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SEVENTEENTH ANNUAL REPORT ON TRADE AGREEMENTS PROGRAM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE SEVENTEENTH ANNUAL REPORT ON THE TRADE AGREEMENTS PROGRAM, PURSUANT TO 19 U.S.C. 1803(a)

OCTOBER 17, 1973.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

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To the Congress of the United States:

In accordance with section 402(a) of the Trade Expansion Act of 1962 (TEA), I transmit herewith the Seventeenth Annual Report of the President on the Trade Agreements Program. This report covers developments in the year ending December 31, 1972.

In the period since I last reported to the Congress on our trade agreements program, we have taken major new initiatives to give strong momentum to closer multilateral cooperation and to develop a fairer and more efficient framework for the conduct of international economic relations. As a result of intense preparatory work throughout 1972, nations accounting for the bulk of world trade, meeting in Tokyo last month, opened a major round of new negotiations to reduce tariff and nontariff barriers to trade and to reform the rules by which all can gain from expanded trade. In the related field of monetary affairs, encouraging progress has been achieved on reform of the international monetary system to provide sound underpinnings for a fairer, more open trading system.

Concurrently with work on these basic longer term objectives, U.S. negotiators also expressed in bilateral consultations for the early removal of foreign nontariff barriers which have distorted normal trade patterns and restricted U.S. exports. The success of these efforts has, in some cases, opened markets where U.S. exporters have competed at a disadvantage for over two decades. In other instances, prompt U.S. assertion of our rights under the General Agreement on Tariffs and Trade has either deterred the institution of proposed restrictions or resulted in their early termination.

As a result of U.S. representations, our traders are already realizing tangible benefits from the major liberalization of quotas and licensing by Japan and the virtual elimination of Japanese export incentives. Compensatory taxes affecting some $40 million of U.S. agricultural exports were terminated on 98 percent of the products involved. The reduction or removal of these and other trade distortions demonstrates that sound trade policy and vigorous negotiation can create new and better opportunities for American businesses, farms, and workers.

Consistent with our efforts to strengthen the fabric of common interests between this country and the Soviet Union, we concluded a major agreement last year which lays the basis for the normalization of relations in the trade field. Important initial steps also have been taken to reduce barriers to commercial relations with the People's Republic of China. These developments open vast opportunities for long-term mutual economic benefit and for the advancement of world peace through the reduction of political tensions. I again urge the Congress, in considering my request for authority to grant normal tariff treatment to these countries, to work with me in framing an authority which preserves these gains.

While we may justifiably be encouraged by our achievements in trade and monetary negotiations since 1971 and by the reversal of the downward trend in our merchandise trade balance, we must not underestimate the magnitude and complexity of the tasks ahead. The multilateral trade negotiations which have just been opened are a fundamental building block in the foundation of a new world politico-economic structure. The stakes are thus high and the bargaining will be intense.

To realize our objectives in the trade field, I sent to the Congress last April proposals for new legislation entitled the Trade Reform Act of 1973. In my statement of October 4, I expressed my views on the bill which was approved by the House Ways and Means Committee. As legislative deliberation continues, I look forward to working with the Congress on this bill in a spirit of constructive partnership.

The profound changes which have taken place in the world economy and the impact of growing economic interdependence on political relations among nations is now clearly recognized. While formidable problems exist in the trade area and while countries still differ widely on some of the important issues, the will now exists to negotiate the necessary far-reaching changes instead of resorting to confrontation or retaliatory measures which generate political frictions. We, like other nations, will be hard bargainers, but with a shared spirit of mutual commitment to a more open and equitable trading system, the entire world can progress toward a new era of economic well-being and peaceful international relations.

RICHARD NIXON.

THE WHITE HOUSE, *October 17, 1973.*

AUTHORITY

TRADE EXPANSION ACT OF 1962, SECTION 402(a)

The President shall submit to the Congress an annual report on the trade agreements program and on tariff adjustment and other adjustment assistance under this Act. Such report shall include information regarding new negotiations, changes made in duties and other import restrictions of the United States, reciprocal concessions obtained, changes in trade agreements in order to effectuate more fully the purposes of the trade agreements program (including the incorporation therein of escape clauses), the results of action taken to obtain removal of foreign trade restrictions (including discriminatory restrictions) against U.S. exports, remaining restrictions, and the measures available to seek their removal in accordance with the purposes of this Act, and other information relating to the trade agreements program and to the agreements entered into thereunder.

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I. INTRODUCTION - REFORM OF THE INTERNATIONAL ECONOMIC SYSTEM

Major negotiations to reform and update international economic arrangements in the interrelated areas of money, trade and investment were launched during 1972. The Smithsonian Agreement of December 1971 had provided an acknowledgement by a number of the major industrial nations that profound structural changes in the world economy had left international rules seriously outmoded. The exchange rate realignment agreed at the Smithsonian Institution was the first necessary step in restoring balance in a world of more equal economic capacity and greater interdependence.

The U.S. "contribution" to the Smithsonian realignment entailed a proposal to Congress to devalue the dollar in terms of gold from $35 to $38 per ounce -- a change in the U.S. par value of the dollar of 7.9 percent. Legislation for this purpose was submitted on February 9, 1972, with Congressional action completed on March 31, 1972 (Public Law 92-268). Following necessary Congressional action on appropriations for the required maintenance of value payments on U.S. subscriptions to various international financial institutions, the United States officially notified the International Monetary Fund (IMF) of the change in the dollar's par value effective noon, May 8, 1972.

The exchange rate actions agreed at the Smithsonian resulted in an effective trade-weighted appreciation against the dollar of the currencies of the major industrial countries of Europe and Japan of 11.8 percent. In addition, Japan and the European Community countries agreed to undertake certain trade measures to improve the access of American products to their markets.

The overall U.S. payments position improved significantly in 1972 although our trade balance deteriorated sharply, to a deficit of $6.8 billion. A larger trade deficit was not unexpected given business cycle conditions in the United States and overseas and the initial perverse effects which normally accompany devaluation. However, by the end of 1972 it became clear that the likely improvement in the U.S. balance of payments and trade position from the Smithsonian realignment would not be large enough or come soon enough. (A further realignment, bringing the cumulative effective appreciation of the currencies of our major trading partners in Europe and Japan against the dollar to approximately 23 percent, was negotiated in February 1973.)

In the first half of 1972, monetary reform efforts focused on the establishment of an appropriate negotiating forum, with a comprehensive mandate for reform, and on identification of the fundamental questions to be addressed. In July, agreement was reached on the establishment, under the aegis of the IMF, of a Committee of Governors on Reform of the International Monetary System and Related Issues to undertake the actual negotiations. The Committee of Twenty, as it is usually called, was given a broad mandate enabling it to consider trade, capital, investment and development finance matters closely related to monetary reform.

Substantive negotiations on monetary reform were initiated at the annual meeting of the IMF in September 1972. In a major address, President Nixon underlined the importance the United States attaches to a thorough-going reform of the international economic system. He noted the profound changes that the world economy had undergone and the increased potential for economic competition and conflict. The President stressed the need to make international commerce a source of stability and harmony rather than a cause of friction and animosity. In urging an economic structure which supports the world's movement toward peace, he called for a realistic code of conduct which allows governments freedom to pursue legitimate domestic objectives but which also gives them good reason to abide by agreed principles of international behavior.

In recognition of the close link between monetary and trade issues, the United States has urged that rules in each area be made consistent and mutually reinforcing. It was recognized that negotiations on specific products and restraints need not wait on monetary reform, nor need monetary reform await the results of specific trade negotiations.

The mandate for the Committee of Twenty recognizes that monetary reform is but one element in the needed updating of international economic affairs. The broad structural changes in the world economy which have occurred have overtaken existing arrangements in the trade and investment fields as well. The recognition of the need for trade reforms generated a concerted effort during 1972 leading to the trade actions taken as part of the Smithsonian Agreement and an intensive program of preparations for comprehensive multilateral negotiations, to be opened in 1973. (See Chapter III.)

Similarly, national policies affecting the flow of investment funds can operate to alter trade patterns and influence the adjustment process to the benefit or detriment of other countries. While the Smithsonian meetings produced an explicit understanding with regard to the need for new arrangements for the conduct of trade, and concrete steps toward this end were taken early in 1972, the course of action in the investment sphere developed more slowly. This was due in part to the absence of extensive prior international consideration (or even detailed knowledge) of the impact of foreign direct investment on individual countries or on the economic relations among countries. There was, moreover, no clearly defined institutional framework for developing new multilateral approaches that could be coordinated and harmonized with actions underway in the IMF on monetary matters and in the General Agreement on Tariffs and Trade (GATT) for trade. As a beginning in filling this gap, the United States in 1972 supported the launching of the examination of investment issues which was begun by the Organization for Economic Cooperation and Development during the year (See Chapter V).

II. WORLD TRADE IN 1972

A. Developments in International Trade

The value of trade among market economies expanded faster in 1972 than in the preceding year. Global exports exceeded $371 billion based on exchange rates in effect since the Smithsonian Agreement, an increase of 18 percent compared with 12 percent in 1971.

An estimated one-third of the 1972 export rise represented a valuation change resulting from the conversion of national currency trade data into U.S. dollars at the new exchange rates. By comparison, a minor part of the 1971 export advance was related to changes in the pre-Smithsonian rates.

The volume of exports increased about 9 percent, reflecting the resumption of rapid economic growth particularly in the United States, Western Europe, and Japan. The remaining portion of the export gain stemmed from higher prices on internationally-traded products resulting from continued worldwide inflationary pressures.

Developed Countries - The developed nations accounted for slightly more than four-fifths of the exports of market economy countries and an even greater portion of the $56 billion added in 1972. Thus, these nations as a group enlarged their share of total commerce. Among the United States' principal competitors, Germany, France, Italy and Japan enhanced their standing, while the United Kingdom lost ground. U.S. export expansion, although vigorous compared with 1971, lagged behind the performance of other traders. The nation's relative position, consequently, shrank by half a point to a new low of 13.4 percent of world exports. This share loss was, however, attributable to the appreciation of most key foreign currencies relative to the dollar rather than to other factors.

The discussion that follows is based on trade data which reflect prevailing exchange rates. By this yardstick, Western Europe's exports rose one-fifth, considerably faster than in 1971. The six original members of the European Economic Community (EC) stepped up foreign sales even more, with a combined gain of 23 percent, as each country accelerated its export growth, especially with fellow-members. Such intra-Community sales represented virtually half their $125 billion export total. France exhibited the most dynamic advance as its exporters bettered their previous year's performance by more than a fourth. Belgian traders did almost as well. Large increases in shipments abroad of wines and fabrics of wool, cotton, and synthetic fibers contributed to Italy's recovery from its most severe recession since the 1940's, and helped in boosting exports by 23 percent.

Weakness in German demand at home in the earlier part of the year prompted greater concentration on foreign markets. Particularly good results were achieved in sales of various types of machinery, motor vehicles, and artificial resins, with total exports expanding a fifth. Dutch shipments abroad likewise moved up a fifth, the performance being particularly strong in organic and inorganic chemicals as well as in natural gas and ships. British motor vehicles moved sluggishly in foreign markets as did machinery, holding overall export growth to 9 percent, by far the smallest relative gain made in Western Europe. Spain posted one of the steepest export increases in the region due mainly to substantially higher deliveries of footwear, iron and steel, and boats.

Imports by developed countries, like exports, expanded faster than the world total. Western Europe recorded a rise of 18 percent, which was greater than during 1971 when economic activity was sluggish. Spain l[illegible]h an increase double the regional average. Members of the EC, especially France, al[illegible]sted foreign purchases sharply. Only the Netherlands of this group failed to incre[illegible] imports more rapidly than in 1971. Great Britain stepped up the inflow of goods from abroad by 17 percent as industrial production recorded a moderate advance following several years of virtually no growth.

Canadian exports in 1972, while increasing faster than in the previous year, did not match the 22 percent rise in imports. Greater two-way trade in automotive products with the United States accounted for an important part of these gains. The inflow was also stimulated by the vigorous growth of the economy, while exports were buoyed by rising U.S. demand for Canadian crude oil and lumber.

Although Japanese deliveries of cars, ships, and machinery increased, sales of iron and steel and textiles flattened out in 1972, so that the export rise even in dollar terms was smaller than in the preceding year. Measured in yen, the advance amounted to only 5 percent. Conversely, Japan's imports rose faster in 1972, reflecting the resumption of rapid economic advance. Australian exports rose about a fourth in value, boosted in part by significantly higher prices for wool, while imports declined in response to a slowdown in the country's manufacturing activity.

Developing Countries - Trade of developing areas expanded less rapidly than that of the developed countries in 1972, thus reducing their share of free world commerce. Based on preliminary data, the less economically advanced nations boosted exports by 15 percent, while imports were about 11 percent higher than in 1971.

South and East Asia recorded the sharpest export gain of any developing area with a rise of 19 percent to a total of $19 billion. Hong Kong, the region's top trader next to Japan, expanded foreign sales by over a fifth. Reexports showed a considerably stronger growth than exports of domestically produced goods, which were affected by stiffening competition from lower labor cost neighbors, notably Taiwan, South Korea, and Singapore. The last, channeling two-fifths of its output into the foreign market, stepped up exports 24 percent, double the rise in 1971, while Thailand and South Korea both surpassed this rate. Shipments from Malaysia, on the other hand, edged up only 5 percent as rubber sales continued to decline due to lower prices. Similar weakness in prices of coconut products and reduced shipments of wood kept overall Philippine deliveries from any gain. After little advance in 1971, India's exports resumed their growth as shipments to Bangladesh rose substantially.

Imports by South and East Asia slowed from the pace set in 1971 with an increase of only 8 percent. The slackening stemmed mainly from a reduction in foreign purchases by India and smaller growth by Korea and the Philippines. Singapore, which is industrializing rapidly, expanded imports by a fifth, followed closely by Thailand, Hong Kong, and Malaysia.

Latin America bettered its 1971 export performance with a 16 percent gain. Aided by a resurgence in cotton shipments, Mexico's exports rose one-fourth. Brazil, continuing its strong industrial expansion, posted an even steeper rise in exports through the third quarter. Passenger cars, trucks, and shoes were among the country's fastest selling manufactures. The overall rise in Argentina's exports, on the other hand, was slight for the second successive year despite a recovery in earnings from meat.

