list of articles that would be considered for trade-agreement concessions in the sixth round of GATT negotiations. Except for a few items, the list included every article provided for in the Tariff Schedules of the United States (TSUS). As required by section 225(a) of the Trade Expansion Act, articles for which an action was in effect under the escape-clause or national security provisions of the trade-agreement legislation[10] were reserved from consideration for reduction of duty or other import restriction or elimination of duty. The articles so reserved because they were subject to escape-clause actions included cotton typewriter-ribbon cloth, certain carpets and rugs, sheet glass, lead and zinc, stainless-steel table flatware, clinical thermometers, watch movements, and safety pins. These articles involved 67 TSUS items; U.S. imports of them in 1964 were valued at $209 million.[11] The articles that were reserved because they were subject to national-security action included crude petroleum, unfinished petroleum oils, and certain finished petroleum products. These articles were included in 13 TSUS items; U.S. imports of articles classified under these items were valued at $1,977 million in 1964. As required by section 257(h) of the Trade Expansion Act, the public list of October 1963 also provided, in effect, that any import restrictions (i.e., import fees or import

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[9] The procedures followed by the Executive branch of the U.S. Government in preparing for trade-agreement negotiations in general and the sixth round of GATT negotiations in particular have been discussed in detail elsewhere. See, for example, Honoré M. Catudal, "How a Trade Agreement Is Made," *Department of State Bulletin*, Feb. 24, 1958, vol. 38, p. 286, and Allen H. Garland, "Kennedy Round Opens," *International Commerce*, May 4, 1964, p. 2. The committee structure that forms the interdepartmental trade-agreement organization is set forth in the appendix (see the section on administrative provisions).

[10] Secs. 232, 351, or 352 of the Trade Expansion Act of 1962, sec. 2(b) of Public Law 83–464, as amended, or sec. 7 of the Trade Agreements Extension Act of 1951, as amended.

[11] Excludes the value of watch movements contained in cased watches.

quotas) imposed by the United States under section 22 of the Agricultural Adjustment Act would not be considered for modification. The articles subject to restrictions under section 22 included certain dairy products, wheat and wheat flour, peanuts, and cotton and certain cotton wastes; the rates of duty or other import restrictions applicable to the products involved, however, were to be considered for possible trade-agreement concessions.

As indicated above, the public list identified those articles on which the elimination of the rates of duty or the reduction in rates below the President's basic trade-agreement authority would be considered under various sections of the Trade Expansion Act. The categories of such articles were identified as follows: (1) Articles for which the rate of duty on July 1, 1962, was not more than 5 percent ad valorem or equivalent thereto (sec. 202); (2) "agricultural" articles,[12] in carrying out trade agreements with the European Economic Community (sec. 212); and (3) tropical agricultural or forestry commodities of a kind not produced in significant quantities in the United States (sec. 213).[13] The respective sections of the Trade Expansion Act, the number of TSUS items listed for each, and the value of U.S. imports of articles covered by those TSUS items in 1964 are shown in the following tabulation (in thousands of dollars):

Section No.	*Number of TSUS items*	*U.S. imports in 1964*
202	394	1,846
212	751	1,862
213	32	120

Investigation by the Tariff Commission under section 221 [14]

On October 22, 1963, the President submitted to the Tariff Commission the list of articles to be considered for trade-agreement concessions. The Tariff Commission immediately instituted an investigation under section 221 of the Trade Expansion Act of 1962.[15] On October 22 the Commission issued public notice of the investigation and of public hearings to be

[12] Articles listed in the September 1959 issue of Agriculture Handbook No. 143 of the Department of Agriculture.

[13] Sec. 211 of the Trade Expansion Act authorized the President, in concluding trade agreements with the European Economic Community (EEC), to eliminate duties on articles in any category for which he had previously determined that the United States and the EEC accounted for at least 80 percent of the total free-world export value in a representative period. The public list of October 1963 did not specify any items that might be considered for trade-agreement concessions under this section. In the announcement accompanying the list, the Office of the Special Representative indicated that a supplement to the public list would probably be issued listing items to be considered for concessions under the authority granted by sec. 211. During the period here considered, no supplement was issued.

[14] The provisions of sec. 221 are described in detail in the appendix.

[15] Investigation TEA–221(b)–1.

held beginning December 2, 1963.[16] The notice also provided that the Commission would receive requests for the reservation from negotiation of articles that qualified for such treatment under the provisions of section 225(b) of the Trade Expansion Act.

The public hearings held in connection with the investigation began on December 2, 1963, and continued with little interruption through March 1964. The Commission heard testimony from 800 witnesses and received 650 written statements or briefs. Its staff prepared digests of information pertaining to each of the articles on the President's list; they were assembled in 55 volumes, arranged by tariff schedules. On April 22, 1964, the Commission submitted to the President its advice regarding the probable economic effects of reductions in the import duties on each of the listed articles, and included for reference the digests that had been prepared.[17]

Concurrently with its investigation under section 221, the Commission conducted a series of investigations under section 225(b) of the Trade Expansion Act respecting requests for reservation of certain items from negotiation.[18] In brief, that section requires that the President reserve from trade-agreement negotiations articles for which the Tariff Commission had made a "finding of injury" in an earlier escape-clause investigation but for which no escape-clause action was in effect, provided that the Commission found that economic conditions in the industry concerned had not substantially improved subsequent to the date of the escape-clause finding.

The Tariff Commission's public notice of October 22, 1963, listed the articles—18 in all—that might be subject to reservation from negotiation under section 225(b). As noted, requests could be filed on behalf of the industry concerned; they had to be submitted not later than 60 days after the date of publication of the President's list. After the 60 days had elapsed, the Commission, on December 23, 1963, issued a supplementary public notice, indicating that investigations had been instituted under section 225(b) on 15 articles, and set dates for public hearings with respect to each.[19]

On April 22, 1964, the Commission reported to the President the results of its investigations under section 225(b). The Commission found that economic conditions in the industries producing four articles—garlic, ferrocerium and other cerium alloys, spring-type clothespins,[20] and

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[16] 28 F.R. 11290.

[17] The Commission's advice to the President is not made public.

[18] Investigations TEA–225(b)–1 to TEA–225(b)–15.

[19] 28 F.R. 14354.

[20] The Commission divided evenly in its vote (3–3) on whether economic conditions in the industry concerned had improved; the duty on spring-type clothespins, therefore, may be subject to negotiation.

bicycles—had substantially improved subsequent to the date of its escape-clause finding; consequently, those articles were not reserved from trade-agreement negotiations. The Commission, in accordance with section 221(b) of the Trade Expansion Act, submitted its advice to the President as to the probable economic effect of modification of the respective duties or other import restrictions on the domestic industries involved. With respect to 10 products—groundfish fillets, hatters' fur, velveteens of cotton, cream of tartar, ceramic mosaic tile, certain scissors and shears, baseball and softball gloves and mitts, dressmakers' pins, umbrella frames, and certain brier pipes—the Commission found that economic conditions in the industries concerned had not improved; hence, these articles were reserved from the pending trade-agreement negotiations. The Commission did not make a finding on one article (tartaric acid) because it ascertained during the investigation that no domestic industry was producing it.

Hearings by the Trade Information Committee

Section 223 of the Trade Expansion Act directed the President to afford an opportunity for any interested person to present views concerning any article being considered for possible trade-agreement concessions or any other matter relevant to proposed trade agreements. In his public notice of October 1963, the President announced that the Trade Information Committee, an interagency committee established by the Special Representative for Trade Negotiations, would conduct hearings for that purpose.[21] These hearings were held concurrently with, but separately from, those conducted by the Tariff Commission. The Committee hearings, initiated on December 2, 1963, continued into March 1964. Although interested persons could testify regarding any aspect of the prospective negotiations, the Committee suggested that presentations be devoted chiefly to four subjects: (1) Reductions in rates of duty which the United States should seek from other nations; (2) nontariff barriers imposed by other nations which the United States should seek to have removed or modified; (3) articles upon which the modification or continuance of the U.S. tariff duties should be offered; and (4) other U.S. import restrictions on which concessions should be offered. After the hearings were completed, the Committee prepared summaries of the information received for use in the prospective trade-agreement negotiations.

Activities by other Government agencies

As part of U.S. preparations for negotiations at the sixth round, the Business and Defense Services Administration of the Department of Commerce held a series of discussions with representatives of various industries to develop information on nontariff trade barriers affecting

[21] The President had earlier delegated his function under sec. 223 to the Special Representative for Trade Negotiations, who in turn had established the Trade Information Committee to conduct hearings. See the appendix.

U.S. exports. Questionnaires were sent to about 2,000 firms to obtain detailed information. By the end of October 1963, when the work was completed, a series of 63 consultations had been held with industries accounting for the bulk of U.S. exports. The data obtained were furnished to the Special Representative for Trade Negotiations to provide a part of the extensive background information developed for use in the sixth round of negotiations.

Implementation of the New U.S. Tariff Schedules

On August 31, 1963, new U.S. tariff schedules—the Tariff Schedules of the United States—were placed in effect by the President, replacing those set forth in the Tariff Act of 1930, as amended. The Tariff Classification Act of 1962 had directed the President to proclaim the new schedules, but he was first to take such action as he deemed necessary to bring U.S. trade-agreement concessions into conformity with the TSUS.

In order to harmonize U.S. concessions in the General Agreement on Tariffs and Trade with the TSUS, the United States had in 1962 begun consultations with other GATT countries. In July 1963 the Contracting Parties granted the United States a 1-year waiver, which under the GATT rules would permit the TSUS to be placed into effect before the completion of the renegotiations; later, the expiration date of the waiver was extended to June 30, 1965.[22]

The formal renegotiations under article XXVIII:4 began in October 1963 in Geneva.[23] It was anticipated that bilateral negotiations would be required between the United States and each of the following GATT contracting parties:

Australia
Austria
Brazil
Canada
Ceylon
Chile
Denmark
Dominican Republic
EEC:
  Belgium
  France
  Germany
    (Federal Republic)
EEC—Continued
  Italy
  Luxembourg
  Netherlands
Finland
Greece
Haiti
India
Indonesia
Israel
Japan
New Zealand
Nicaragua
Norway
Pakistan
Peru
Portugal
Rhodesia-Nyasaland
South Africa
Spain
Sweden
Switzerland [1]
Turkey
United Kingdom
Uruguay

[1] Negotiations with Switzerland involved the U.S. concessions annexed to the Declaration of the Provisional Accession of the Swiss Confederation to the GATT as well as the U.S. concessions in the bilateral agreements with Switzerland of 1936 and 1955.

[22] See the section on U.S. revised tariff schedules in ch. 1.

[23] In the renegotiations the United States was represented by a technical subcommittee of the Trade Staff Committee (see the section on administrative provisions in the appendix).

During the period under review, the renegotiations were conducted chiefly at Geneva in October–December 1963. Thereafter they were continued sporadically both at Washington and at Geneva. Meanwhile, the use of the TSUS revealed certain errors in the new schedules, which had inadvertently raised or lowered rates of duty on certain articles. Such errors complicated the renegotiations, first, because some of those involving increased duties might require the granting of compensatory concessions by the United States, and, second, because it appeared that some of them might be corrected by congressional action (thus obviating the need for compensation). On December 13, 1963, the Ways and Means Committee of the House of Representatives invited interested parties to submit written statements and briefs for suggested changes in the TSUS; the committee stated that it would consider changes where "a prima facie case could be made that through oversight or inadvertence or lack of information, errors were made in the new schedules . . . ." [24] No formal action was taken by the Ways and Means Committee during the period under review.[25]

By June 30, 1964, the United States had reached agreement with six countries (Australia, Ceylon, Israel, New Zealand, Southern Rhodesia,[26] and Spain) on the U.S. concessions in terms of the TSUS that were to be substituted for the previous U.S. concessions. Inasmuch as negotiations were still pending with the other 24 contracting parties, the United States obtained a 1-year extension of its GATT waiver.

The United States took similar steps to bring its concessions in bilateral agreements with Argentina, Iceland, and Venezuela into conformity with the TSUS. In the period under review the negotiations with Iceland were concluded; those with the other two countries were still pending in June 1964.

Suspension of U.S. Concessions in Order To Redress Import Restrictions on Poultry by the European Economic Community

During the last half of 1963 the United States suspended certain of its trade-agreement concessions, to counterbalance the increased restrictions imposed by the European Economic Community on imports of poultry.

In July 1962 the EEC, in implementing marketing regulations for poultry as part of its common agricultural policy,[27] sharply increased its

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[24] H. Rept. 1728 (88th Cong., 2d sess.), p. 3.

[25] A committee bill incorporating amendments to the TSUS was introduced on Aug. 5, 1964.

[26] The negotiations were with the Federation of Rhodesia and Nyasaland. However, since all the concessions were originally negotiated only with Southern Rhodesia, that country signed the interim agreement after the dissolution of the Federation.

[27] See *Operation of the Trade Agreements Program*, 15th report, ch. 4.

aggregate levies on imports of poultry from non-EEC countries. As a result, U.S. exports of poultry to the EEC, chiefly to the Federal Republic of Germany and the Netherlands, declined substantially. After lengthy consultations with representatives of the EEC failed to effect a substantial reduction in the new charges on poultry, the United States decided to invoke its right, under article XXVIII of the GATT, to restore a balance of concessions between the United States and the EEC.[28]

On August 6, 1963, the Special Representative for Trade Negotiations announced that the Trade Information Committee would hold public hearings respecting the probable economic effect of suspending trade-agreement concessions on specified articles.[29] The hearings were held September 4–12, 1963.

Meanwhile, representatives of the United States and the European Economic Community could not agree on the amount of trade that would represent the net impairment of the EEC's concessions to the United States. A panel of GATT experts was established in October to arbitrate the question; the panel assessed the U.S. loss at $26 million.

On December 4, 1963, the President suspended, effective January 7, 1964, U.S. concessions on potato starch, brandy valued over $9 per gallon, dextrine and soluble or chemically treated starches, and automobile trucks valued at $1,000 or more. In selecting the articles on which to increase duties, the United States chose commodities of interest chiefly to the EEC countries; nevertheless, such articles were also affected when imported into the United States from third countries entitled to trade-agreement rates of duty. U.S. imports of the articles from the European Economic Community in 1962 were valued at about $24 million, and those from all other countries, at about $1 million.

UNILATERAL U.S. ACTIONS AFFECTING TRADE-AGREEMENT ITEMS

Several U.S. legislative provisions authorize the imposition of import restrictions to afford protection to domestic industries or governmental agricultural programs, or to extend adjustment assistance to firms and workers. Few actions were taken under these provisions during the period July 1963 to June 1964.

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[28] Some months before the new levies were imposed, the EEC had withdrawn a trade-agreement concession on poultry that had been granted by the Federal Republic of Germany to the United States in GATT negotiations. The withdrawal had occurred as part of art. XXIV:6 negotiations between the EEC and the United States regarding moves by the EEC to adopt a common external tariff, in which the United States reserved its rights under the General Agreement with respect to poultry (and other products). (*Operation of the Trade Agreements Program*, 14th report, ch. 1.)

[29] 28 F.R. 8066.

Actions Under the Escape Clause

During the period under review, the Tariff Commission instituted two escape-clause investigations and submitted to the President a number of reports respecting articles on which import restrictions had previously been imposed pursuant to escape-clause actions.