Imports by Latin America reached $17.5 billion, 11 percent above 1971 levels. Mexico, again advancing rapidly due in part to heavy expenditures on public works, reversed the previous year's import decline with a 22 percent increase. Brazil's purchases moved up sharply again but, at mid-year, Argentina's were running below 1971 levels.

Africa's developing nations nearly doubled the previous year's rate of increase in foreign deliveries with a rise of 11 percent. The step-up to a total of $14 billion was spearheaded by Tunisia's 42 percent gain, mainly from greater sales of olive oil and crude petroleum. Rising crude petroleum sales also boosted Nigerian exports substantially, while higher shipments of phosphates and citrus fruits were the key factors in Morocco's steep increase. Zambia's foreign deliveries in the first three quarters were running 9 percent ahead of the comparable period in 1971 as the copper industry recovered from operational difficulties at the mines.

Imports, in contrast to exports, slowed in 1972, influenced by a leveling in Nigeria, developing Africa's largest purchaser of foreign products. Moreover, Zambia's nine-month rate of increase was no higher than in the preceding year. The inflow of goods into Libya, however, jumped 50 percent above 1971 levels, while Tunisia's record harvest made possible a rise of one-third in foreign purchases.

Exports from the Near East advanced 15 percent, half the unusually strong rise recorded in 1971. The smaller rate of gain stemmed in large part from a substantial decline in Iraq's petroleum shipments following nationalization of the industry and a marked slowing in Kuwait's rate of increase as the government limited expansion of petroleum output. Moreover, despite a surge in sales of diamonds, Israel's exports rose more moderately than in 1971.

Imports by the Near East exceeded the $11 billion mark in 1972, rising by about one-seventh for the second year in a row. Iran boosted purchases at nearly double that rate, reflecting the expanding requirements of its buoyant economy. Israel, on the other hand, held import growth to a modest 5 percent, while Iraq, facing severely reduced export earnings, kept the inflow of goods to the 1971 level. Egypt reported a slight decline in purchases in 1972.

B. U.S. Foreign Trade

U.S. foreign trade accelerated sharply in 1972. Exports, excluding military grant-aid, increased to $49,208 million, a gain of 13 percent compared with 2 percent in 1971. Imports advanced by 21.9 percent to $55,555 million after a 14 percent climb in the preceding year. As a result of the greater rise in imports than exports, the merchandise trade deficit expanded more than threefold, to $6,347 million from $2,014 million in 1971. (On a balance of payments basis, excluding military sales and purchases and also adjusting for various other differences, the merchandise trade deficit rose to $6,816 million in 1972 from $2,666 million in 1971.)

The 1972 increase in exports was well above the 8.5 percent average annual growth in foreign sales during the 1965-71 period. The major reasons behind this relatively strong performance were a pickup in the rate of foreign economic growth and unusually heavy demand abroad for U.S. agricultural products. Another, but less significant, factor was the effect of 1971 dockstrikes which caused some shipments to be delayed until the early part of 1972.

The import advance also exceeded the 13.5 percent average rise in the 1965-71 period. Along with the rapid increases in prices, which amplified the expansion in value terms, foreign purchases were stimulated in 1972 by the vigorous growth of the U.S. economy. As with exports, makeup shipments after the 1971 dockstrikes contributed to the import rise.

The severe deterioration in the trade position was due largely to cyclical factors. Economic activity in this country was considerably more buoyant than in most industrial countries abroad, with the result that U.S. demand for imports was much stronger than foreign demand for our exports. In addition, import prices, as measured by the unit value index, rose by 7.4 percent, much more rapidly than the 3 percent increase for exports. The difference between the two reflected greater inflationary pressures abroad and the December 1971 revaluation of key foreign currencies, which raised the dollar value of imports while helping to hold down export price increases. Roughly $2.8 billion of the $4.3 billion deterioration in the trade balance can be attributed to price factors.

The trade deficit was more than $350 million lower in the second half of 1972 than in the first as export growth outstripped the expansion in imports. Exports were swelled by heavy makeup deliveries in the first quarter of 1972 following dockstrikes at most U.S. ports. Shipments declined somewhat in April-June from these high levels, but recorded strong advances in both the third and fourth quarters. One reason for the improvement was a lessening of the cyclical imbalance between the U.S. and foreign economies as the cumulative effects of business expansion abroad strongly stimulated our exports. Another factor was the improved competitive position of U.S. goods resulting from the realignment of exchange rates under the Smithsonian Agreement. The gain in shipments also reflected an acceleration in agricultural deliveries, especially to the USSR. The more subdued import advance in the latter half of 1972 was most probably related to a slowdown in U.S. demand for foreign products resulting from the exchange rate changes. Earlier in the year, the main effect of higher foreign prices caused by the currency adjustment was to raise the value of imports without a corresponding reduction in the volume of foreign purchases, thereby worsening the U.S. trade position.

Nonfarm Export Pace Quickens

U.S. exports of manufactured goods and other nonagricultural products rose strongly in 1972, climbing 11 percent to $39.7 billion. This gain contrasted sharply with the export performance in the previous year when nonfarm sales advanced by only 1 percent.

Sales of machinery rose 15 percent to $13.6 billion, and accounted for almost half of the expansion in nonagricultural exports. Deliveries to Canada, where investment expenditures have been particularly buoyant compared with other major export markets, showed the biggest gain, contributing roughly a third of the increase.

Exports of farm machinery, tractors, and parts, which had declined considerably in recent years from levels reached in the mid-1960's, advanced strongly in 1972. Much of the gain was in deliveries to Canada, where investment in farm equipment rose in response to expanding agricultural demand, but shipments to Western Europe and the American Republics climbed in addition. Construction and excavating machinery exports also recorded a large increase after declining in the preceding year. Much of the advance reflected shipments of parts to U.S.-owned subsidiaries abroad.

The steep rise in exports of drilling and oil-field equipment stemmed primarily from the rapid growth in world energy requirements and the consequent step-up of petroleum and natural gas exploration and production. Gains in shipments to Canada, Mexico, and Western Europe were especially large. The expansion of electrical power facilities abroad led to a big increase in exports of power generating machinery and related equipment.

Reversing a marked decline in the previous year, exports of electronic components climbed by about $150 million. Shipments of semiconductor parts, mainly to overseas plants for further assembly, accounted for much of the advance. Deliveries of color television picture tubes to West Germany, the United Kingdom, and Canada climbed sharply. Most of the increase in exports of telecommunications equipment consisted of radio and TV apparatus, especially parts. The 6 percent rise in deliveries of computers and related equipment last year was somewhat faster than the 1971 increase, but well below the rates of growth in earlier years. The advance in 1972 consisted mainly of computer parts shipments.

Exports of transport equipment advanced only 4 percent, in marked contrast to their strong 1971 performance, which had contributed almost the entire nonagricultural gain. A sharp decline in aircraft sales largely offset a $600 million increase in shipments of automotive products. Most of the increase in automotive deliveries to Canada consisted of parts and accessories for assembly at subsidiaries of U.S. companies. The gain was prompted by continued increases in Canadian car output, largely in response to buoyant auto demand in the U.S. market where most of this production is shipped. A substantial pickup was registered in deliveries of U.S.-built cars to Canada in the second half of the year. Truck exports to our northern neighbor also accelerated sharply, gaining 43 percent over the previous year.

The drop in civilian aircraft exports reflected lower sales to foreign airlines of most commercial passenger transports. On the other hand, initial deliveries abroad of a new large-capacity airliner began in the fourth quarter, and exports of used aircraft increased again in 1972.

Sales of military planes were sharply lower.

After a sluggish performance in 1971, exports of chemicals rose 8 percent, picking up considerable momentum in the second half of the year. Sales of manufactured fertilizers, boosted by strong demand in Brazil, South Vietnam, and Bangladesh, showed an especially large rise. Shipments of pharmaceuticals, particularly to Belgium and Japan, were also buoyant. Organic chemical exports recovered from their 1971 decline with a gain of 12 percent.

Stimulated by strong construction activity in Japan, exports of logs and lumber recorded steep increases. A particularly large rise was recorded in shipments of hardwood flooring to Japan for use in bowling alleys. Deliveries of paper grew by 6 percent despite a leveling off in shipments of kraft paper and board.

Continuing their long uptrend, exports of photographic equipment and supplies rose to more than $600 million last year. The advance was led by photocopying equipment and photographic film and paper, products in which the United States holds a significant worldwide technological lead. Sales of recording equipment climbed by more than one-fifth, paced by video tape recorders and audio tape.

Some strengthening in world steel markets enabled exports of iron and steel-mill products to climb 5 percent after a big drop in the preceding year. Greater sales to Canada, Iran, Mexico, and Western Europe more than offset a large falloff in AID-financed deliveries to India and Pakistan. The outflow of iron and steel scrap also recovered from its 1971 decline, with significant gains recorded to Japan and the American Republics. Shipments of coal showed little change in quantity from the previous year, though higher prices boosted the value by 9 percent.

Farm Sales Soar

Spurred by heavy world demand for grains, exports of agricultural products jumped 22 percent to $9.5 billion in 1972. As in the case of other products, this increase included shipments in the first quarter which had been delayed by the 1971 dockstrikes. After a slight drop in April-June, deliveries surged upward in the second half of the year. Grain shipments to the USSR in 1972 increased substantially over the 1971 level as a result of a major crop failure which necessitated large imports. Sales to the People's Republic of China, the first major export transaction with that country in over two decades, also contributed significantly to the gain in wheat shipments.

Exports of corn climbed by two-thirds, largely on the strength of sales to Russia. Demand in other countries was also heavy, especially in Spain and Italy because of reduced export availabilities in Argentina, the major supplier of corn to those countries. Poor weather conditions, which severely reduced rice crops in a number of Asian countries, were mainly responsible for a big increase in exports of this grain. Deliveries to South Vietnam and Indonesia rose especially rapidly. Continued strong world demand for animal feeds and higher prices pushed up the value of soybean exports by 14 percent.

Short world supplies and much higher prices caused a more than doubling in the value of shipments of cattle hides. Much of the huge increase in tobacco exports, to a record total of $639 million, represented makeup shipments following the dockstrike. After a sharp rise in 1971, exports of cotton fell 14 percent. The decline mainly reflected large availabilities abroad coupled with tight U.S. supplies during much of the year.

Consumer Goods Imports Rise Strongly

Purchases of consumer goods showed a huge advance again in 1972. Of the $10 billion increase in U.S. imports, nearly $4 billion represented greater arrivals of consumer products from abroad. Strong U.S. demand, evidenced by the acceleration in personal consumption expenditures, and higher prices for many items, partly a result of the currency realignment in late 1971, combined to boost the value of consumer goods imports to $19.6 billion -- 25 percent above the 1971 level. Following a big rise in the first quarter, these imports leveled off until the final quarter when they climbed strongly again. For the year as a whole, receipts of consumer goods (excluding autos from Canada) as a share of U.S. personal outlays on goods rose to 6.2 percent from 5.3 percent in 1971.

Approximately three-fourths of the increase in consumer goods purchases consisted of nonautomotive products -- in sharp contrast to 1971 when arrivals of automotive products dominated the import expansion. Electrical products, advancing by 36 percent, led the increase. Especially strong demand for cartridge and cassette equipment from Japan accounted for much of the surge in entries of sound recorders. Imports of television sets increased one-fifth under the stimulus of strong demand here and the shift of some production to foreign subsidiaries utilizing components shipped from the United States. The number of color receivers arriving from Japan fell, but greater purchases of the more costly models raised the import value slightly. Following a small rise in 1971, entries of radios soared, particularly those from the developing countries of Southeast Asia.

Motorcycle imports advanced 40 percent as demand remained strong and the product mix shifted toward the larger, more expensive vehicles. The $164 million jump in gem diamond entries reflected higher prices and a greater inflow of uncut stones. Glassware and pottery receipts, after falling in 1971, advanced more than $100 million. Clothing imports were also buoyant, especially from Hong Kong, Taiwan, and Korea.

Imports of passenger cars from Canada rose by 10 percent as a result of growing U.S. demand for compact and subcompact models which represent a large part of Canadian production. Deliveries were especially strong in January-June, but declined moderately in the second half. The inflow of automotive parts and accessories from Canada was also significantly greater than in 1971.

Following a rise of [illegible] percent in 1971, entries of foreign-type cars advanced only 14 percent in value last year. Moreover, this increase was entirely due to greater purchases of the more costly models and generally higher prices, since the quantity arriving fell by nearly one-tenth. The shift to more expensive automobiles was especially evident in shipments from West Germany and Japan, the two major suppliers.

The availability of North American subcompact autos at low prices, combined with significant price increases for foreign cars, played the major role in holding down the volume of arrivals. For the first time since the early 1960's, the foreign car share of total U.S. auto sales fell -- to 14.8 percent from 15.3 percent in both 1970 and 1971.

Oil and Lumber Imports Surge

The sharp increase in U.S. industrial production and the exceptionally strong demand for petroleum and lumber boosted entries of industrial supplies by 20 percent. The $3.4 billion expansion in these purchases accounted for slightly over one-third of the overall import rise. Arrivals were buoyant throughout the year; in the second half, they contributed most to the growth of U.S. imports.

Purchases of crude petroleum increased by almost $700 million as domestic requirements advanced while U.S. output fell for the second year in a row. Import quotas were raised substantially in the latter half of the year. Canada, Nigeria, and Saudi Arabia accounted for much of the import advance, although other major oil suppliers shared in the increase. Entries of fuel oil and natural gas also expanded significantly.

Arrivals of softwood lumber, almost entirely from Canada, increased sharply in response to the buoyancy in construction activity and low inventory levels in this country. The quantity of steel imports declined from the high 1971 total when stocks were built up in anticipation of a threatened industry strike. Higher unit values, however, reflecting both currency revaluations and a shift toward the more costly grades of steel, raised the total value. Among nonferrous metals, imports of zinc almost doubled in value because of strong demand and limited domestic supplies. Purchases of nickel, largely from Canada, copper, and aluminum also rose. Moreover, imports of industrial and agricultural chemicals advanced almost one-fifth, predominantly due to greater arrivals of organic chemicals and plastics. Following a 23 percent rise in 1971, entries of tires and tubes increased by over 50 percent last year, with France, Japan, Italy and West Germany contributing most to the expansion.