Since 1943 all U.S. trade agreements have incorporated a safeguarding clause commonly known as the standard escape clause. The clause has provided, in essence, that either party to the agreement could modify or withdraw concessions made therein if, as a result of such concessions, imports of the article concerned entered in such increased quantities as to cause or threaten serious injury to the domestic industry producing like or directly competitive articles. During the period covered by this report, the U.S. procedures for administering the escape clause of trade agreements were prescribed by sections 301 and 302 of the Trade Expansion Act of 1962 and associated Executive orders.[30]

On March 5, 1964, upon petition by the Umbrella Manufacturers & Suppliers, Inc., and the Umbrella Frame Association of America, Inc., the Commission undertook an investigation of umbrellas and umbrella parts (except handles). On May 19, 1964, in response to a petition of the Bulova, Elgin, and Hamilton watch companies, an investigation was initiated on watches, watch movements, and parts of watch movements. Neither of these investigations was completed by June 30, 1964.

Sections 351(d)(1), (2), and (3) of the Trade Expansion Act established formal procedures, involving Tariff Commission investigations, for the review of escape-clause actions. Briefly, section 351(d)(1) requires the Commission to review annually the developments relating to each escape-clause action, and to report thereon to the President; sections 351(d)(2) and (3) require the Commission, under specified circumstances, to advise the President as to the probable economic effect on the industry concerned of the termination of an escape-clause action.

During the 12 months ended June 30, 1964, the Tariff Commission submitted to the President eight reports under the provisions of section 351(d)(1). The articles on which reports were made are listed below, followed by the dates on which the reports were submitted:

Watch movements (July 25, 1963)
Carpets and rugs (Sept. 13, 1963)
Cotton typewriter-ribbon cloth (Sept. 23, 1963)
Sheet glass (Sept. 27, 1963)
Lead and zinc (Oct. 1, 1963)
Stainless-steel flatware (Nov. 1, 1963)
Safety pins (Dec. 31, 1963)
Clinical thermometers (May 1, 1964)

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[30] These procedures are described in detail in the appendix.

During the same 12-month period the Commission instituted four investigations under section 351(d)(2). The articles on which investigations were begun, together with the dates on which the investigations were initiated, are shown in the following tabulation:

Watch movements [1]	Dec. 5, 1963
Lead and zinc [2]	Mar. 4, 1964
Sheet glass [2]	Mar. 30, 1964
Stainless-steel flatware [2]	June 24, 1964

[1] Initiated by the Commission on its own motion.
[2] Initiated on the request of the President.

None of these investigations were completed during the period covered by this report.[31]

Adjustment Assistance to Firms and Workers

The Trade Expansion Act of 1962 provided, in effect, two avenues whereby individual firms or groups of workers could become eligible for adjustment assistance.[32] On the one hand, the individual firm or group of workers could petition the Tariff Commission for a determination of its eligibility under section 301(c); on the other, the President, after receiving an affirmative finding from the Tariff Commission under section 301(b) (the so-called escape clause), could authorize the firms and/or workers in the industry concerned to apply to the Secretaries of Commerce and Labor, respectively, for certification of eligibility. Since the Commission made no affirmative findings under section 301(b) during the period under review, the latter avenue was not used.

During the 12 months ended with June 1964, the Tariff Commission conducted four investigations under section 301(c). Two of these resulted from petitions by firms, and two from petitions by groups of workers. By June 30, 1964, the Commission had completed three of the four investigations. In each of them, the Commission found unanimously that the article or articles involved were not, as a result in major part of concessions granted in trade agreements, being imported into the United States in such increased quantities as to cause either serious injury to the firm or unemployment or underemployment of a significant number or proportion of the workers of the firm or appropriate subdivision thereof.[33] Data relating to the four investigations are given in the tabulation below:

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[31] In May 1963 the Commission had reported the results of an investigation of clinical thermometers under sec. 351(d)(2) to the President. On Sept. 23, 1963, the President announced that the existing escape-clause rate of duty on this product would be continued.

[32] See the appendix.

[33] For a more complete résumé of these findings, see *Forty-eighth Annual Report of the*

Commodity	Petitioner	Investigation completed
Cotton sheeting	Textile Workers Union of America, AFL-CIO, CLC, on behalf of workers from the plant in Cordova, Ala., owned and operated by Indian Head Mills, Inc.	July 19, 1963.
Sodium gluconate	Industrial Biochemicals, Inc., Edison, N.J.	July 23, 1963.
Ceramic mosaic tile	A group of workers from Winburn Tile Manufacturing Co., Little Rock, Ark.	Nov. 25, 1963.
Crude petroleum	Danaho Refining Co., Houston, Tex.	Pending on June 30, 1964.

National Security Actions

During the period here reviewed, two investigations under the national security provisions of trade agreements legislation were completed and one was initiated; an investigation of imports of textiles and textile manufactures was continued throughout the period.[34]

Section 232 of the Trade Expansion Act of 1962 authorized the Director of the Office of Emergency Planning (OEP) to conduct investigations to determine whether imports of any product threatened to impair the national security. If the President concurred in an affirmative finding by the Director, he was required to take action to restrict the imports of the product in question. In making a determination, both the President and the Director of the OEP were required to consider—among other relevant factors—the domestic production needed for defense requirements, the capacity of the domestic industry to meet such requirements, the present and future availability of resources in the industry, and the effect of imports on these factors.

In January 1963, at the request of four domestic producers, the OEP undertook an investigation of the effects of imports of hydraulic turbines on the national security. The investigation followed a more extensive inquiry made in 1958–59 pertaining to imports of all heavy electric power equipment, an inquiry in which no threat to the national security was found. On December 30, 1963, the Director of the OEP announced that imports of hydraulic turbines were not threatening to impair the national security.

On March 4, 1964, the Director of the OEP denied a request of four oil companies to exempt from import controls the asphaltic content of crude and unfinished oils. The investigation had been initiated in July 1960.

United States Tariff Commission, TC Publication 146, 1965.

[34] During the period under review, the United States continued to restrict imports of crude petroleum and petroleum products under the national security provisions. These restrictions were the only controls ever imposed under the national security provisions.

In support of the denial, the Director of the OEP held that there was no apparent threat to the national security by the asphalt supply situation and that the import program provided sufficient quantities to meet present and projected supply deficits.

On January 16, 1964, the Director of the OEP announced that an investigation had been instituted to determine whether imports of tungsten mill products were threatening to impair the national security. On June 30, 1964, this investigation was still in process.

THE COTTON TEXTILE ARRANGEMENTS

During the year, the United States continued to participate in the long-term cotton textile arrangement concluded under sponsorship of the General Agreement on Tariffs and Trade in 1962.[35] By July 1964 the following 25 countries had become participants in the arrangement:

Australia	India	Pakistan
Austria	Israel	Portugal
Belgium	Italy	Republic of China
Canada	Jamaica	Spain
Colombia	Japan	Sweden
Denmark	Luxembourg	United Arab Republic
France	Mexico	United Kingdom (also representing Hong Kong)
Germany (Federal Republic)	Netherlands	United States
	Norway	

Three of these countries—Colombia, Mexico, and the Republic of China—were not members of the General Agreement.

The long-term arrangement was instituted to improve conditions in the production and trade in cotton textiles—viz, to prevent the disruption of markets in individual countries, to enlarge exchange earnings of underdeveloped countries producing cotton textiles, and to expand markets for such products.

Under article 3 of the arrangement, a country experiencing, or threatened with, market disruption from imports of cotton textiles in any of 64 categories [36] could request other participating countries to curtail their exports of any or all such products to a specified level, but not below that of actual exports.[37] If the exporting country failed to agree to the request within 60 days, the importing country could prohibit the entry from the

[35] The United States participated in the long-term cotton textile arrangement under the provisions of sec. 204 of the Agricultural Act of 1956 (7 U.S.C. 1854). The U.S. administrative procedures were established by Executive Order 11052. The provisions of both the act and the Executive order were discussed in *Operation of the Trade Agreements Program*, 15th report, ch. 3.

[36] Sixty-four categories of cotton textiles were specified in the long-term arrangement (e.g., velveteens, corduroy, dish towels, various forms of wearing apparel).

[37] That is, exports of those products during the 12-month period terminating 3 months preceding the month in which the request was made.

country in question of the designated cotton textiles which were in excess of the level specified in its request.[38] Should the restrictions be extended beyond the initial 12-month period, the importing country would be obliged, except in extraordinary circumstances, to allow a 5-percent annual increase in the restraint level.[39]

During the period July 1963 to June 1964, the United States requested that restraints be imposed in 54 instances, involving 28 categories of cotton textiles from 12 different countries.[40] In some instances the exporting country agreed to control its exports; in others, the United States restricted imports from the country concerned. One restraint was terminated during this period.

Article 4 of the long-term cotton textile arrangement permitted the participating countries to conclude bilateral agreements regarding trade in cotton textiles on terms other than those provided in the multilateral arrangement. During the period under review, the United States concluded 11 such bilateral agreements—with the Republic of China, Hong Kong, India, Israel, Jamaica, Japan, the Philippines, Portugal, the Ryukyu Islands, Spain, and the United Arab Republic.[41] In addition, a bilateral agreement with Italy, concluded in July 1962, remained in force for one category of textiles. On June 30, 1964, the United States was consulting with Greece, Pakistan, the Republic of Korea, Turkey, and Yugoslavia regarding the establishment of bilateral agreements with them.

Most of the bilateral agreements covered all 64 categories of cotton textiles. Each agreement established an overall limit on exports to the United States either for all 64 categories or for the aggregate of designated categories; each also established specific ceilings for certain categories. Most of the agreements further provided for annual increases—usually 5 percent—in the overall limits and specific ceilings. The effective period of the agreements ranged from 1 to 5 years.

In 1963 the United States imported cotton-textile manufactures equivalent to 1.1 billion square yards of cloth. The countries listed above with which the United States concluded bilateral agreements accounted for imports of such articles equivalent to about 885 million square yards, or about 80 percent of the total.[42]

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[38] During the 60-day waiting period, an importing country could, under critical circumstances, impose temporary restrictions to limit imports.

[39] For a more detailed discussion of the terms of the long-term arrangement, see *Operation of the Trade Agreements Program*, 15th report, ch. 3.

[40] This count does not include restraints imposed under art. 3 but replaced by a bilateral agreement.

[41] The agreement with Hong Kong was not formally recognized as a bilateral textile agreement. Except for its shorter duration, however, its salient points closely resembled those of the other 10 agreements.

[42] The data exclude imports from Italy; the agreement with that country covered only 1.5 million square yards.

Chapter 3

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

INTRODUCTION

The most important development in international commercial policy during the year under review was the opening of the sixth (Kennedy) round of trade-agreement negotiations conducted within the framework of the General Agreement on Tariffs and Trade (GATT). After about a year of preparatory work by the contracting parties to GATT, the negotiations officially began on May 4, 1964; they were expected to continue well into 1965. All major trading countries that were GATT members were participating in the negotiations. The status of the sixth round is discussed in chapter 1 of this report, and U.S. participation therein is discussed in chapter 2.

Most countries with which the United States has trade agreements are members of a regional economic group. The major regional organizations of recent origin (and the year in which each was established) are the European Economic Community (1958), the European Free Trade Association (1960), the Latin American Free Trade Association (1961), and the Central American common market (1960).[1] The development of such regional groups has materially influenced the commercial policies of most of the important trading countries with which the United States has trade agreements, and such groups have played an increasingly active role in international trade. Hence, this chapter is devoted largely to a discussion of the important developments in the major regional groups.

During the year under review the members of the European Economic Community (EEC) continued their progress toward economic union by further reducing customs duties on intra-Community trade and by accelerating the adaptation of their national tariffs to the Community's com-

[1] An older and different form of trade arrangement, the (British) Commonwealth of Nations, also has granted preferential tariff treatment to trade among members. Inasmuch as no major commercial policy developments affecting U.S. interests occurred in the Commonwealth countries during the year under review, the Commonwealth is not discussed in this chapter. For similar reasons, the Central American common market is not discussed.

mon external tariff. In addition, the members eliminated numerous import quotas on trade originating within the Community and enlarged many others restricting imports from third countries. They also agreed on measures looking toward the ultimate achievement of a common agricultural policy and concluded agreements whereby additional countries became associated with them. The European Free Trade Association (EFTA) members, following a timetable similar to that of the EEC, reduced customs duties on industrial goods imported from within the area, relaxed numerous quota restrictions on intra-area trade, and freed from import controls certain agricultural products traded between members. During the year members of the Latin American Free Trade Association (LAFTA) exchanged numerous concessions to encourage intra-area trade.

Most members of these regional organizations have trade-agreement obligations with the United States, primarily through their membership in the GATT. Although the GATT was founded on the principles of multilateralism and nondiscrimination, article XXIV permitted its members which entered into customs unions and free-trade areas, under designated circumstances, to reduce or eliminate barriers to trade among themselves without being required to extend such benefits to all the GATT contracting parties.

In 1963, 35 percent of U.S. exports went to the member countries of the European Economic Community, the European Free Trade Association, and the Latin American Free Trade Association; these trade groupings included nearly all the major trading nations in Western Europe and Latin America. In terms of the value of U.S. exports, Canada and the EEC were the most important purchasers of U.S. exports; EFTA and LAFTA were the next most significant purchasers, followed by Japan.

EUROPEAN ECONOMIC COMMUNITY

During the year under review the European Economic Community further advanced toward its goal of achieving a customs union and, ultimately, a form of economic union.[2] The member States (1) reduced duties on intra-Community trade by an additional 10 percent; (2) took the second of three steps to adapt their respective national tariffs to the common external tariff of the Community; (3) relaxed quantitative restrictions affecting trade not only within the region but also with third

[2] A customs union is an association between two or more nations which agree to abolish restrictions on trade between themselves, to establish a common tariff on imports from third countries, and generally to adopt a common commercial policy. The discussion in this report is limited to such considerations, although it is recognized that the Community was created to achieve a much broader economic integration among the respective members than that provided by a customs union.

countries; (4) adopted regulations for dairy products, beef and veal, and rice under their common agricultural policy; and (5) granted associate membership to Turkey and renewed its agreement of association with 18 African and Malagasy States.

Progress Toward Intra-Community Free Trade

On July 1, 1963, the EEC members reduced their customs duties on imports originating from within the Community by an additional 10 percent of the base rates (i.e., the rates in force on January 1, 1957). The resulting rates of duty applicable to intra-Community trade generally were the following percentages of the base rates:

Industrial products	40 percent.
Agricultural products:	
Certain "liberalized" products [1]	60 percent.
All others	55 percent.

[1] This category includes some farm products covered by common agricultural policy regulations, as well as certain other agricultural products, all of which were excluded from coverage by the acceleration decision of May 15, 1962. "Liberalized" refers to a systematic program of freeing imported commodities from quantitative restrictions.

The 10-percent reduction made on July 1, 1963, constituted an across-the-board adjustment applicable with few exceptions to imports of all commodities originating within the Community. This reduction, like some of five earlier actions, was made ahead of schedule; hence, the abolition of tariffs on intra-Community trade in manufactured goods was expected by 1967—3 years ahead of the date originally projected by the Rome Treaty.

An additional 10-percent reduction was scheduled to become effective January 1, 1965.

The Common External Tariff

On July 1, 1963, the EEC members began to implement the second major step toward the ultimate alinement of the duties in their national tariff schedules with those prescribed in the Community's projected common external tariff.[3] On that date each of the members modified the rates of duty in its tariffs applicable to imports of manufactured products from third countries so as to eliminate 30 percent of the difference between each rate and the corresponding duties in the common external tariff. The second adjustment for manufactured products was

[3] For the most part, the common external tariff rates were to be the simple average of the members' duties. In the three-step process of alinement, some members had to reduce their duties, while other members had to raise theirs.

made 2½ years ahead of the schedule established in the Treaty of Rome;[4] the second alinement step for agricultural products presumably would not be taken until January 1, 1966, in accordance with the original timetable.