Capital Goods Imports Accelerate

The inflow of capital goods soared by one-third to $6.7 billion last year, a substantial acceleration from the 10 percent increase recorded in 1971. Import growth was generally strong throughout the year except for a pause in the third quarter. Capital equipment purchases (including trucks) accounted for 9.5 percent of expenditures on producers' durables last year, compared with an 8.0 percent share in 1971.

Reflecting gains in U.S. expenditures on plant and equipment, machinery imports climbed 32 percent. Receipts of computer-related equipment from U.S.-owned facilities in Canada boosted arrivals of business machines. Entries of textile and leather machinery also increased, though a decline was noted in July-December as U.S.-based plants of foreign manufacturers began production and demand for this equipment leveled off. Imports of agricultural machinery and farm tractors expanded as a result of high U.S. demand. Growing energy needs stimulated purchases by public utilities of power machinery and switchgear which registered an advance of over one-third. Entries of electron tubes and semiconductors also increased.

Imports of trucks from Canada rose sharply, spurred by strong demand for recreational vehicles. Small models from Japan also entered in large volume. Aircraft and components almost doubled in value because of greater arrivals of parts from Canada and engines from the United Kingdom, the latter to be used in U.S. production of a new wide-bodied jet airliner.

Fish and Meat Lead Food Import Rise

Receipts of foods and beverages showed the smallest rate of increase of the major import categories, though substantial advances were recorded in certain commodities. Food purchases totaled $7.3 billion in 1972, 14 percent above the previous year's level. These entries accounted for 5.0 percent of U.S. expenditures on food, compared to the 4.7 percent share in both 1970 and 1971.

The value of fish receipts increased almost two-fifths, largely because of high prices which reflected strong consumer demand and limited world supplies. These purchases accounted for over one-third of the rise in food imports. Beef arrivals, mostly from Australia, also advanced sharply. In order to stimulate further shipments to the United States, meat import quotas were eased in March and suspended in late June.

Wine purchases were extremely buoyant, rising by almost 40 percent; whiskey imports, however, fell. The volume of coffee receipts declined 4 percent from the 1971 level, which was inflated by strike-hedge buying prior to the port shutdowns. Higher prices, particularly in the latter half of 1972, boosted the value of entries, however. Similarly, sugar arrivals declined slightly in quantity terms, but significant price increases pushed the import value higher.

Area Trade Developments

Canada - Exports to Canada expanded strongly in 1972, benefiting primarily from rapid economic growth in that country. Shipments rose by one-fifth to $12.4 billion, with gains recorded in every quarter. A steep rise in machinery sales, sparked by an acceleration in Canadian investment expenditures accounted for nearly one-third of the advance. Shipments of farm machinery and office machines recorded the largest gains. Exports of construction machinery and telecommunications equipment also advanced significantly. Automotive products, especially parts for assembly, expanded by one-fifth, reflecting continued increases in motor vehicle production in Canada. Chemicals and coal also added substantially to the nonagricultural export gain. Larger fruit and vegetable deliveries contributed most to the 11 percent increase in agricultural sales.

Imports from Canada continued on an uptrend, rising 18 percent to total $14.9 billion. In contrast to the 1971 pattern, purchases of industrial supplies rather than automotive products showed the largest increase. Continued buoyancy in U.S. construction activity sparked a sharp expansion in lumber imports. The inflow of crude petroleum and natural gas also surged upward in response to growing energy requirements in this country. Nonferrous metals, largely zinc, nickel, and aluminum, rose to higher levels. Stepped-up imports of automotive products reflected the continued strength of the U.S. auto market. Arrivals of farm machinery and computer-related equipment recorded significant increases, as did aircraft parts.

The U.S. trade deficit with Canada expanded further in 1972, to $2.5 billion, but the deterioration was less severe than in recent years. Moreover, a significant improvement was noted in the second half of the year as exports expanded strongly while imports posted a small decline.

Western Europe - Exports to Western Europe recovered from their 1971 fall, rising 9 percent to $15.1 billion last year. Economic activity in the area, while remaining generally below potential, picked up momentum in the second half of 1972 and exports showed considerable strength.

Sales to the original six EC members advanced 5 percent after recording no change in the preceding year. Shipments were held down by sluggish exports to the Federal Republic of Germany, our largest market in the Community, although deliveries to France climbed sharply. Sales to the United Kingdom and Spain were also buoyant.

The rise in nonagricultural deliveries to Western Europe last year was led by machinery exports. Shipments of electronic components, aircraft engines, electric power apparatus, and materials handling equipment all posted large increases. Chemical exports to the area expanded significantly as well. On the negative side, deliveries of civilian aircraft and military goods fell sharply. Sales of farm products rose by 16 percent. Much of this advance reflected a surge in corn deliveries, particularly to Italy and Spain, but shipments of soybeans and tobacco also registered large increases.

Imports from Western Europe rose to $15.4 billion, a 22 percent increase over 1971 levels. Heavy U.S. demand boosted purchases sharply from almost every country in the area. Two-fifths of the $1.5 billion increase in receipts from the original EC countries consisted of imports from West Germany. Entries from the United Kingdom climbed 20 percent despite a dockstrike there which depressed shipments in the third quarter.

Consumer goods accounted for about 40 percent of the advance in imports from Western Europe. Although arrivals of passenger cars declined in number, the value of these purchases climbed 9 percent because of higher prices and larger receipts of more expensive models. Imports of bicycles, mainly from France, West Germany, and Italy, climbed steeply as did footwear, diamonds, and home appliances. Among industrial supplies, large increases were recorded in imports of chemicals, nonferrous metals, and tires. A heavy inflow of machinery and aircraft engines boosted imports of capital goods.

The U.S. trade balance with Western Europe deteriorated severely in the first half of 1972, shifting into deficit from its traditional surplus position. For the year as a whole, imports from the area exceeded exports by $312 million. After midyear, however, export growth exceeded the rate of import expansion by a substantial margin, and in the final six months of 1972 a near balance was recorded.

Japan - Exports to Japan rose sharply to nearly $5.0 billion, reversing the sharp decline of 1971 and raising the total about 7 percent over its 1970 level. Japanese economic activity began to pick up in 1972, stimulating U.S. sales to that country. Mainly in response to rising residential construction activity, shipments of logs and lumber recorded a substantial increase. Aircraft sales were boosted by the delivery of several jumbo jets. Shipments of sporting goods also climbed higher. Agricultural sales posted a big advance. A large increase in tobacco deliveries mainly reflected the rebuilding of stocks depleted during the U.S. dockstrikes in 1971. Shipments of soybeans, corn, and grapefruit also contributed importantly to the gain.

Imports from Japan rose 25 percent -- slightly faster than the rate recorded in 1971 -- to about $9.1 billion for the year. Consumer goods again contributed most of the increase. The value of automobile imports was sharply higher, but the quantity rose less vigorously. Purchases of nonautomotive consumer goods, led by motorcycles, sound recorders, and photographic goods, also climbed. Imports of small trucks more than doubled, while purchases of machinery were swelled by a large inflow of electrical apparatus and ball bearings.

The large U.S. trade deficit with Japan increased further to $4.1 billion.

Oceania - Exports to Oceania dropped 11 percent, reflecting a sharp falloff in shipments to Australia. The decline centered in lower deliveries of jumbo jets and other

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aircraft, but exports of machinery dipped also, mainly the result of sluggish economic activity in that country during much of the year. Moreover military exports were lower than in 1971.

Purchases from the area grew by 28 percent, boosted primarily by expanded beef imports from Australia and New Zealand. Significant, though smaller, increases were also recorded in fish and steel entries.

American Republics - Exports to the American Republics rose to $6.5 billion, 14 percent higher than in 1971. Expanded sales to Mexico and Brazil, where economic activity was especially buoyant, accounted for most of the gain. Machinery deliveries rose sharply, led by farm tractors and construction machinery. Manufactured fertilizer for Brazil contributed a significant part of the overall export gain. Aircraft sales also climbed, but shipments of trucks fell off. Wheat, corn, and sorghum spearheaded a sizable expansion in agricultural deliveries to the region.

Imports from the American Republics totaled $5.8 billion in 1972, an 18 percent increase over the prior year. Purchases from Mexico accounted for more than two-fifths of the advance, while those from Brazil also climbed substantially. Entries of foods and beverages rose vigorously, led by sugar from the Dominican Republic and coffee from Brazil. The value of fish imports moved up sharply, in part reflecting higher prices. Stepped-up steel purchases contributed to the increase in industrial supplies. Arrivals of crude petroleum and fuel oil, largely from Venezuela, showed only moderate growth. Entries of television apparatus and electronic components from U.S.-owned subsidiary plants in Mexico rose sharply.

East and South Asia - Exports to East and South Asia increased 8 percent to $4.4 billion. Taiwan and Singapore, whose industrial sectors are growing rapidly, accounted for more than half of the gain. Shipments of nonagricultural products to the area were led by machinery, particularly parts for office machines, telecommunications equipment, and semiconductor devices for assembly at plants located in Singapore, Taiwan, and Hong Kong. Agricultural sales recorded a strong advance. Wheat exports to Pakistan, Bangladesh, and Korea rose sharply as did rice sales to Korea and Indonesia.

Purchases from East and South Asia advanced by one-third, largely on the strength of buoyant arrivals from three countries -- Taiwan, Hong Kong, and Korea. Entries of consumer goods continued on a steep uptrend, led by clothing imports. Receipts of television sets and radios also climbed, as did footwear. Plywood, mainly from Korea, and crude petroleum from Indonesia contributed a large part of the increase in industrial supplies. Purchases of jute fabrics from India and cotton cloth, primarily from Hong Kong, rose to higher levels. Significant increases were recorded in arrivals of transistors and semiconductors from Singapore and Hong Kong.

Near East - Exports to the Near East rose 9 percent to $2.0 billion. The 1972 advance was much slower than in the previous year because of a sharp falloff in shipments to Israel. The export gain to the region as a whole centered in machinery sales, particularly oil-drilling equipment and electrical generators. Exports of steel and automotive and aircraft parts also contributed to the gain. The flow of civilian planes, however, declined. Rice deliveries nearly tripled during the year.

The 30 percent increase in imports consisted primarily of sharply higher petroleum purchases from Saudi Arabia and Iran and greater receipts of gem diamonds from Israel.

Africa - Exports to Africa fell 8 percent largely as a result of lower shipments to the developing countries, primarily Nigeria and Morocco. Civilian aircraft sales dropped sharply from the exceptionally high levels of 1971. Reduced shipments of steel, machinery, and chemicals contributed to the decline. Exports to the Republic of South Africa also decreased slightly, mainly reflecting smaller deliveries of consumer goods and chemicals.

Imports from Africa grew 30 percent in 1972, almost entirely due to a steep rise in purchases of crude petroleum from Nigeria, Libya, and Algeria. On the other hand, cocoa entries fell sharply in both quantity and value.

Eastern Europe - Exports to the Communist countries of Eastern Europe more than doubled last year, to a total of $819 million. The advance centered in large loadings of wheat and corn for the USSR. Exports of soybeans and cattle hides also advanced. Shipments of nonagricultural products to the area showed only a marginal rise as greater machinery deliveries were offset by a drop in chemical sales.

Imports from Eastern Europe were also expansive, rising 44 percent to $321 million. Greater purchases of platinum from the USSR and canned hams from Poland accounted for a large part of the increase. Entries of fuel oil from Romania and the USSR also rose.

People's Republic of China - Exports to China jumped to $60 million in 1972 following the liberalization of controls on shipments to that country. Wheat and corn accounted for nearly all of the sales. Imports from China rose to $32 million in 1972 from $5 million in the previous year. This increase consisted largely of greater purchases of raw silk, wool, bristles, antiques, and spices.

III. TRADE NEGOTIATIONS

A. Bilateral

In bilateral negotiations, both preceding and following the Smithsonian Agreement, the United States had stressed that the full benefits of monetary reform could not be obtained in the absence of removing barriers to trade. These discussions led in February to joint U.S./EC and joint U.S./Japan declarations undertaking to initiate comprehensive multilateral trade negotiations in 1973. Attention was also given to shorter term actions to resolve especially irritating trade issues, and, accordingly, the bilateral negotiations focused on particular foreign barriers for which the United States sought liberalization in advance of the broader multilateral negotiations as a means of accelerating its balance of payments adjustment and lessening the current frictions in commercial relations.

1. U.S./EC

The agreement with the EC, announced February 11, 1972, contained certain short term measures as a beginning in solving trade problems and opening markets for expanding trade. The EC stated its intentions as follows:

a. Grains - The EC agreed to add 1.5 million metric tons to normal carryover stocks of wheat, which had previously been estimated to total 2.4 million metric tons. For 1972/73 the Community was prepared to make an effort in stocks in the area of grains. The amount of the stocks would be determined by the situation of the market, which was to be the subject of discussions to take place at the appropriate time. The Community agreed until the end of the 1971/72 crop year to operate its system of export payments on grains so as not to divert trade in its favor.

b. Tobacco - The EC stated its intention to insure that the eventual common market tax system for manufactured tobacco would be neutral, would enable broader competition, and would be reasonable and balanced for all interests concerned. The Community said it was ready to have discussions with the United States at an appropriate time on the question of fiscal harmonization on tobacco products.

c. Citrus - For the coming two years the duty applicable to Community imports of fresh summer oranges from the United States and other nonpreferential suppliers was to be reduced from 15 percent to 5 percent during the major part of the U.S. export season (June 1-September 30). The duty applicable to nonpreferential imports of grapefruit was to be reduced from 6 percent to 4 percent for the period April 1, 1972-December 31, 1973.

d. EC Enlargement - The EC agreed that the accession treaty which it had concluded with Denmark, Ireland, Norway, and the United Kingdom would be submitted promptly to the GATT for examination according to the procedures of that Agreement. (This examination under Article XXIV:5 reached an impasse by the end of 1972 and was suspended until after the conclusion of item-by-item renegotiations (Chapter IV).)