As mentioned in earlier reports, the EEC member States had generally decided that the first adjustment of their tariffs toward the common external tariff would be based on the rates in the common tariff reduced by 20 percent.[5] That decision was made because the EEC members anticipated that the 1960–62 tariff negotiations sponsored by the General Agreement on Tariffs and Trade would result in reduced rates in the common external tariff. The EEC committed itself in those negotiations to maintain common tariff rates less 20 percent on many (but not all) items. In anticipation of possible reductions in duties to be negotiated at the sixth round of GATT tariff negotiations, the EEC countries made the second alinement of the rates of duty on manufactured goods on the same basis as the first, i.e., adjustments would be made toward the rates of the common external tariff reduced by 20 percent.

During the period here reviewed, France unilaterally reduced certain of its import duties, in effect further accelerating the alinement of its national tariffs with the common external tariff. The reductions were made by that country as part of a program to curb inflation.

Elimination of Quotas

During the year under review the EEC members eliminated numerous import quotas restricting trade originating within the Community and increased the limits of many others. In March 1964, pursuant to the treaty provision requiring that any such quota not filled for 2 successive years be abolished, import quotas were removed for a number of farm products not subject to common agricultural policy regulations. France abolished quotas on 12 agricultural products; Germany, on 6; and the Belgium-Luxembourg Economic Union, on 1. The remaining quotas restricting intra-Community trade, which applied only to a limited number of agricultural products,[6] were scheduled to be enlarged by at least 20 percent annually. Ultimately, they were to be abolished.

During the year, the EEC members further reduced their quota restrictions on products from third countries. By 1964, few such quotas (almost all of them applicable to agricultural products) remained in effect; many quotas on imports of agricultural products from third countries had already been replaced by variable import levies.

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[4] The alinement was originally scheduled as follows: A 30-percent adjustment of the basic (1957) rates on Jan. 1, 1962; another 30-percent adjustment on Jan. 1, 1966; and a 40-percent adjustment on Jan. 1, 1970.

[5] See *Operation of the Trade Agreements Program*, 14th report, ch. 4.

[6] Almost all quotas on industrial products had been abolished by Jan. 1, 1962.

During the transitional period, the EEC members also sought to attain uniformity in the quantitative restrictions which each applied to imports from third countries. Ultimately, they hoped to abolish the use of quotas to restrict imports from countries that are contracting parties to the General Agreement, and, whenever possible, imports from non-GATT countries.

Agricultural Policy

In the sphere of agricultural policy, the EEC (1) settled its dispute with the United States over EEC imports of U.S. poultry; (2) agreed to regulations under its common agricultural policy (CAP) for dairy products, beef and veal, and rice; and (3) considered new proposals for a single-stage alinement of cereal prices. The poultry dispute with the United States is discussed in chapter 2 of this report;[7] the other matters are discussed below.

In December 1963 the EEC members agreed on basic regulations regarding the implementation of common agricultural policies for dairy products, beef and veal, and rice. The members agreed to establish a Community system of target and intervention prices[8] and variable import levies for dairy products and rice, and a system of tariffs and variable import levies for beef and veal. Details regarding the new arrangements were to be worked out later.[9] The three groups of products identified above—together with cereals, pork, eggs, poultry, fruits, and vegetables, which had been under CAP regulations continuously after July 1, 1962—comprised about 85 percent of the agricultural output of the Community.

During the year reviewed here the EEC regulations on grains under the common agricultural policy continued to concern both the EEC members and third countries. Because grain prices influence the prices of many other farm products and because grain is widely produced in the Community, the EEC members considered the harmonization of grain prices to be a highly significant aspect of their agricultural program. Community-wide target prices for cereals to guide Government support activities were regarded as the keystone of future agricultural development in the EEC. It was believed that such harmonization would serve

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[7] See the section on suspension of U.S. concessions to redress import restrictions on poultry by the European Economic Community.

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

[9] The effective date for the establishment of these three new common marketing arrangements had been set tentatively for July 1, 1964; subsequently, the effective dates were changed to Sept. 1, 1964, for rice and Nov. 1, 1964, for dairy products and beef and veal.

to prevent frequent internal disruptions of farm prices in EEC markets—disruptions that might otherwise be caused by annual negotiations to adjust grain prices. Moreover, third countries had been concerned whether the EEC planned to encourage domestic production and high prices by employing protective measures against imports.

Under the CAP grain regulations, the EEC Council was required to initiate measures, at specified intervals, to harmonize national target prices; a single Community-wide target price was to be established for each designated commodity by the end of a transitional period scheduled to terminate December 31, 1969. Member countries were to set national target prices for individual grains, within prescribed limits, at the beginning of each crop year. Gradually the limits were to be narrowed as the EEC moved toward a common price level. The first action toward the alinement of cereal prices, which occurred during the 1963/64 marketing year, was in effect negligible; it consisted mainly of raising the lower price limits moderately above those previously established.

In an effort to attain prompt harmonization of grain prices within the EEC, the EEC Commission proposed a single-stage alinement of cereal prices, to become effective in the 1964/65 marketing year. At its June 1964 meeting, the EEC Council considered this proposal, but came to no agreement; it deferred its decision until December 15, 1964. Meanwhile, it announced that the range of target prices for cereals in the marketing year 1964/65 would be identical to those employed in 1963/64.

New Associate Members

On July 20, 1963, at a convention held in Yaoundé, Cameroon, the EEC and 18 African and Malagasy States agreed to renew their association for another 5 years. The new agreement recognized the sovereign rights of the 18 nations which had gained their independence after an original agreement of association had been signed in 1957.[10] Under the new agreement, the EEC members were gradually to abolish tariffs and other restrictions on imports from the 18 new nations; these nations, in turn, agreed to accord, after a transition period, free access to their markets for imports from the Community, by gradually reducing import duties and abolishing import quotas. The agreement provided, however, that an associated State could retain or introduce import restrictions, if

[10] The 18 associated States, formerly colonial and trust dependencies of France, Belgium, and Italy, were the Kingdom of Burundi, the Federal Republic of Cameroon, the Central African Republic, the Republic of Chad, the Republic of the Congo (Brazzaville), the Republic of the Congo (Leopoldville), the Republic of Dahomey, the Gabon Republic, the Republic of Ivory Coast, the Malagasy Republic, the Republic of Mali, the Islamic Republic of Mauritania, the Republic of Niger, the Republic of Rwanda, the Republic of Senegal, the Somali Republic, the Republic of Togo, and the Republic of Upper Volta.

such action should be essential to its economic development. Owing to a delay in implementing the new convention, the EEC Council extended certain transitional measures covering relations between the Community and the associated countries until June 1, 1964, when the convention entered into force.

On September 12, 1963, Turkey signed an agreement of association with the Community and thus became the second European country to become an associate member of the EEC (Greece was the first, in 1962). After the agreement had been approved by the European Parliament (the legislative body of the EEC), it was submitted to the respective parliaments of the seven countries involved.[11] Provision was made for Turkey to strengthen its economy to prepare it for fully assuming the obligations of union with the Community; the EEC agreed to grant preferential treatment for a 5-year period to four principal Turkish export items (tobacco, dried grapes, dried figs, and hazelnuts).

EUROPEAN FREE TRADE ASSOCIATION

The period under review marked the fourth year in the life of the European Free Trade Association. Through this organization, Austria, Denmark, Finland,[12] Norway, Portugal, Switzerland, Sweden, and the United Kingdom continued their gradual approach toward the complete elimination of tariffs and quotas on trade among themselves in industrial products. Their goal was to establish a free-trade area.[13] At the same time, they sought the liberalization of world trade through joint action with the EEC and the Organization for Economic Cooperation and Development (OECD).

The EFTA was generally regarded by its members (originally the so-called Outer Seven countries) as a transitional arrangement, which was to be continued only until the time that the EFTA could merge with the EEC to form a single European economic union. To facilitate this union, EFTA members scheduled their reductions of customs duties and abolition of quantitative restrictions on a timetable closely paralleling the EEC timetable. After January 1963, however, when the EEC and the United Kingdom abruptly suspended discussions respecting the possibility of the United Kingdom's membership in the EEC, the prospect of achieving an expanded economic grouping of European countries faded.

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[11] That is, the six EEC members plus Turkey.

[12] Finland, which became an associate member in 1961, had enjoyed the same rights as the full members; by July 1964 it had assumed most of the obligations of the association. Finland, however, was allowed to follow a slower timetable for removing import barriers.

[13] A free-trade area, such as the EFTA, differs from a customs union, such as the EEC, in that the members of a free-trade area do not employ a common external tariff.

Reduction of Internal Duties

On December 31, 1963, tariffs on "industrial goods"[14] traded between the EFTA members were cut an additional 10 percent of the so-called basic rates,[15] thereby reducing the level of their duties on intra-EFTA trade from 50 percent to 40 percent of the rates applicable to imports of such articles from nonmember countries. Owing to two earlier acceleration decisions, this level was reached 2 years ahead of the schedule set forth in the Stockholm Convention. Duties on industrial goods traded among themselves were scheduled to be further reduced by 10 percent on December 31, 1964, 10 percent on December 31, 1965, and 20 percent on December 31, 1966, at which time intra-association trade in such products would be completely duty free.

Elimination of Quotas

By June 30, 1964, the EFTA members had in force only a limited number of quotas affecting trade with one another. After forming the EFTA in 1960, the member nations had expanded their basic quotas (quotas in effect in 1959 applicable to trade in industrial products originating within the area) by at least 20 percent annually. Most quantitative restrictions on trade in manufactured products between members had been abolished by June 1963. All remaining quantitative import restrictions were scheduled to be eliminated by the end of 1966,[16] the deadline for the elimination of all tariffs on intra-area trade.

Trade in Agricultural Products

The rules of the Stockholm Convention relating to the reduction of tariffs and quotas did not apply to the principal agricultural products traded between EFTA members. Nevertheless, the EFTA members sought to stimulate intraregional trade in agricultural products by other means. During the period under review the EFTA members reclassified certain "agricultural" items as "industrial products,"[17]

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[14] The term "industrial goods" was broadly defined to cover all goods other than those agricultural and marine products specifically listed in annexes D and E of the Stockholm Convention and therefore included industrial raw materials, semimanufactures and manufactured goods, and some processed farm and fishery products.

[15] Generally the rates of duty that the EFTA members applied to each other's goods on Jan. 1, 1960.

[16] For Finland, the deadline for the complete dismantlement of quantitative restrictions on imports from EFTA countries was the end of 1967.

[17] Certain agricultural items were deleted from the list of nonnegotiable agricultural products (annex D of the Convention) and thus became subject to the general provisions for freeing trade within the area.

negotiated bilateral agreements regarding agricultural products, accorded certain agricultural products duty-free or other special status, and agreed on rules for the progressive elimination of export subsidies detrimental to member States.

LATIN AMERICAN FREE TRADE ASSOCIATION

During the year, the nine members of the Latin American Free Trade Association held their third annual Conference as well as their first triennial meeting—both for the purpose of negotiating reductions in trade restrictions on intra-area trade.[18]

The Conference was in session from October 1 to December 31, 1963, in Montevideo, Uruguay. During that time the association members concluded negotiations in which they granted, on a bilateral basis, about 800 tariff concessions applicable to intra-area trade; most of them were on items not previously subject to concessions. Under the Montevideo Treaty, the negotiated duty reductions contained in each country's schedule of concessions at each Conference were to equal at least 8 percent of the weighted average ad valorem equivalent of the duties and import charges on articles from third countries. The concessions resulting from the third annual Conference became effective on January 1, 1964, thus bringing the total number of concessions granted in the three annual Conferences to about 8,300.

Most of the members also granted preferential nontariff treatment to the other LAFTA members. Many such nontariff barriers had been more restrictive of imports than tariffs. Special concessions were accorded Chile, Peru, Uruguay, and Colombia (countries of so-called moderate development) to assist them in developing their national markets and enable them to compete on more nearly equal terms with the more developed economies of Argentina, Brazil, and Mexico.[19]

The first of four triennial meetings to negotiate a "Common Schedule" of products was convened in May 1964.[20] The Montevideo Treaty had provided that the Common Schedule would list products which the members collectively agreed would be freed of virtually all barriers to intermember trade by 1973. The products listed in the Common Schedule

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[18] In 1964 LAFTA's membership included Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, and Uruguay. These nations obligated themselves in the Montevideo Treaty (effective in 1961) to liberalized intraregional trade by means of annual and triennial negotiations.

[19] Paraguay and Ecuador, considered less developed countries, had previously been granted special permission to relax their import restrictions more slowly than the other LAFTA members.

[20] The meetings were to be held in the 3d, 6th, 9th, and 12th years after the effective date of the Montevideo Treaty.

were not necessarily to be the same as those articles on which the LAFTA members granted duty reductions in their annual meeting. In all likelihood, however, there would be some duplication between the two groups of products. Further, the listing of a product on the Common Schedule did not commit the LAFTA members to modify their import duties thereon immediately, but did commit them, apparently irrevocably, to make intra-LAFTA trade in such products free of duty in 1973. The value of the products placed on the Common Schedule was to be equal to at least 25 percent of the average annual value of intra-area trade during the preceding 3-year period. By July 1964, LAFTA members had tentatively agreed on a schedule of items accounting for about 25 percent of the total value of intra-LAFTA trade.

JAPAN [21]

In April 1964 Japan became the first non-Western member of the Organization for Economic Cooperation and Development [22] and, on becoming a member, formally obligated itself to liberalize its restrictions on foreign trade.

For a number of years, Japan had progressively reduced or eliminated numerous quantitative restrictions on imports. By March 31, 1964, it reported that 92 percent of its imports had been freed from direct quantitative restrictions.[23] Nevertheless, at the end of June 1964 about 160 items remained subject to restrictive licensing controls under Japan's import-quota system. These remaining controls represented a considerable impediment to U.S. exports to Japan.

During 1964, Japan's balance-of-payments situation improved considerably. As a result the authorities planned to reduce or abolish advance deposit requirements[24] on a number of commodities in September 1964. Advance deposit requirements had been imposed to discourage imports in 1963, when Japan was experiencing balance-of-payments difficulties.

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[21] Japan was the second-most-important individual foreign market for U.S. products in the year under review. (Canada was the most important market.)

[22] With accession by Japan, the OECD included all the major industrial and trading powers of the non-Communist world.

[23] This percentage was calculated on the basis of imports into Japan in 1959, when Japan imported more raw materials and fewer finished products than in the year under review.

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

Appendix

LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK OF THE OPERATION OF THE TRADE AGREEMENTS PROGRAM

During the period July 1963–June 1964, the United States conducted its trade agreements program under the provisions of the Trade Expansion Act of 1962[1] and related Executive orders. These provisions are discussed below under four main headings: (1) Trade-agreement negotiations; (2) postnegotiation tariff and other adjustment assistance; (3) general provisions; and (4) administrative provisions.

Trade-Agreement Negotiations

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

Authority to modify rates of duty

The basic trade-agreement authority granted to the President (sec. 201) permitted him—in order to carry out a trade agreement—to decrease any rate of duty to a level 50 percent below that existing on July 1, 1962,[2] or to increase any rate of duty to (or impose) a rate 50 percent above that existing on July 1, 1934. For certain articles, however, the President's authority to reduce rates of duty under trade agreements was unlimited—i.e., he could proclaim dutiable articles to be free of duty.

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

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

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[1] 76 Stat. 872–903.

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

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

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

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

Prenegotiation procedures

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

Section 221 of the 1962 act, which replaced the so-called peril-point provisions of the previous trade agreements legislation, required the President, before entering into trade-agreement negotiations, to publish and to furnish to the Tariff Commission a list or lists of articles which might be considered for trade-agreement concessions.[3] For each article on which a reduction in the rate of duty in excess of the President's basic trade-agreement authority was to be considered (i.e., in excess of 50 percent of the rate existing on July 1, 1962), the President was to specify on the list the section or sections of the act under which such reductions might be made. Within 6 months after receipt of a list, the Tariff Commission was to advise the President of its judgment respecting the probable economic effect of modifications of duties or other import restrictions applicable to each listed article on industries producing like or directly competitive articles. The President could not offer trade-agreement concessions on the articles until he had received the Tariff Commission's advice or until the expiration of the 6-month period, whichever occurred first (sec. 224).