The United States, for its part, informed the Community of its intention under domestic farm programs to add to stocks 10 percent of the production of grains in the 1971/72 crop year. For the 1972/73 crop year, such programs provided measures intended to bring about the withdrawal of 18 million acres from production of feedgrains and 8 million acres from production of wheat. Both the U.S. and EC declarations on grains reflected the supply-demand situation early in the year, before serious crop damage in other countries began to generate pressure on world supplies.

2. U.S./Canada

The United States also engaged in bilateral discussions with Canada involving several economic issues which had become irritants in trade relations between the two countries. Among such matters were measures relating to bilateral trade in automotive products, Canadian allowances on the value of foreign articles which can be entered duty free by returning tourists, and certain aspects of defense production sharing arrangements affecting trade in such products. It did not prove possible to reach agreement on these issues in the bilateral discussions. Canada later associated itself with the undertaking to initiate multilateral trade negotiations.

3. U.S./Japan

Bilateral negotiations with Japan, which continued throughout 1972, yielded a number of significant actions by Japan to reduce its barriers to imports and to eliminate virtually all of its export incentives. These actions were considered particularly timely by the United States in view of the Japanese economy's recovery in 1972 from a slowdown, the unacceptably large U.S. trade deficit with Japan ($3.2 billion in 1971 and $4.1 billion in 1972), and the fact that the full benefits of currency realignments could not be realized by the United States without improved access to the Japanese market.

As a result of (or following closely on) trade negotiations held with the Japanese between December 1971 and February 1972, Japan took the following actions: reduction of tariffs by an average of about 10 percent on certain industrial products representing approximately $275 million of 1970 imports from the United States and the reduction or elimination of tariffs on agricultural products covering about $377 million of 1970 imports from the United States; the removal of import quotas on light aircraft, aircraft radar and navigational aid apparatus, computer peripheral equipment except memory and terminal devices, tomato puree and paste, sulphur, gas oils, heavy fuel oils, ham and bacon, refined sugar, compound feeds (duties, however, were increased on the last six items); the enlargement of the import quotas on fresh oranges, orange juice, grapefruit juice, and high quality beef; the reduction to zero of the number of items covered by the Automatic Import Quota, system; a commitment to approve in principle the establishment of wholly foreign-owned sales subsidiaries which engage in importing, wholesale and servicing activities (with the exception of computer sales and petroleum distribution); and a commitment to seek legislative authority to reduce the disparity between Japan's excise tax on large and medium-sized automobiles and the tax on small-sized automobiles (Note. The excise tax reduction became effective April 21, 1973).

Further high-level trade talks were held with Japan in July. As an outgrowth of these talks and as confirmed at the meeting between President Nixon and Prime Minister Tanaka at Hawaii at the end of August, the Japanese took a number of additional steps to improve the outlook for U.S. exports to Japan. Among these steps were some easing of the quota restrictions on the importation of computers and computer peripheral equipment and parts; the rescission of the 1963 "Buy Japan" Cabinet decree encouraging government agencies to purchase their needs from domestic rather than foreign sources; commitments to approve or give sympathetic consideration to the establishment of wholly U.S.-owned retail stores (subject to limitations as to the number of outlets and the source of the goods to be sold) and wholly U.S.-owned firms for packaging and minor processing (except for color film and color photographic paper); simplification of import procedures for gifts and samples valued at less than $1000 and $2000, respectively; and undertakings to make a series of large purchases of wheat, feed grains, wide-bodied aircraft and helicopters from U.S. suppliers, as well as to purchase $320 million in uranium enrichment services from the United States. Prime Minister Tanaka stated at Hawaii that his government intended to reduce the U.S.-Japan trade imbalance "to a more manageable size within a reasonable period of time".

Late in October, the Japanese Government announced a series of steps designed to reduce Japan's huge trade surplus and ameliorate some of the frictions in its trade relations. These steps included a 20 percent tariff reduction on most industrial goods and some processed agricultural products, imposition of export controls on 20 products covering about one-fourth of Japan's total exports and about 45 percent of Japan's exports to the United States, expansion of import quotas on products still restricted, and improvement of financing for imports of manufactured products.

Toward the end of the year Japan abolished both the import deposit system and the Automatic Approval system under which an import license was required for all products, whether or not subject to quota.

B. Multilateral Negotiations

Largely as a result of U.S. initiatives, major steps were taken in 1972 to halt the trend toward protectionism, and to restore momentum to the opening of world markets and the improvement of the framework for the conduct of international trade. The initial impetus was provided by the joint U.S./EC and U.S./Japan declarations in February. In those declarations the signatories recognized the need for proceeding with a comprehensive review of international economic relations with a view to negotiating improvements in the light of structural changes in the world economy which have taken place in recent years. The review was to cover, inter alia, all elements of trade, including measures which impede or distort trade in agricultural, raw material and industrial products. Special attention was to be given to problems of developing countries. The parties also undertook to initiate and actively support multilateral and comprehensive negotiations in the framework of GATT beginning in 1973, subject to such internal authorization as would be required. It was further agreed that these negotiations should be conducted on the basis of mutual advantage and mutual commitment with overall reciprocity, should cover agricultural as well as industrial products, and should include as many countries as possible.

The support of other industrialized countries was recorded in GATT in March. Developing countries welcomed the action, but most deferred their commitment to participate pending the elaboration of plans for the negotiations. A program of preparatory work was promptly launched by the GATT Council (See Chapter IV-A). The determination to press forward toward negotiations was reaffirmed in the Nixon-Tanaka meeting in July-August and in the EC Summit meeting in October. Moreover, in their October communique, the EC leaders invited the Community institutions to decide by July 1, 1973, on a global approach covering all aspects affecting trade and expressed the hope that an effort made by all the partners would allow the negotiations to be completed by 1975.

At the GATT annual session in November, support was again confirmed for the opening of comprehensive negotiations in 1973, a Preparatory Committee was established, and a consensus was recorded in favor of convening a meeting at Ministerial level in September 1973 to establish a Trade Negotiations Committee and to adopt the necessary guidelines for the negotiations. At the end of the 28th Session, the Chairman summarized the agreement on these key points as follows:

"A number of contracting parties, accounting for a substantial proportion of world trade, have reaffirmed their intention to initiate and actively support multilateral trade negotiations in 1973 in the framework of GATT, subject to such internal authorization as may be required, covering tariffs, nontariff barriers and other measures which impede or distort trade. They agree that the negotiations shall cover both industrial and agricultural products, including tropical products, and take particular account of the need to find solutions to the problems of developing countries, including the problems of the least developed countries. They also agree to reexamine the adequacy of the multilateral safeguard system. They welcome the participation of other contracting parties, and of developing countries not contracting parties, in the preparatory work for the negotiations and look forward to the participation of these countries in the negotiations. They express the hope that these negotiations could be concluded in 1975.

"The Contracting Parties recognize the importance of the proposed multilateral negotiations and agreed that the stated objectives of expansion and ever greater liberalization of world trade, and improvement in the standards of living of the people of the world can best be achieved through co-ordinated efforts to solve in an equitable way the trade problems of both the developed and the developing countries.

"It was also agreed that the multilateral trade negotiations should aim to secure additional benefits for the international trade of the developing countries so as to achieve a substantial increase in their foreign exchange earnings, diversification of their exports and an acceleration of the rate of growth of their trade, taking into account their development needs.

"Representatives of developing countries, both contracting parties and non-contracting parties, have stated their interest in these trade negotiations and their interest in participating in their preparation, with the technical support of the secretariat, and expressed the hope that the work on defining principles and guidelines for the negotiations will proceed rapidly so that developing countries can take timely decisions on their participation in the negotiations.

"The Contracting Parties confirm their will to achieve the necessary conditions, having regard to all the interests concerned, for undertaking new and far-reaching multilateral negotiations in 1973 under the auspices of the GATT. To this end all contracting parties and developing countries not contracting parties have agreed to work together in preparation for the negotiations, and for this purpose, to establish a Preparatory Committee. The Committee will analyze and interpret in common the essential facts of the situation. It will develop methods and procedures for the negotiations with the full and active support of the three existing committees and in co-ordination with them. Membership in the Committee shall be open to all contracting parties "and to developing countries not contracting parties who wish to participate in the preparatory work for the negotiations. The Director-General is requested to convene the first meeting at a date to be set after consultation with delegations.

"On the basis set out above there is also a consensus supporting the convening of a meeting at Ministerial level in September 1973 to consider the report of the Preparatory Committee, to establish a Trade Negotiations Committee and to provide the necessary guidelines for these negotiations. Arrangements for such a meeting will, therefore, be made."

IV. THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

A. Program on Expansion of International Trade

The GATT work program for the expansion of international trade was broadened during 1972 so that it could better serve as the basis for future trade negotiations. The activities relating to industrial and agricultural products are outlined below.

1. Industrial Products

After the February 1972 joint trade declarations between the United States and the European Community and between the United States and Japan, the Committee on Trade in Industrial Products (CTIP) embarked on an expanded program of work. In March the Committee adopted a mandate "to examine the various techniques and modalities for effective and comprehensive future negotiations aimed at achieving a further liberalization and expansion of trade in industrial products and, in this examination, pay particular attention to the needs of developing countries." In beginning work under the mandate it was decided, without limiting the scope of future negotiations or excluding the examination of other matters that might prove desirable as the work progressed, to undertake the following specific tasks:

(a) Analyze and evaluate possible techniques and modalities for the reduction of tariffs;

(b) To the extent that this had not already been done, analyze and evaluate possible techniques and modalities for finding solutions to nontariff barriers and continue to seek solutions on an ad referendum basis to selected nontariff barriers;

(c) Examine the adequacy of existing safeguard provisions (i) in the light of present conditions and efforts to achieve and preserve a further liberalization and expansion of trade, and (ii) for ensuring the maintenance of access;

(d) Examine various approaches to negotiations, including the sector approach; and

(e) Analyze and evaluate techniques and modalities necessary for the participation of developing countries with the objective of providing effective benefits for their trade. This work would proceed in parallel with work on agriculture.

The Committee met again in June, July, and October to consider various techniques and modalities, including the sector approach, for the negotiation of tariffs, nontariff barriers, and safeguards, and their implications for developing countries. These discussions continued into 1973.

Tariffs. In general terms the Committee discussed the advantages and disadvantages of the following seven techniques and modalities for the negotiation of tariffs: the elimination of all tariffs on industrial products, linear reductions, tariff harmonization, item-by-item negotiations, the continuation of Kennedy Round cuts, the elimination of nuisance duties, and combinations of these techniques. During these discussions it was pointed out that duty-free trade in industrial products was actually an objective rather than a negotiating technique and that other techniques might be used in the phasing of tariff reductions to achieve this objective. It was also recognized that these various techniques were not mutually exclusive. For example, nuisance duties could be eliminated even though some other techniques were adopted as the general rule for tariff negotiations. Also, the harmonization of tariffs could be limited to particular product sectors, as was done in the Kennedy Round on steel mill products.

Tariff Study. The Working Party on the Tariff Study completed and transmitted to the CTIP updated analyses based on 1970 data comparing post-Kennedy Round tariff levels and imports of 13 major trading countries for all industrialized countries, stages of processing, and industrial product categories. In response to an additional mandate from the CTIP, the Working Party also furnished comparative analyses of the implications on tariff structures of specific techniques and modalities for tariff negotiations under discussion in the CTIP. The purpose of these studies is to facilitate an assessment of various possible areas and methods for further tariff liberalization, as well as to provide basic detailed trade and tariff information to GATT members in preparation for tariff negotiations.

Working Party member countries also provided information in response to a Secretariat questionnaire on the availability of data to implement a U.S. proposal for the GATT to analyze and develop better measures of the effects of tariff changes on trade flows. The Secretariat compiled these responses in a form enabling further examination by the Working Party of the feasibility of this proposal.

Nontariff Barriers. The new stage of the work program on nontariff barriers, which was initiated in 1971, continued to concentrate on selected nontariff barriers. Efforts in four working groups were directed toward the drafting of ad referendum solutions to certain problems reflected in the GATT inventory of nontariff barriers. If working groups could agree to acceptable solutions, they were to be recommended to governments for their consideration and approval.

During 1972 work was completed on import licensing systems and was continued on product standards. Work was initiated on export subsidies and on import documentation, including consular formalities.

a. Import Licensing Systems

Work on licensing dealt with so-called "automatic" licensing and licensing used to administer import restrictions. The United States was particularly interested in the Automatic Import Quota and Automatic Approval licensing systems in Japan (both abolished in 1972) and in similar systems maintained by European and other countries. The United States favors the elimination of all automatic licensing on the grounds that, at best, they constitute unnecessary red tape and, at worst, they are not applied automatically but are used to restrict trade. Some other countries were more interested in developing rules for licensing used to implement restrictions consistent with the GATT, such as quotas for legitimate balance-of-payments purposes. Restrictive licensing practices are being dealt with in the context of quantitative restrictions.

The working group on licensing met in February and May and completed its work in June with the drafting of texts on automatic licensing and on licensing to administer import restrictions. If these texts were accepted by governments in the future multilateral trade negotiations, they would resolve the related licensing problems reflected in the inventory of nontariff barrier complaints.

b. Product Standards

Work on a code to ensure that product standards and certification are used to facilitate rather than to restrict trade was advanced significantly in 1972. The principal U.S. objective in the code is to open up regional standards and certification arrangements to participation by all government and private bodies willing and able to assume the relevant obligations.

The working party met in February and May to consider revised texts of a code prepared by the drafting group in January and March. A new text based on these discussions was prepared by a drafting group in September/October and the full working group met again in December. Although it had been hoped that a draft code could be completed by the end of the year, this was not possible and work continued into 1973.

c. Export Subsidies

Under a 1960 GATT declaration 17 contracting parties1/ agreed to prohibit export subsidies on nonprimary products where the subsidies result in export prices that are lower than domestic prices, i.e., dual pricing. The GATT does not define the term "export subsidy", but a working party report lists certain practices that signatories of the declaration generally regard as constituting subsidies. The United States would like to tighten up the present GATT rules and extend them to include primary products because some of the principal subsidy problems relate to agriculture.

Work on export subsidies began in May and continued in June and October. Initial efforts were directed toward developing criteria that might be used to develop a definition of what constitutes an export subsidy.

1/ The 17 signatory countries of this declaration are Austria, Belgium, Canada, Denmark, France, Federal Republic of Germany, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Rhodesia, Sweden, Switzerland, the United Kingdom and the United States.