In preparing its advice to the President, the Commission was required to hold public hearings. It was also directed, to the extent practicable, to (1) investigate the conditions, causes, and effects of competition between the foreign industries producing the articles in question and the domestic industries producing the like or directly competitive articles; (2) analyze the production, trade, and consumption of each like or directly competitive article, taking into consideration employment, profit levels, the use of the U.S. productive facilities, and such other economic factors in the domestic industries as the Commission considered relevant (including prices, wages, sales, inventories, patterns of demand, capital investment, obsolescence of equipment, and diversification of production); (3) describe the probable nature and extent of significant changes which trade-agreement concessions on the listed articles would cause in employment, profit levels, use of productive facilities, and such other conditions deemed relevant in the domestic industries concerned; and (4) make special studies of particular proposed concessions, including studies of the real wages paid in foreign supplying countries, whenever it deemed such studies warranted.

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

Section 222 required the President, before entering into any trade agreement, to seek information and advice from the Departments of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury, and other sources he deemed appropriate. The President delegated these functions to the Special Representative for Trade Negotiations.[4]

Section 223 of the act provided for public hearings, distinct from those conducted by the Tariff Commission, to be held by an agency or interagency committee designated by the President. These hearings were designed to provide any interested person the opportunity to present his views concerning matters pertinent to proposed trade-agreement negotiations. The agency or committee which held the hearings was directed to furnish the President with a summary thereof; the President could not offer trade-agreement concessions until he had received such summary (sec. 224). The President also delegated his functions under section 223 to the Special Representative for Trade Negotiations, who in turn established a Trade Information Committee to conduct the required hearings.[5]

Reservation of articles from negotiation

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

Section 225(a) directed the President to reserve from trade-agreement negotiations for the reduction of duty or other import restriction or the elimination of duty any article for which an action was in effect under the national security or escape-clause provisions of the Trade Expansion Act of 1962 or the comparable provisions of the previous legislation.[6]

Section 225(b) directed the President, under certain conditions, to reserve from negotiations for the reduction of duty or other import restriction or the elimination of duty—for a 5-year period following the enactment of the act—any article (1) which the Tariff Commission in an earlier escape-clause investigation[7] had, by majority vote, found was being imported in such increased quantities as to cause or threaten serious injury to a domestic industry and (2) for which no escape-clause action was in effect. The President was required to reserve such an article from negotiation when the following conditions were met: (a) The article was included in a list of articles to be considered for negotiation furnished to the Tariff Commission by the President pursuant to section 221 (and had not been included in a prior list so furnished), and (b) the Tariff Commission, upon request of the industry made not later than 60 days after the date of publication of such list, found and advised the President that economic conditions in the industry had not substantially improved since the date of the report of its earlier finding of injury.

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

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

Staging and rounding

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

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[4] 48 CFR 1.3.
[5] 48 CFR 1.3 and 202.3. See the section of this appendix on administrative provisions.
[6] Sec. 232, 351, or 352 of the Trade Expansion Act of 1962, sec. 7 of the Trade Agreements Extension Act of 1951, as amended, and sec. 2(b) of the extension act of 1954 (Public Law 464, 83d Cong., 2d sess.), as amended.
[7] Sec. 225(b) specified an investigation under sec. 7 of the Trade Agreements Extension Act of 1951 (or a comparable Executive order).

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

Transmission of agreements to Congress

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

Postnegotiation Tariff and Other Adjustment Assistance

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

Tariff assistance to industries

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

Tariff Commission investigations.—During the course of its investigation, the Tariff Commission was required to hold public hearings and afford interested parties an opportunity to present their views. It was to report the result of each such investigation to the President as soon as practicable, but not later than 6 months after the date on which the petition was filed. Whenever the Commission determined, as a result of an investigation, that serious injury to a domestic industry had occurred or was threatened, it had to find the amount of increase in, or imposition of, any duty or other import restriction that it deemed necessary to prevent or remedy such injury, and include the finding in its report to the President.[8]

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

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

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

(1) The President could proclaim such increase in, or imposition of, any duty or other import restriction on the article concerned as he determined to be necessary to prevent or remedy serious injury to the industry involved (sec. 351). The President generally could not, however, increase any rate of duty more than 50 percent above that existing on July 1, 1934, or, if the article was not subject to duty, he could not impose a duty in excess of 50 percent ad valorem.[9] In lieu of such action, the President could negotiate international agreements with foreign countries limiting exports from such countries to the United States of the article causing or threatening to cause serious injury to a domestic industry, whenever he determined that such action would be more appropriate to prevent or remedy serious injury to such industry than would increased duties or other import restrictions (sec. 352).[10]

(2) The President could provide that the firms in the industry in question could request the Secretary of Commerce for certification of eligibility to apply for financial and other forms of assistance provided in chapter 2 of the act.[11] Upon a showing by any such firm to the satisfaction of the Secretary of Commerce that the increased imports (which the Tariff Commission had determined to result from concessions granted under trade agreements) had caused or threatened to cause serious injury to the firm in question, the Secretary was to certify it to be eligible to apply for adjustment assistance.

(3) The President could provide that the workers in the industry in question could request the Secretary of Labor for certification of eligibility to apply for the adjustment assistance provided in chapter 3 of the act.[11] Upon a showing by a group of workers in such industry to the satisfaction of the Secretary of Labor that the increased imports (which the Tariff Commission had determined to result from concessions granted under trade agreements) had caused or threatened to cause unemployment or underemployment of a significant number or proportion of workers of such workers' firm or subdivision thereof, the Secretary was to certify such workers to be eligible to apply for adjustment assistance.

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

Section 351 of the act provided that, if the President did not, within 60 days following the receipt of an affirmative finding from the Tariff Commission, proclaim the increase in, or imposition of, a duty or other import restriction found by the Tariff Commission, he had to report immediately to both Houses of Congress his reasons for not so doing. If within 60 days thereafter, both Houses of Congress adopted a concurrent resolution stating in effect that they approved the finding of the Tariff Commission, the President, within 15 days after the adoption of the resolution, had to proclaim the increase in, or imposition of, duty or other import restriction found by the Tariff Commission to be necessary to prevent or remedy serious injury to the industry concerned.[12]

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

Review of escape-clause restrictions.—Section 351 contained several provisions relating to the review of escape-clause restrictions imposed by the President and to their extension or termination. Basically, any increase in, or imposition of, duty or other import restriction

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

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

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

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

pursuant to the escape clause was—in the absence of action by the President—to terminate automatically after being in effect for 4 years.[13] Under certain circumstances, however, the President was authorized to reduce or terminate such a restriction at any time; under other circumstances, he was authorized to extend a restriction, in whole or in part, for such periods as he designated (but not to exceed 4 years at any one time).

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

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

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

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

Adjustment assistance to firms and workers

The Trade Expansion Act of 1962 provided two avenues whereby individual firms and groups of workers could become eligible to receive the adjustment assistance provided for in the act. One avenue has been discussed in the previous sections: After receiving a report from the Tariff Commission containing an affirmative finding under section 301 with respect to any industry, the President could authorize the firms and workers in such industry to apply to the Secretary of Commerce and the Secretary of Labor, respectively, for certification of eligibility. The second avenue, wherein individual firms or groups of workers petitioned the Tariff Commission for a determination of eligibility to apply for adjustment assistance, is discussed below.

Determination of eligibility.—Under section 301, an individual firm or its representative could file with the Tariff Commission a petition for determination of eligibility to apply for adjustment assistance. Upon receipt of such a petition, the Tariff Commission was to make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by the firm was being imported in such increased quantities as to cause, or threaten to cause, serious

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

injury to such firm. In making its determination, the Tariff Commission was to take cognizance of all economic factors which it considered relevant, including idling of the firm's productive facilities, the firm's inability to operate at a level of reasonable profit, and unemployment or underemployment of workers in the firm.

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

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

The results of each investigation had to be reported to the President not later than 60 days after the date of filing of the petition. After an affirmative finding by the Tariff Commission of injury to a firm or group of workers, the President could certify that such firm or group of workers was eligible to apply for adjustment assistance. The President delegated his certifying authority with respect to a firm to the Secretary of Commerce, and with respect to a group of workers, to the Secretary of Labor.[14]

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

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

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

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[14] 48 CFR 1.7 and 1.8. The Tariff Commission reports, as well as transcripts of hearings and briefs relating thereto, were to be transmitted to the President through the appropriate Secretary.

Technical assistance to firms (sec. 313) could consist of such aids as information, market and other economic research, managerial advice and training, and assistance in research and development. To the maximum extent practicable, technical assistance was to be furnished through existing agencies of the Federal Government. Financial assistance (sec. 314) could be in the form of loans, guarantees of loans, or agreements for deferred participation in loans. Such financial assistance was to be used by the firm for acquisition or expansion of fixed capital; in cases determined by the Secretary of Commerce to be exceptional, it could be used for working capital. Tax assistance (sec. 317) would permit a firm to carry back a net operating loss to each of the 5 taxable years preceding the year of the loss, rather than for just 3 years as provided by the Internal Revenue Code of 1954. The extended carryback period could be applied only with reference to operating losses incurred in taxable years ending on or after December 31, 1962, for which the Secretary of Commerce had issued a specific certification.

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

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

General Provisions

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

Generalization of concessions

Under section 251 of the act, any duty or other import restriction proclaimed to carry out a trade agreement was, in general, to apply to products of all foreign countries. The legal requirement that the duties resulting from trade-agreement concessions be thus generalized had been a part of U.S. trade agreements legislation since the passage of the original trade agreements act in 1934. However, the 1962 act, like earlier trade agreements legislation, established several exceptions to the generalization policy; those established by the 1962 act related chiefly to the goods of Communist-dominated countries and to unjustifiable and unreasonable foreign import restrictions.

Section 231 directed the President, as soon as practicable, to withhold the application of trade-agreement rates of duty to products, whether imported directly or indirectly, of any

country or area dominated or controlled by Communism. The language of the section differed somewhat from the earlier directive contained in trade agreements legislation, which referred to "the Union of Soviet Socialist Republics and . . . any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist movement."[15] According to the report of the House Ways and Means Committee on H.R. 11970, the change in language was intended to assure that Cuba, Poland, and Yugoslavia were included among the "Communist countries" denied trade-agreement rates of duty. At the time the Trade Expansion Act of 1962 became law, Cuba was in fact denied trade-agreement rates of duty (pursuant to sec. 401(a) of the Tariff Classification Act of 1962 [16]), but Poland and Yugoslavia were not. Effective December 16, 1963, section 231 was amended to permit the President to extend trade-agreement concessions to imports from Poland and Yugoslavia, if he determined that such treatment would be important to the national interest and would promote the independence of those countries from domination by international Communism.[17]

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

> (1) The President was directed to take all appropriate and feasible steps within his power to eliminate unjustifiable foreign import restrictions whenever they impaired the value of tariff commitments made to the United States, oppressed the commerce of the United States, or prevented the expansion of foreign trade. The President was not to obtain the reduction or elimination of any such unjustifiable restriction by offering in negotiations to remove or reduce any import restriction of the United States.
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> (2) Notwithstanding any provision of any trade agreement, and to the extent he deemed necessary and appropriate, the President was directed to impose duties or other import restrictions on the products of any country establishing or maintaining unjustifiable import restrictions against U.S. agricultural products when he deemed such action necessary and appropriate to provide access for U.S. agricultural products to the markets of that country on an equitable basis.
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> (3) To the extent that such action was consistent with the purposes stated in the act, the President was directed to deny the benefits of existing trade-agreement concessions to, or to refrain from proclaiming the benefits of any new concession to carry out a trade agreement with, any foreign country which maintained nontariff trade restrictions, including variable import fees, which substantially burdened the commerce of the United States in a manner inconsistent with the provisions of trade agreements or engaged in discriminatory or other treatment unjustifiably restricting U.S. commerce.
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> (4) The President was authorized to deny the benefits of existing trade-agreement concessions to, or to refrain from proclaiming new concessions to carry out a trade agreement with, any foreign country maintaining unreasonable import restrictions which substantially burdened the commerce of the United States, either directly or indirectly. In taking such action, the President was directed to act with due regard for the international obligations of the United States and for the stated purposes of the act.

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

National security provisions

The national security provisions of the act (sec. 232) directed the President to reserve from trade-agreement negotiations any article on which a reduction in duty or other import restrictions would threaten to impair the national security, as well as to control entries of any article being imported in such quantities or under such circumstances as to threaten to impair the national security. These provisions were nearly identical to the national security

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[15] Sec. 5 of the Trade Agreements Extension Act of 1951.
[16] Public Law 87–456.
[17] Sec. 402 of Public Law 88–205.

provisions of the previous trade agreements legislation (i.e., those contained in the Trade Agreements Extension Act of 1958). Section 225(a) further directed the President to reserve from trade-agreement negotiations for the reduction or the elimination of duty any article for which an action was in effect under the national security provisions of the Trade Expansion Act or the comparable provisions of earlier trade agreements legislation.

Also under section 232, the Director of the Office of Emergency Planning was required, upon the request of the head of any department or agency, upon the application of an interested party, or upon his own motion, to conduct an investigation to determine the effects on the national security of imports of any article. Such investigations presumably could be conducted at any time and on any article (whether or not a trade-agreement concession had been granted thereon). If the investigation established to the satisfaction of the Director that the subject article was being imported in such quantities or under such circumstances as to threaten to impair the national security, he was to so advise the President. In turn, the President, unless he determined that the article was not being imported in such quantities or under such circumstances as to threaten to impair the national security, was to take such action as he considered necessary to "adjust" imports of such article so that they would not threaten to impair the national security. The President's authority to impose import restrictions under these circumstances was unlimited; he could, for example, impose an import duty higher than 50 percent above that in effect in 1934 (the limit for escape-clause restrictions).

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

Fishery resources

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

Administrative Provisions

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

Special Representative for Trade Negotiations

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

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

interagency advisory committee provided for by section 242 of the act. Generally, the Special Representative was to assist the President in the administration of the trade agreements program and to advise the President with respect to nontariff barriers to international trade, international commodity agreements, and other matters relating to the operation of the trade agreements program. By Executive order, the President also created the positions of two Deputy Special Representatives for Trade Negotiations. The Deputy Special Representatives were assigned the principal function of conducting trade-agreement negotiations; they were also to perform such additional duties as the Special Representative might direct.

The committee complex

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

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

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

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

The functions of the Trade Executive Committee were to (1) plan, direct, and coordinate interagency activities concerning the trade agreements program and related matters; (2) recommend policies and actions, and transmit appropriate materials, to the Special Representative concerning the trade agreements program and related matters; (3) supervise and direct the activities of the Trade Staff Committee and the Trade Information Committee (see below); and (4) perform such other functions as the Special Representative might from time to time determine.

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

The functions of the Trade Staff Committee were to—

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

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

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

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

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

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

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

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

Trade Information Committee.—The Trade Information Committee consisted of a chairman appointed from his office by the Special Representative and of officials designated from their respective agencies by the Secretaries of Agriculture, Commerce, Defense, Interior, Labor, State, and Treasury.

The functions of the Trade Information Committee were to—

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

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

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

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

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

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

Congressional representation at negotiations

Section 243 of the Trade Expansion Act directed the President to select, upon the recommendation of the Speaker of the House of Representatives, two members of the House Committee on Ways and Means, and, upon the recommendation of the President of the Senate,

two members of the Senate Committee on Finance to be accredited as members of the U.S. delegation to any trade-agreement negotiation. The respective delegates from each House of Congress were not to be members of the same political party.

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