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d. Import Documentation and Consular Formalities

Consular formalities and fees are maintained mostly by developing countries for revenue purposes. However, they constitute a burden on trade and their objectives could be accomplished by other means. Import documentation, which can be unnecessarily complicated and cumbersome, is a more general problem that applies to most developing and developed countries. Work on import documentation and consular formalities was initiated in June and continued in October.

At its October meeting the Committee decided that countervailing duties and domestic subsidies that stimulate exports should be dealt with concurrently with work underway on export subsidies. It was also decided that the working group that had completed its task on import licensing systems should take up quantitative restrictions (including embargoes) and export restraints.

Safeguards. The extent to which participants in the multilateral trade negotiations might be willing to reduce tariffs and nontariff barriers will depend, at least in part, on what international rules might be agreed on safeguards. The principal GATT provision relating to safeguards is Article XIX, which permits the imposition of trade restrictions when, as a result of tariff concessions or other GATT obligations, increased imports cause or threaten serious injury to domestic producers. In recent years, however, many countries have resorted to safeguard measures outside of the context of Article XIX and the adequacy of the GATT safeguard rules has been questioned. On the other hand, concern has been expressed about safeguarding the access to markets of exported products if the present rules on safeguards were relaxed.

In the Committee's exploratory discussions on safeguards the United States has drawn upon the views of the Council of Economic Advisers and stated that the future trade negotiations should include agreement on an international safeguard system that "gives economically sensitive industries in participating countries sufficient time to adjust to rapid shifts in patterns of production or consumption, including trade." Such a multilaterally negotiated safeguard system "should include agreed standards for imposing temporary protection, a procedure for international review, and provisions that prevent the system from being abused." In addition, the trade agreement "should include an understanding that domestic adjustment programs must complement the safeguard system."1/ Views on safeguards, contained in the report of the OECD High Level Group on Trade and Related Problems, have also been the subject of discussion in the Committee.2/

Sector Approach. The sector approach to negotiations calls for all factors affecting trade in a product area to be dealt with together. It can involve the use of some or all techniques for eliminating or reducing tariff and nontariff barriers. Special safeguard provisions, guidelines on investment, and other subjects relevant to a particular sector might also be included in such a negotiation.

In the Committee's discussions it was recognized that the sector approach is not a general negotiating method but one that might be used in some product areas so as to facilitate trade liberalization. A few industries, principally those based on raw materials, were suggested as possible candidates for this approach. Determining the exact product coverage is one of the principal problems. In this connection, the Tariff Study Working Group has defined 23 product categories for the purpose of statistical tabulations.

Implications for Less Developed Countries. Particular attention was given the trade of developing countries in the Committee's consideration of all techniques and modalities. However, the attention given the developing countries was necessarily general in nature. Until there is some agreement on the techniques and modalities that might be used in the negotiations, it is not possible to determine how they might be adapted to take account of the particular needs of the developing countries.

1/ The Economy at Mid-1972, Testimony of the Council of Economic Advisers submitted to the Joint Economic Committee of the Congress, August 1972, p. 59.

2/ OECD, Policy Perspectives for International Trade and Economic Relations, Paris, 1972, pp. 81-84.

2. Agricultural Products

Since 1967, when a coordinated work program was established to prepare for future negotiations, the GATT Agriculture Committee has progressed through three separate stages of work: the collection of information, the identification of principal problems using the data collected, and the search for mutually acceptable solutions. By the end of 1971, the Committee agreed that it had gone as far as possible, and that it would not be productive to continue to look for mutually acceptable solutions to problems of agricultural trade with the mandate it had been given four years earlier. As a result of agreement to enter into multilateral negotiations, the Agriculture Committee met in early 1972 and set up a Working Group to prepare for the agricultural elements of the negotiations. The Working Group was charged with examining the various "techniques and modalities for future negotiations" as they relate to agriculture. Discussions were held without commitment on the part of the members.

The Working Group met four times during 1972 and discussed the advantages and disadvantages of negotiating techniques under four major headings: specific measures, general measures, common criteria for the assessment of commitments, and combinations of techniques. These are further broken down as follows:

a. Specific Measures

(1) Export Assistance - Under this heading the United States stated that its objective is the ultimate elimination of export aids and that any techniques leading to this should be examined. In addition, a number of measures were discussed which would lead to a limit on export aids. It was generally agreed, however, that movement toward the complete elimination of export aids was preferable to a limitation of them.

(2) Tariffs - For the first time, techniques for negotiations on tariffs were discussed in the Agriculture Committee. This discussion ranged from the complete elimination of tariffs to a downward harmonization of tariffs and tariff quotas. The United States said, and most members of the Working Group agreed, that because in many instances tariffs are applied in conjunction with other trade and domestic policy measures, tariffs might better be considered a part of a broader negotiating package including other elements of protection.

(3) Variable Levies - The United States has long held that variable levies should be replaced by fixed duties which would be gradually reduced over a period of time. The advantages and disadvantages of this approach as a negotiating technique were listed. Other techniques discussed for negotiating variable levies included binding the height of the levy, levy-free entry subject to a minimum c.i.f. price by the supplying country, and administrative measures in the application of levies (e.g. lengthening the period of validity of a given height of a levy).

(4) Quantitative Restrictions (QRs) - Techniques for QRs were discussed in two categories: (a) those designed to achieve the abolition or progressive elimination of QRs, and (b) techniques aimed at achieving the adoption of a code of principles to govern the administration of remaining QRs. Under the first heading, techniques discussed included formulae for abolishing restrictions and replacing them with non-prohibitive tariffs, and formulae for the automatic enlargement of quotas. Under the second heading, the pros and cons of negotiating rules to govern the application of quantitative restrictions were mentioned. In general, possible rules were aimed at insuring nondiscrimination in the application of QRs.

(5) Health and Sanitary Regulations - The Working Group discussed the difficulty of including health and sanitary regulations in trade negotiations. Many members of the Group felt that there would be some advantage in establishing a code or guidelines which would aim at the harmonization of sanitary regulations.

(6) Production Measures - Techniques for negotiating production measures were reviewed under four headings:

(a) Price measures;

(b) Measures affecting factors of production;

(c) Measures affecting the sale of the product or marketing quotas; and

(d) Measures related to farmers' total income rather than to returns for specific products.

The advantages and disadvantages of various negotiating techniques under each heading were listed. The Group also held a general discussion of farm production policies and how they will relate to the negotiations. There was no consensus among members of the Group in favor of any one approach.

b. General Measures

(1) International Stabilization Arrangements - The Working Group considered the pros and cons of three objectives which could conceivably be set for international stabilization agreements. These objectives were (a) promoting economic and trade stability by preventing excessive fluctuations in world prices and in the volume of trade; (b) stimulating world trade taking into account the needs of importers and exporters, and paying particular attention to the needs of developing countries, and (c) seeking a balance in the expansion of markets. The United States pointed out its concerns that stabilization arrangements often have the effect of becoming too rigid, thereby preventing satisfactory responses to long-term changes in supply and demand.

(2) Codes of Good Conduct - Advantages and disadvantages of codes of good conduct were listed by the Group. Some members considered that codes of conduct, as a negotiating technique, might be useful in conjunction with other techniques. However, this suggestion was not given much consideration.

c. Common Denominator or Common Criteria for the Assessment of Commitments

(1) Self-Sufficiency Ratios - Four possible negotiating techniques were examined by the Working Group: using the self-sufficiency ratio for the agricultural sector of a country as a whole, for selected product sectors, for individual products, and as an indicator of events rather than as a commitment. One major drawback to self-sufficiency ratios was mentioned by the United States and others; they tend to freeze the patterns of agricultural production and trade irrespective of whether these patterns reflect efficient allocation of resources.

(2) Margin of Support - This technique was explained by the European Community, which first proposed it in 1964. However, the European Community made it clear that this concept did not necessarily represent the policy of the Community, which would have to wait for a negotiating mandate. Many members of the Group found disadvantages in the "margin of support" technique, although a few held that the idea should not be discarded and that it could be used as a monitoring device over support programs.

d. Combination of Techniques

The United States suggested that one way to approach the negotiations in agriculture would be through a combination of techniques. The main points of the U.S. suggestion are summarized briefly as follows:

(1) An automatic binding of all agricultural import restrictions at the outset of negotiations.

(2) For restrictions such as variable levies, quotas, and state trading, the country applying these restrictions would fix a duty to replace them; these duties would then be examined by the GATT.

(3) Schedules for reductions in the calculated duties would be negotiated.

(4) A phased elimination of export subsidies would be negotiated.

(5) Preferential arrangements would be eliminated either all at once if possible, or by gradually reducing the margin of preference (reducing the MFN duty to the preferential level).

After receiving the report of the Working Group, the Agriculture Committee agreed that it could best proceed toward the determination of the most appropriate technique or techniques for agriculture by waiting for (a) the GATT to establish the objectives of the negotiations, and (b) countries to make the necessary internal decisions about the direction they plan to take in the negotiations. This, the Committee felt, would probably mean further work for the Committee beginning in 1973. The Committee adopted the report of the Working Group and submitted it to the Contracting Parties as the Report of the Agriculture Committee to the 28th Session.

B. Regional Agreements and Special Trading Arrangements

U.S. representatives have on a number of occasions called attention in GATT to the dangers posed for the international trading system by the proliferation of special trading arrangements eroding the most favored nation principle. Following the adoption of a U.S. proposal at the 27th Session of the Contracting Parties to GATT, the Secretariat undertook a study to determine the extent to which trade was conducted under preferential regimes. The data, covering 34 countries, revealed that in 1970 about 25 percent of those countries' imports received preferential treatment as compared with about 10 percent in 1955. The increase was accounted for in large part by trade among members of the European Community, among members of the European Free Trade Association (EFTA), and U.S. automotive imports from Canada. Since the 1970 data do not reflect the scope of preferential arrangements in effect now or under negotiation, the United States has indicated that it does not consider the study completed and further analysis of more recent data would be warranted when the workload of the Secretariat permits.

Another U.S. proposal adopted at the November 1971 Session involved establishment of a calendar for the periodic examination of reports to be made on regional agreements. In 1972 the Council agreed on such a timetable and requested the Secretariat to get in touch with the members and, if appropriate, Secretariats of the various groups with regard to the submission of biennial reports. The objective of the calendar was to provide a framework for third countries to draw attention to developments affecting their interests, thus reducing the need for resort to bilateral or other procedures.

During 1972 a number of agreements concluded in earlier years were reviewed in GATT. In addition, three new agreements made by the European Community were examined in detail: (1) the Arusha Agreement with Kenya, Uganda and Tanzania, (2) an agreement with Malta, and (3) an additional protocol and interim agreement carrying forward the earlier agreement with Turkey. In all of these cases, there were substantial differences among the members of GATT as to whether the agreements satisfied the requirements of Article XXIV. Consideration of the agreements was to be continued, and all governments have reserved their GATT rights.

In March 1972 the parties to the enlargement of the European Community notified their agreements to the GATT and a working party was subsequently established to examine the treaties for compatibility with Article XXIV. The working party considered replies to questions submitted by nonmembers of the Community and took up the complex problems involved in assembling the necessary data required to evaluate the changes in duties and other regulations of commerce and their impact on third countries. This examination reached an impasse by the end of the year and was suspended. Since the enlargement of the European Community involves modification of trade concessions granted in earlier years by the acceding countries, compensatory concessions to third countries will be required; at the November 1972 Session, it was agreed that renegotiations for this purpose should open in January 1973.

Five agreements establishing free trade areas between the European Community and Austria, Iceland, Portugal, Sweden and Switzerland were concluded and notified to the GATT in 1972. Separate working parties were established to examine each of these agreements. These groups were to meet in early 1973.

C. Article XXVIII Notifications and Negotiations

Modifications or withdrawals of tariff concessions may be made under the provisions of Article XXVIII of the GATT. Article XXVIII provides regular procedures affording countries the opportunity to modify or to withdraw concessions, usually every third year. Article XXVIII stipulates that such changes are to be made only following negotiation and agreement with countries whose trade will be affected. This provision operates with a view to maintaining a level of tariff concessions no less favorable to the trade of the affected countries than that in effect before the negotiations for modifications or withdrawals.

Under Article XXVIII a country may also reserve the right to renegotiate any of its tariff concessions at any time during a three-year period. All other GATT countries then have the right to renegotiate any of their concessions initially negotiated with the reserving country. The United States in 1972 made such a reservation for the three-year period commencing on January 1, 1973. This technical step, which followed a similar reservation by the European Community, gave the United States more flexibility to negotiate tariff changes which might be deemed desirable, but did not of itself indicate that such changes would be made. Other reserving countries were Australia, Austria, Bangladesh, Denmark, Finland, India, Israel, New Zealand, South Africa and Turkey.

Negotiations under Article XXVIII with Australia for compensation for increases in its tariff rates on cathode ray tube display terminals and dumpers and rock buggies, involving imports from the United States of about $2 million, were completed in January 1972. Australia granted tariff concessions on a comparable amount of trade in electronic organs and steam and vapor power units.

Negotiations were in progress in 1972 with Norway, New Zealand, South Africa and Sweden, involving U.S. exports of a wide range of products with a total value of over $26 million. Also underway were negotiations with Australia in connection with the conversion of its tariff schedule to the Brussels Tariff Nomenclature system of commodity classification, which had resulted in the broadening of some concessions of interest to the United States and the narrowing of others.

D. Trade Measures Taken for Balance of Payments Reasons

Countries faced with serious balance of payments problems are permitted by the GATT to restrict imports, subject to certain conditions set forth in Articles XII and XVIII, which provide, inter alia, for periodic consultations with the Contracting Parties while such restrictions remain in effect. In 1972 the Balance of Payments Committee conducted regular consultations with Argentina, Finland, and New Zealand on restrictions carried over from earlier years. Action was also taken in GATT on certain restrictions of other countries, which had either been introduced in 1972 or required specific new authorization for their continuation.

In 1971 South Africa had invoked Article XII to justify an intensification of import restrictions. By mid-1972, however, when consultations were resumed with the GATT Balance of Payments Committee, the Committee concluded that improvements in South Africa's position no longer justified recourse to Article XII. Subsequently, South Africa informed the GATT Council that it was no longer invoking Article XII and was substantially reducing its import restrictions and other controls. The Council urged that further liberalization be undertaken at an early date and retained the subject on its agenda.

On July 1, 1972, Denmark lowered its import surcharge from 10 to 7 percent. This was in keeping with the timetable set by the Danish Government in October 1971 when the measure was first introduced. The surcharge, designed to remedy balance of payments problems, was scheduled to be reduced to 4 percent in January 1973 and completely eliminated on April 1, 1973.

In July 1972, India was granted an extension until May 15, 1973, on a GATT waiver authorizing it to apply a 2.5 percent regulatory duty on most of its imports. The duty is primarily a revenue measure.

Israel reduced its import deposit rate to 30 percent in 1972, down from a high of 50 percent which prevailed at the time the measure was imposed in 1970. Additionally, Israel was given an extension until 1973 on a 20 percent surcharge also imposed in 1970. The extension was granted on the condition that Israel remove the surcharge as soon as circumstances permit.

Uruguay was granted a new waiver enabling it to maintain import surcharges until 1974. The new waiver, granted after consultations with both the IMF and GATT, was authorized in light of the country's adverse economic situation. Uruguay has maintained surcharges for balance of payments reasons since 1961.

E. Consultation and Complaint Actions

In July 1972, the United States was a party in four consultations under Article XXIII:1 concerning tax practices alleged to be inconsistent with GATT provisions on subsidies. The first arose from charges by the European Community that the Domestic International Sales Corporation (DISC) provisions of the U.S. Internal Revenue Code of 1954, as amended, provide an export incentive prohibited under GATT Article XVI:4. The European Community insisted that the DISC be the subject of a separate consultation rather than considered in the context of a broader examination of the tax practices of GATT countries, as proposed by the United States. At the consultations the United States pointed out that (1) the DISC is not a prohibited subsidy and does not result in export prices lower than home market prices, which must be shown to prove a violation of Article XVI:4; (2) the purpose of the DISC is to allow U.S. exporters to compete on an equal tax footing with U.S.-owned and foreign-owned manufacturing operations abroad; (3) the DISC in fact yields less benefits to exporters than the tax practices of other major trading countries.

Following the EC charges against DISC, the United States requested consultations under Article XXIII:1 with France, Belgium and the Netherlands on certain of their tax practices and the relationship of such practices to exports. These three consultations were held in July directly after those on DISC, and in each case it was denied that the tax practices result in prohibited subsidies.

None of the four 1972 consultations on tax systems produced a satisfactory resolution of the disputed issues, and at the end of the year it was not clear what further action (e.g. under Article XXIII:2) might be taken by the parties. The United States has taken the position that the heart of the problem lies in the basic inadequacy of GATT rules on acceptable trade effects of income tax practices. The proper solution would therefore be to establish a negotiating forum in which new rules could be developed rather than to continue efforts to extend the old rules to cover DISC and similar foreign tax practices through GATT complaint procedures.

During 1972, the United States started action in the GATT under Article XXIII:2 in three cases. These actions were begun after consultations under Article XXIII:1 failed to solve the problems. The first complaint notified to the GATT for action concerned the imposition, by the European Community, of compensatory taxes on agricultural products. The taxes were imposed to offset the effect of exchange rate changes, made by some of the member states, on the operation of the EC's Common Agricultural Policy. In many cases the addition of a compensatory tax to the import duty collected caused the amount of duty collected to exceed the bound rate. When representations under Article XXIII:1 failed to resolve the problem, the United States requested the Contracting Parties to investigate the matter and take appropriate action. Some $40 million of U.S. exports appeared to be affected. Following our request and before the Contracting Parties could consider the matter, the European Community agreed to stop collecting the compensatory taxes on at least 98 percent of those products that the United States complained about. The European Community also committed itself to rescind the remaining taxes as soon as it is feasible.

The United States also referred to the GATT complaints against France for the maintenance of certain quota restrictions and against the United Kingdom for maintaining quotas on certain products from dollar area countries. The complaint against France concerned quotas originally maintained by France for balance-of-payment reasons. The original justification for the quotas had disappeared. Products that fell under the quotas were dried and dehydrated vegetables, canned tomatoes, tomato juice, canned fruit, and dried prunes in retail packages.

The United Kingdom maintained quotas on certain products imported from 18 so-called dollar area countries, all in the Western Hemisphere (including the United States) except for the Philippines and Liberia. Products affected by these quotas were fresh grapefruit, single-strength orange and grapefruit juice, rum, cigars, and frozen or canned grapefruit segments.

In the case of France, the GATT reaffirmed a 1962 finding that the quotas were illegal and that the United States was entitled to withdraw concessions and asked that the United States and France attempt to reach agreement on the amount of trade coverage involved. Bilateral discussions were taking place at the end of the year. In the case of the United Kingdom, the GATT Council authorized the formation of an impartial panel to consider the facts in the light of Article XXIII:2 provisions and to make a finding and recommendations. This action also was in the process of being resolved at the end of the year.

F. Accessions to the GATT

With the accession of Bangladesh in November 1972, 81 nations were contracting parties to the GATT. Since 15 other countries apply the Agreement on a de facto basis and the provisional accession of Tunisia was extended to the end of 1973, GATT provisions govern about 85 percent of the world's international trade. (See Appendix B.)

The application of Hungary continued under examination in a working party, and at the end of the year agreement appeared likely in 1973. Countries acceding to the GATT pay an entry fee to obtain the benefits of trade concessions previously extended by contracting parties on a most favored nation basis. While the entry fee for countries with market economies usually involves tariff concessions, the matter is more complex in the case of a state-trading country. Hungary's entry fee, like that of Romania which acceded in 1971, is likely to consist of a commitment to expand and diversify its trade with other GATT members and to increase its imports at a rate no slower than the growth of total imports during some specified time period. In the absence of new legislation which would permit the extension of most favored nation treatment to Hungary, the United States would have to invoke GATT Article XXXV and the General Agreement would accordingly not apply in trade relations between the United States and Hungary.

G. Problems of Developing Countries

In summarizing its activities before the 28th Session of the Contracting Parties, the Committee on Trade and Development (CTD) (1) reviewed progress in implementing Part IV (Trade and Development) of the GATT, (2) reported on the work of subsidiary bodies, including the Group of Three, the Group on Residual Restrictions and the Expert Group on Adjustment Assistance Measures, and (3) discussed its work program for 1973. The CTD postponed consideration of the revision of GATT Article XIX (emergency action on imports of particular products) to allow time for further reflection.

The CTD agreed that its program should focus primarily on participation by developing countries in the multilateral trade negotiations (MTN). The often conflicting views of developed and developing countries on the conduct of MTN was fully reflected in the CTD's report. The developing countries made a strong plea for the preservation of old benefits and the extension of new ones. The developed countries spoke of less than full reciprocity, consistent with development needs and the broad objective of trade liberalization. The CTD noted there was broad agreement that tropical products should be emphasized in the trade negotiations, and urged that the GATT Secretariat undertake necessary studies in this connection.

1. Review of Implementation of Part IV

The CTD annually reviews the implementation of Part IV of the GATT. Part IV, which entered into force in 1966, recognizes the need for increased export earnings for developing countries in order to promote their development. It commits developed countries -- except when compelling reasons make it impossible -- to refrain from increasing or introducing new barriers to the exports of developing countries and to give priority to reducing existing tariff and nontariff barriers; to avoid fiscal measures which tend to limit imports of interest to the developing countries; and to have regard for their interests when considering other measures which affect the exports of developing countries. The developing countries are to pursue similar policies vis-a-vis other developing countries. It also recommends joint action by the contracting parties, within the GATT or other suitable agencies, when appropriate to further the objectives of Part IV.

In 1972 the task of reviewing progress in the implementation of Part IV was assigned to the Group of Three.

2. Report of the Group of Three (G-3)

The Group of Three was established in 1971 by the CTD to identify and encourage concrete action that might be taken to deal with the trade problems of developing countries. The G-3 was given the added responsibility in 1972 of overseeing the implementation of Part IV of the GATT, developing proposals to deal with the problem of trade in oilseeds and vegetable oil, and reorienting the work of the Group on Residual Restrictions to enhance its performance. The G-3 is comprised of the Chairmen of the GATT Contracting Parties, the Council of Representatives, and the CTD.

In its 1972 report, the G-3 reviewed actions taken by the contracting parties on previous recommendations in such areas as generalized preferences, import restraints, and trade in tropical products, textiles, and temperate zone products of interest to developing countries. While pointing out that some progress had been made in many of these areas, the G-3 noted that action was still needed in a number of others.

The G-3 made a number of recommendations to developed countries with respect to the implementation of Part IV, asking that they not only give priority attention to the problems of developing countries, taking their interests fully into account, but that they also establish appropriate machinery for carrying out commitments under Part IV.

3. Group on Residual Restrictions

The CTD has devoted much effort to the traditional task of reducing and eliminating trade barriers. Its work in this area has been primarily concerned with quantitative import restrictions which, though less numerous and important than they were in the early years of the GATT, continue to have a significant effect in limiting access to important markets of interest to developing countries. The Group on Residual Restrictions is the entity within the CTD responsible for this area.

Progress in dismantling residual restrictions (those which have lost their original balance of payments justification and now represent the hard core of quota protection) has been very slow. The Group has been instrumental in focusing attention on the issues and in maintaining pressure for the relaxation or removal of restrictions.

The Group has identified some 150 products of export interest to the developing countries but which are still subject to import restrictions in developed countries. In preparation for the multilateral trade negotiations, the Group will continue to examine these restrictions but will take a more limited approach, singling out those which might be amenable to immediate action from those which will probably have to be dealt with in the framework of the negotiations.

H. Preferential Tariff Treatment for Exports of Developing Countries

1. Generalized Preferences for Developing Countries (GSP)

The GATT Contracting Parties in June 1971, approved a waiver of Article I of the General Agreement to allow developed contracting parties to implement a system of generalized tariff preferences for products imported from developing countries. The system was based on proposals which had been worked out in the Organization for Economic Cooperation and Development (OECD) and United Nations Conference on Trade and Development (UNCTAD). The EC, Japan, and Norway implemented GSPs in 1971.

The United Kingdom, Ireland, Sweden, Denmark, Finland, and New Zealand implemented their systems of generalized preferences on January 1, 1972. Switzerland implemented its system on March 1, and Austria on April 1. Australia has had a limited system of preferences in effect since 1965.

Arrangements referred to as generalized preferences systems in favor of some less developed countries have also been announced by the following socialist countries: Bulgaria, Czechoslovakia, Hungary, Poland, and the USSR. They have declared their readiness to grant import preferences to developing countries through the operation of their state trading systems. Only Hungary has submitted to UNCTAD a full description of its system.

At UNCTAD III in Santiago in May 1972, the Special Committee on Preferences was made a part of the permanent machinery of UNCTAD and was charged with conducting consultations with the industrialized countries which would lead to improvements in the systems of generalized preferences.

2. Tariff Concessions Among Developing Countries

In October 1971, 16 developing countries, including the members of the Tripartite Agreement (India, Yugoslavia, Egypt), concluded an agreement to exchange preferential tariff concessions among themselves. The negotiations leading to the agreement took place in the GATT Trade Negotiations Committee of Developing Countries, which was set up in 1967 at the end of the Kennedy Round trade negotiations. Countries which were not contracting parties to the GATT were invited to participate, and two of them, Mexico and the Philippines, became signatories to the agreement.

Tariff Concessions were negotiated on 195 BTN four digit headings covering about $550 million of imports. The scale of concessions runs from tariff bindings at current rates to duty reductions of as much as 50 percent. The concessions can be renegotiated at three year intervals, and a review of the agreement will be conducted at the end of five years. Other developing countries are eligible to join after negotiating an entry fee. The protocol is to enter into force, as among the governments which have accepted it, on the 30th day after one-half of the countries which have exchanged concessions in the negotiations have accepted it.

At their 27th Session, the GATT Countracting Parties voted to waive the relevant GATT provisions to allow the 16 developing countries to implement the agreement. All 16 countries signed the protocol on February 25, 1972. Final action on the agreement has been taken by India, Israel, Turkey and Yugoslavia. Final action is still required by Brazil, Chile, Egypt, Greece, Mexico, Pakistan, Peru, Philippines, South Korea, Spain, Tunisia, and Uruguay. The agreement is expected to enter into force during 1973.

I. Completion of Kennedy Round Tariff Cuts

Full implementation of the Kennedy Round tariff reductions was achieved when the fifth and final stage duty cuts went into effect on January 1, 1972. Argentina, Canada, Iceland, Ireland, Japan and Switzerland had put into effect in advance all or most of their agreed concessions, and the other participants in the 1967 agreements completed their staging as scheduled.

In supplementary agreements, the United States undertook to seek Congressional approval for the elimination of the American Selling Price (ASP) system of customs valuation on benzenoid chemicals, certain knitted wool gloves, and canned clams in return for tariff and nontariff concessions from the European Community, the United Kingdom, Switzerland and Japan. These agreements were originally scheduled to be implemented by January 1, 1969, but that date had been extended pending U.S. action on ASP. In late 1972 the European Community informed the United States that it was not prepared to agree to a further extension beyond January 1, 1973. The supplementary agreement with Japan was allowed to lapse at the same time.

V. ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

The principal goals of the OECD are to promote economic and social growth and development in member states and the economically less advanced nations. As an important corollary, the OECD seeks to increase international trade in a multilateral, non-discriminatory fashion. During 1972 New Zealand joined the United States, Canada, Japan, Australia and the countries of Western Europe as a member of the OECD.

The OECD functions by providing a forum in which policy level officials of member states are able to consult directly with one another within their fields of responsibility on economic issues of mutual concern. In this manner, the OECD encourages an informal and flexible consultative process among governments, involving frank and open dialogues, through which the policies of each member country can be critically examined by other members. These discussions enable all member countries to assess the policies of each of the other governments, and the motives behind these policies, in a free spirit of give-and-take.

The year saw the fruition of the work of the OECD's high Level Group on Trade and Related Problems, which had been established in 1971 and met at regular intervals for a year to analyze trade and trade-connected issues and recommend alternatives for their resolution. The U.S. Special Representative for Trade Negotiations, William D. Eberle, was the U.S. member. The Group's report, entitled Policy Perspectives for International Trade and Economic Relations, was released in September 1972. It reviewed the major changes that have taken place in international trade and economic relations over the last 25 years, the improvements resulting from multilateral cooperation, and the main outstanding problems. Examined in detail were specific factors including international investment and multinational companies, tariffs, nontariff trade barriers, agriculture, services, structural adjustments and safeguards, regional integration and special agreements, the developing countries, East-West trade, and institutional questions. Specific recommendations or guidelines for approaching these problems were propounded, thus laying the foundation for future progress toward global trade liberalization. This report was widely used by governments as a point of departure in the formulation of their trade policies in anticipation of a major round of multilateral trade negotiations to begin in 1973.

In October 1972, the "Executive Committee in Special Session," composed of high policy officials from OECD member country capitals, met to consider the issues raised by the High Level Group's report and how they should be further considered in the OECD and in multilateral consultations among the world's leading trading nations. As the first order of work, it focused on international investment issues, including the distortions to trade and investment resulting from national policies, and on the development of a multilateral system for safeguards on market disruption.

The Committee recognized that, in the course of global economic reform, a detailed examination of international investment would be an important supplement to progress on trade and monetary issues. Reducing distortions within and among these three areas is an objective which could lead to enhanced efficiency and equilibrium in the world economy. The rapid growth of investment flows in recent years, particularly among the OECD countries, bespeaks the importance of a multilateral examination of this area. Accordingly, the Executive Committee in Special Session accepted, as part of its work program a detailed study of the international investment area.

The Executive Committee in Special Session also began consideration of the need for a multilateral safeguards system. Proponents of a new system considered that it should be permanent, be general in application, and be built upon Article XIX of the GATT. By providing time for adjustments in production structures to be made, the safeguard measures would support and strengthen domestic adjustment assistance measures. To insure against abuse, the system should be constructed so that measures taken to safeguard domestic production would be proportionate to the difficulties faced by the domestic industry and that safeguard actions would be phased out within a reasonable time period.

During 1972 the OECD Trade Committee, with support from its Trade Committee Working Party, continued its role as an important instrumentality for OECD member consultation and cooperation on trade matters of mutual interest. One important area of activity focused on development of an international code on government procurement. The proposed code is aimed at reducing the widespread discrimination which many national governments direct against foreign suppliers and supplies in their purchasing activities.

Restrictive government purchasing practices pursued in the absence of effective restraints on their use under existing international trade rules are considered an important nontariff barrier. With prospects for multilateral trade negotiations ahead, the United States took the lead in stressing the need for more rapid progress on this work. Emphasis continues to be placed on the need for published regulations, tightly drawn rules to discourage discrimination against foreign firms and products, and minimal exceptions to the proposed rules. Though it was possible in some cases to resolve differences on disputed parts of the code or to narrow the existing differences, disagreements remain on some other provisions which the United States considers basic to any meaningful code. Efforts to resolve these differences are continuing.

The Joint Working Party of the Committee for Agriculture and the Trade Committee discussed the changes which have taken place in trade practices for agricultural commodities, including the initiation of studies about international trade and pricing of wheat and butter and of trade policy measures which are used to check price rises. The Joint Working Party also supported preparations for the third United Nations Conference on Trade and Development (UNCTAD) Conference in Santiago (Chile) with respect to selected temperate zone commodities of special interest to some developing countries.

Export credits and guarantees received a considerable amount of the Trade Committee's attention. In June the OECD Council adopted two decision put forward by the Trade Committee's Group on Export Credits and Credit Guarantees, both concerning export credits exceeding five years. The first decision placed in operation a system for exchanging information among participating OECD countries to grant equally advantageous terms, not in excess of the announced terms, without notifying the other participants. The other decision, not supported by all members, applied to credits between industrialized countries and set up a prior consultation procedure calling for each participating OECD member state to notify all other participants of the terms envisaged for credits beyond five years for a particular contract, following which it would delay its final decision on implementing the credit until it heard those views of other interested participants submitted within a seven day period following the initial notification. The Export Credits Group of the Trade Committee also continued to consider the question of levels of international rates on export credits with particular attention to capital goods, and it cooperated with the Working Party on the Financial Aspects of Developing Assistance of the Development Assistance Committee regarding export credits to developing countries, especially their levels of indebtedness.

Other activities of the Trade Committee concerned the Third United Nations Conference on Trade and Development, held at Santiago (Chile) in April and May, and review, by the Committee's Group on Preferences, of the functioning of the System of Generalized Preferences which was implemented by most OECD states in 1971 and 1972. The Trade Committee also assisted the Environment Committee in developing guidelines for preventing the emergence of new trade barriers stemming from environmental protection measures of governments.

The OECD agricultural committee provides policy level officials the opportunity to discuss directly with each other in an informal atmosphere their differing national policies. It also has several working parties dealing with general agricultural policies, meat and dairy products, fruit and vegetables, and a wide variety of technical subjects. The working party on agricultural policies is well into a comprehensive review of member country agricultural policies, the first such review since 1966. The review of U.S. policies was to be held in early 1973. The hope is that this comprehensive review will focus on the differing national policies which create trade and other problems. Other recent studies have dealt with capital and finance in agriculture, structural reform measures in member countries, and supply controls.

VI. UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

UNCTAD III, the third conference of the organization, was held in Santiago, Chile, from April 13 through May 21. The conference preempted the normal annual meetings of the permanent committees of UNCTAD, which pursued their work during the conference. In the conference plenary over 50 different resolutions were introduced and 47 were adopted. They dealt with international monetary reform, multilateral trade negotiations, special needs of the least-developed and land-locked countries, foreign investment, multinational corporations, commodity trade, shipping, insurance, and generalized preferences for the products of developing countries.

The resolution on international monetary reform reiterated the right of developing countries to participate in the decision making process regarding the monetary system and its reform; agreed upon the need to strengthen the role of the International Monetary Fund as a central forum for debate and as an institution for effective decision making on all matters concerning the international monetary system; urged co-ordination of the resolution of monetary, trade and financial problems through consultation by the UNCTAD Secretary General with the Director General of the GATT and the Managing Director of the IMF; and called for complete consideration of all aspects of proposals for a link between the IMF's Special Drawing Rights (SDRs) and new development financing and presentation to the IMF's Board of Governors of studies for possible implementation of a viable scheme. The United States and other developed countries expressed reservations about the possibility of a link between SDRs and development financing.

The resolution on the forthcoming multilateral trade negotiations (MTN) drew attention to the views of the developing countries regarding principles that should govern the MTN, agreed that developing countries should be given an opportunity to participate fully in the negotiations so that their interests might be taken into account, and requested UNCTAD and GATT to co-ordinate their activities in assisting the developing countries to prepare for and participate in the various stages of the negotiations.

The resolutions on the least-developed, land-locked and island countries accepted the initial list of "hard core" least developed established by UN General Assembly Resolution 2768 (XXVI) of November 22, 1971, and called for special measures for these countries, including increased UN Development Program allocations, bilateral and multilateral assistance, and Economic and Social Council (ECOSOC) attention and a special fund. The resolutions also called for UNCTAD studies of the special problems of these countries. An important caveat to the resolutions declared that no measure in favor of the least developed should in any way injure the interest of the more developed of the developing countries.

Foreign investment and the multinational corporation were the topics of several resolutions, one of which established a working group to meet in 1973 to draw up the text of a "Charter of Economic Rights and Duties of Nations." Resolutions also expressed concern over the activities of multinational corporations and their impact on economic development and national sovereignty of developing countries and called for national legislation and an international convention to exert greater control over the action of these corporations. The Conference decided to establish an ad hoc group of experts to study the problem of "restrictive business practices" in the context of liberalizing and expanding international trade of interest to developing countries. Recommendations were also made for a greater transfer of technology on preferential terms from industrialized to developing countries.

Extensive discussion at UNCTAD III dealt with commodity trade issues. The principal resolutions in this area called for early conclusion of an International Cocoa Agreement, stabilization of commodity prices, and improvements in market access for developing country commodities. The key resolution on "market access and pricing policy" included a proposal of the UNCTAD Secretary General to organize intergovernmental consultations and ad hoc consultative groups on commodities with the aim of achieving concrete results on access and pricing policy early in the 1970's.

Work on shipping at UNCTAD III was dominated by the proposal for a Code of Conduct for Liner Conferences. The UNCTAD Committee on Shipping's 38-member Working Group on International Shipping Legislation met from January 5-18, 1972, and began discussing the drafting of a new code to replace a draft prepared by the Committee of European National Shipowners' Associations based on the principle of self-regulation. Discussions on the substance of the code continued at UNCTAD III with the developing countries insisting that the code should be adopted as a multilateral convention. The resulting resolution on the code referred the whole matter to the UN General Assembly, which on December 19, 1972, passed a resolution calling for adoption of the Code as a convention or other multilateral legal instrument and placed UNCTAD in charge of the conference to meet in 1973 to draw up the Code. Other work at UNCTAD III on shipping dealt with international combined transport of goods, development of ports, development of merchant marines of developing countries, and freight rates.

In the invisibles area, UNCTAD III also discussed insurance, reinsurance, international air traffic and air fare structures, tourism and the ratification of the statutes of the World Tourist Organization.

A resolution on the Generalized System of Preferences (GSP) urged developed countries which had not yet implemented GSP to seek the necessary legislation during 1972 or early 1973 and established the Special Committee on Preferences as part of the permanent machinery of UNCTAD. The Committee was charged with conducting consultations which would lead to improvements in GSP systems.

The Trade and Development Board of the UNCTAD held its XII Session in Geneva from October 3-25, 1972, and began the work of implementing the resolutions of UNCTAD III and its institutional decisions. The Board increased its membership from 55 to 68 members. It agreed that the UNCTAD Committee on Commodities should organize intergovernmental consultations on agreed commodities as proposed by an UNCTAD III resolution. Major debate centered on the manner of UNCTAD involvement in the co-ordination of international trade, monetary and financial matters.

VII. REGIONAL TRADING ARRANGEMENTS

A. Europe

In 1972, the United Kingdom, Ireland, and Denmark signed the Act of Accession to join the EC. (Norway, which negotiated for accession, subsequently rejected membership in a popular referendum held in September but indicated its intentions of negotiating a free trade arrangement with the Community.) The economic importance of the enlarged Community is illustrated by the fact that it accounts for over one quarter of world trade (over 40 percent when intra-EC trade is included), and imports nearly 50 percent more than does the United States. U.S. trade with the "nine" in 1972 was greater than with any single country except Canada and the assets of U.S. majority-owned affiliates in the nine have a value of about $35 billion.

While the United States has consistently supported the development of the EC as a means of strengthening world peace and prosperity, the process of integration has been accompanied by adverse effects on U.S. economic interests. Among the most important is the impact of the Common Agricultural Policy, which has restrained the growth of U.S. agricultural exports to the EC and generated surpluses in the Community which have then been sold on world markets at subsidized prices in competition with U.S. agricultural products. Strong efforts were continued in 1972 to find practical means for dealing with these problems.

Another major issue on which numerous representations have been made is the proliferation of EC special trading arrangements, mainly with Mediterranean and African countries. In the latter part of 1972, the United States again stressed to the members of the Community its opposition to such arrangements, particularly to reverse preferences to EC exporters which disadvantage the United States and other third country suppliers. (See also Chapter IV A.

On July 22 in Brussels the EC and five members of EFTA who did not seek membership in the Community (Austria, Iceland, Portugal, Sweden, and Switzerland, the latter in conjunction with Liechtenstein) signed agreements providing for free trade in industrial products -- with safeguard clauses, no basic institutional links, and with agriculture generally excluded. Finland's representative initialed an agreement, but the Finnish Government had not signed or ratified the agreement as of the end of the year.

The effective date of the agreements was January 1, 1973, the same date on which the Act of Accession for the United Kingdom, Ireland, and Denmark was to become effective. Free trade is to be accomplished in industrial products over a transition period with a schedule in keeping with that set forth in the Act of Accession. Extended transition terms to duty-free trade are provided for several sensitive industrial products. The agreements contain complicated "rules of origin," which in some cases sharply restrict the amount of imported content that may be incorporated in a finished product produced in the area, if the finished product is to be eligible for duty-free treatment.

The enlargement of the EC is subject to GATT examination to determine whether it meets GATT requirements for the formation of a customs union, followed by a renegotiation of concessions adversely affected by enlargement. The free trade arrangements are also subject to GATT examinations to determine whether they are in compliance with GATT requirements. The United States has indicated that it does not consider that the arrangements with the EFTA Non-Applicants conform with GATT requirements for a free trade area because of the omission of virtually the entire agricultural sector from the coverage of the agreements and because of the restrictive rules of origin contained in these agreements.

At the October 1972 Summit, the Community reaffirmed that the future course of European integration will center on achieving the goal of economic and monetary union and the establishment by 1980 of a European Union. The Community will also seek to achieve common policies for industrial, scientific, and technical development, as well as regional development, energy and environmental policies, and social reform.

President Nixon publicly welcomed the entry of the United Kingdom, Ireland, and Denmark into the Community and the positive results of the Community Summit. The emergence of a cohesive Western European identity in the economic field, and eventually in the political and security fields as well are important aspects of the Nixon Doctrine.

The fourth semiannual U.S.-EC consultations took place in Brussels on April 27-28, and constituted a wide-ranging review of relations on broad policy issues. The talks stressed the need to strengthen the U.S. and Community dialogue, while at the same time maintaining and improving multilateral institutions. The United States emphasized the fear felt here and elsewhere that the Community may be moving toward a special trading bloc, which would erode the multilateral trading system.

The fifth semiannual consultations, held in Washington on October 5-6, focused on the need for the United States and the EC to work together in reordering economic relations through multilateral negotiations leading to monetary reform and trade liberalization. These talks were candid and very useful. The United States again expressed deep concern over the Community's handling of the GATT aspects of enlargement and over its preferential trade arrangements with nonmember countries.

B. Trade Groups Among Developing Countries

The year 1972 saw limited and uneven progress toward the goal of a Latin American Common Market, set by the Presidents of the Americas at Punta del Este on April 14, 1967.

The Latin American Free Trade Association (LAFTA), which entered into force June 1, 1961, established several mechanisms designed to bring a free trade area substantially into being by 1973, namely "National Lists" enumerating goods on which the duty charged on imports from inside the area would be reduced 8 percent per year compared with that charged on goods originating elsewhere; a "Common List" of goods on which duties would be eliminated entirely in intraregional trade; and special advantages for the four relatively less developed LAFTA countries -- Bolivia, Ecuador, Paraguay, and Uruguay. A Protocol signed in Caracas on December 11, 1969 -- not yet formally in effect in 1972 since it had not been ratified by Chile, Colombia, Peru and Uruguay -- postponed from 1973 to December 31, 1980, the goal of virtually free trade within LAFTA, reduced from 8 percent to 2.9 percent the annual reductions of National List goods, and suspended the obligatory timetable for the placing of goods on the Common List.

The twelfth annual meeting of LAFTA was held in Montevideo from October 30 to December 12, 1972. Consistent with the trend of recent years, few additions to the National Lists -- only 57 in all -- were agreed to, and Uruguay was authorized to remove four products from its National List. The tendency to rely more on complementation agreements continued with the approval of three new agreements and the expansion of an existing one.

By the Treaty of Cartagena, signed May 26, 1969, and put into effect October 16, 1969, five of the LAFTA countries -- Bolivia, Chile, Colombia, Ecuador, and Peru -- constituted themselves as the Andean Subregional Group. The tariff reductions envisaged in Article 52 of the Treaty of Cartagena are being placed in effect. Initial reductions in tariffs were applied to a wide range of imported goods originating in the subregion, effective January 1, 1971, and a second round of reductions was introduced a year later. During 1972, high-level negotiations took place with Venezuela paving the way for that country's entry into the Andean Subregional Group.

The Andean Development Corporation, a financing agency owned by the five members of the Andean Subregional Group and by Venezuela, is headquartered in Caracas. The Charter of the Corporation was signed February 7, 1968, became effective January 30, 1970, and the organization commenced financial operations in 1971. From August to October 1971, officials of the Corporation traveled around the world, making preliminary contacts regarding availability of development capital. In 1972, the United States agreed to loan the Corporation $15,000,000 for relending on regional projects in the Andean private sector; other donors are in the process of firming up commitments. The approval, also in 1972, of the first Sectoral Program of Industrial Development, governing metalworking, was a significant step given the importance of planned regional development in the Andean Group's approach to integration.

Regional integration in the Caribbean is now over four years old and the efforts of the Caribbean Free Trade Association (CARIFTA) are bearing fruit. Intra-CARIFTA trade is increasing by almost 25 percent annually despite distribution of the Area's five million people over a 3,000-mile arc, from British Honduras to Guyana, with only poor transportation facilities. More important, perhaps, has been the increased cooperation among members in meeting their common economic problems, most notably agreements in 1972 to negotiate as a group an economic relationship with the expanded EC, and to form a common market by May 1, 1973.

In October 1972, CARIFTA member governments expressed the intention to form a common market by May 1, 1973, including establishment of a common external tariff, harmonization of fiscal incentives for domestic industries, rationalization of agriculture, and greater fiscal, financial and monetary cooperation. Special consideration is to be given the less developed members (all but Jamaica, Guyana, Trinidad and Tobago and Barbados) in order to bring about balanced growth in the region. Members also agreed to cooperate in establishing a multinational investment company, an extra-regional shipping service, training for tourism and hotel management, law of the sea, and a variety of other economic matters.

Important to CARIFTA is Great Britain's entry into the EC and the possible consequences for CARIFTA trade with that area. CARIFTA exports of bananas, sugar, and canned grapefruit have depended heavily on the UK market and are important providers of employment, especially for the smaller members. As a result, in July 1972, the memberships decided to seek a trade relationship with the EC as a group in order to protect their present export markets.

The progress of the Central American Common Market (CACM) was interrupted in December 1969 when Honduras found it necessary to raise tariff barriers to reduce imports from its CACM partners. Efforts to overcome the difficulties created by the Honduran measures continued through 1972. In early 1972 a serious balance of payments deficit in Costa Rica further aggravated CACM problems. Informal talks among the five countries, the IMF, and the Central American Monetary Stabilization Fund took place during 1972 and produced an interim solution to this latest crisis.

Negotiations between all five countries looking toward reestablishment of a full five-country Common Market were stalled during 1972 due to several factors. As yet there is no "political settlement" or peace treaty between Honduras and El Salvador which would resolve boundary disputes and completely reopen traffic between the two countries. Discussion of the proposal by the CACM Secretariat/UN Development Program to restructure the market in order to pave the way for Honduras' renewed full participation was delayed in 1972 but was expected to get under way in 1973.

Notwithstanding recent CACM problems, the overall volume of trade continued to be large, reaching a record level of over $300 million in 1972.

In Africa no significant alterations in external tariff levels, either increases or reductions, were effected by subregional groupings in 1972.

VIII. TRADE RELATIONS WITH THE USSR AND THE PEOPLE'S REPUBLIC OF CHINA (PRC)

A. The Groundwork for Normalization of U.S.-USSR Economic Relations

The initial step toward normalization of U.S.-USSR commercial relations was taken in November 1971 when President Nixon sent a U.S. delegation led by the Secretary of Commerce to the Soviet Union for official talks to explore the possibilities for an expansion of trade and the removal of impediments to better commercial ties. The USSR officials recognized the validity of U.S. business firms' requirements for more normal access to the USSR market, better business offices and communications, the need for a Lend-Lease settlement, and removal of discrimination against U.S. products and technology. For their part the Soviets stressed their desire for MFN treatment, increased availability of commercial credit, and for a formal trade agreement which would reflect the changed relationship.

Agreement was reached to hold a working group session between officials of the U.S. Department of Commerce and of the USSR Ministry of Foreign Trade. These meetings with a Soviet delegation led by Deputy Foreign Trade Minister Manzhulo took place January 6-17, 1972. They covered prospects for U.S. sales to and U.S. imports from the USSR, business facilities, patents and licensing, and large joint projects in the resources and manufacturing fields.

Following the initiation of negotiations for a Lend-Lease settlement in April, trade discussions were resumed in May 1972 between then Secretary of Commerce Peterson and USSR Minister of Foreign Trade Patolichev during the latter's return visit to the United States. The Peterson-Patolichev discussions covered the nature of possible trade agreements, the question of MFN treatment, U.S. safeguards against market disruption, extension of credit facilities, and grain sales and long-term projects.

Last and most important of the discussions held were the summit talks between President Nixon and General Secretary L. I. Brezhnev. The resultant Joint Declaration of Principles included the following "Seventh Principle:" "The USA and the USSR regard commercial and economic ties as an important and necessary element in the strengthening of their bilateral relations and thus will actively promote the growth of such ties. They will facilitate cooperation between the relevant organizations and enterprises of the two countries and the conclusion of appropriate agreements and contracts, including long-term ones."

During the Moscow Summit, the United States and the USSR agreed on the establishment of a Joint U.S.-USSR Commercial Commission as an organ for resolving commercial problems and monitoring future U.S.-Soviet economic relations. The Commission was charged with negotiating a comprehensive trade agreement.

B. The Trade Agreements with the USSR

Following the Summit, a three-year agreement on the Soviet purchase of American grain totaling $750 million was concluded on July 18. The United States agreed to make credit totaling $750 million available through the Commodity Credit Cooperation with the stipulation that the amount outstanding at any time would not exceed $500 million. This agreement marked a significant change from the 1971 grain transaction, which had been a cash rather than credit transaction and had come to only $150 million.

During its first session held in Moscow from July 17 to August 1, the Joint U.S.-USSR Commercial Commission under the chairmanship of Secretary Peterson and Minister Patolichev began the negotiation of a trade agreement, and substantial progress was also made on a Lend-Lease agreement, a maritime agreement and arrangements concerning availability of credit. The second session of the Joint Commercial Commission in October 1972 in Washington brought these negotiations to a successful conclusion.

The Maritime Agreement signed October 14, 1972, opened 40 ports in the United States and the USSR to the access of flag vessels of each nation. This provision was a substantial move toward normalization of trade relations between the two countries; previously ports could be opened only upon request, but now ports would be opened upon notification four days prior to arrival. The Maritime Agreement established the principle of equal and substantial sharing of carriage, which meant that each nation would have the opportunity to carry not less than one-third of all cargoes and not less than would be carried by the other nation. The agreement also reached a satisfactory compromise on the rates to be paid for freight carriage. No Soviet ships had entered East Coast or Gulf ports since 1963, when an Executive Order providing that 50 percent of grain movements would have to go on American ships effectively stopped shipping traffic because the Soviets would not pay American shipping rates. The agreement does not involve any concessions in the U.S. policy of prohibiting ships which have called on Cuba, North Vietnam, or North Korea from bunkering or loading or unloading government-financed cargoes in U.S. ports.

The Agreement Regarding Trade was concluded on October 18, 1972. Its major provisions are reciprocal granting of trading access equal to that granted to third parties, including MFN tariff treatment, protection against the disruption of domestic markets by "dumping" of one country's goods on the market of another, guarantees of availability of business facilities in each country for the business personnel of the other, establishment of a U.S. Commercial Office in Moscow and Soviet Trade Representation in Washington, and encouragement of third-party arbitration. The trade agreement, and specifically the MFN provision, cannot enter into force until enabling legislation is passed by Congress. Under the agreement each side retains the right to take any action for the protection of its security interest -- i.e., the agreement has no effect on U.S. export controls.

Following the conclusion of a final settlement of outstanding Soviet Lend-Lease obligations on October 18, 1972, the President on the same day made a significant change in policy by using his discretionary authority to determine that it was in the national interest for the Export-Import Bank of the United States to make credit available for the use of the USSR in connection with the purchase or lease of any U.S. product or service. The Eximbank of the United States and the Soviet Foreign Trade Bank have signed an "Agreement on Financing Procedures" to implement the principle of making credit available.

Trade between the United States and USSR rose significantly in 1972:

	1971	1972
U.S. Exports to USSR	160.9	546.7
U.S. Imports from USSR	57.2	95.4

C. Trade Relations with the People's Republic of China (PRC)

The Shanghai communique, issued on February 28, 1972, at the conclusion of President Nixon's historic visit to China signified a dramatic shift in U.S.-PRC relations that could prove to have a significant impact on trade policy and potential. The initial impact of this policy change was reflected in U.S.-PRC trade for 1972.

	1971	1972
U.S. Exports	0	60
U.S. Imports	5	32
Balance	-5	+28

Thus, from a two-way trade total of only $5 million in 1971, U.S.-PRC trade moved up sharply in 1972 to $92 million. Chinese purchases were concentrated on wheat, corn, cotton, and telecommunications equipment. U.S. imports consisted of raw materials, food, and light industrial products.

Other steps leading toward the normalization of commercial relations were carried out. At the time of the President's visit to China, the PRC was placed on the same level as the Soviet Union for export control purposes, which meant that goods exportable to the Soviet Union without explicit approval of the Department of Commerce could also be exported to China under general license.

IX. INTERNATIONAL ACTION ON COMMODITY TRADE PROBLEMS

A. General

The United States and other members of the international community continued their efforts to find solutions to trade problems affecting a number of commodities. These efforts were reflected in the variety and number of meetings at which commodity problems were discussed. The United States was represented at most of these meetings, including those held by UNCTAD, the Food and Agriculture Organization (FAO), and the organizations established to administer commodity agreements for wheat and coffee, to which agreements the United States is a signatory. In the case of tin, sugar, and olive oil, the United States does not adhere to international agreements but cooperates, as appropriate, with the Councils administering these agreements.

UNCTAD and FAO continued to be the major forums in 1972 for airing problems concerning commodities not covered by a formal agreement or an independent study group. Cocoa, grains, rice, oilseeds, oils and fats, jute, kenaf, and allied fibers, and hard fibers received special attention.

B. Products Covered by Commodity Agreements

1. Wheat

The International Wheat Council met twice in 1972 and considered the feasibility of negotiating price provisions and related rights and obligations for the International Wheat Agreement, 1971 (IWA). These provisions are absent from the IWA because of the inability of the negotiating conference in early 1971 to reach agreement on the selection of a reference wheat and on a desirable price level for internationally-traded wheat. The 1971 IWA, therefore, adopted the U.S. suggestion to return to the more flexible price provision of the 1962 agreement.

At its Tokyo meeting, July 5-11, 1972, the Wheat Council concluded that the time was not appropriate for an examination of these issues. Several countries pointed out that the original problems which had prevented agreement on substantive provisions had become further complicated by the international currency situation, the impending enlargement of the EC and plans for the multilateral trade negotiations in 1973.

At its meeting of November 27-30 in London the Council again reviewed the question of price provisions. It judged that the obstacles to a successful negotiation of price provisions had been increased by the limitations of time and the unusual market situation which had driven wheat prices up to an almost unprecedented level. The Council concluded that it would not be possible to negotiate price provisions before the IWA expires on June 30, 1974. Several countries indicated that they wanted price provisions included in a new agreement, but the question of whether an attempt should be made to negotiate a new agreement to replace the IWA, 1971 when that agreement expires was left open.

2. Coffee

The major objectives of the International Coffee Agreement have been to achieve (1) relative price stability at a level which is equitable to producers and consumers, and (2) long-term equilibrium of coffee consumption and production. The International Coffee Council, which is the plenary body of the International Coffee Organization (ICO) and which includes 41 producer and 21 consumer members, meets annually to estimate world demand and to establish export quotas for the forthcoming coffee year (October 1-September 30).

Following the 1971 currency realignments a number of major coffee producing countries asked that the Coffee Agreement's quota adjustment trigger prices be raised. This demand was rejected by the International Coffee Council's Executive Board in February, whereupon the four major producers (Brazil, Colombia, Ivory Coast and Portugal) rallied other producers to agree to refrain from exporting the full amounts of coffee permitted under their increased ICO quotas. This producer action helped accelerate a gradual rise in green coffee prices through the first half of 1972. In early July a severe frost damaged Brazil's crop, and coffee prices rose sharply in the expectation of tight supplies.

The International Coffee Council met in August to fix export quotas for the 1972/73 coffee year. The United States and several other consumers held that, with the tight supply outlook, there was no longer any reason to maintain quotas to restrain the flow of coffee to the market. In addition, the dramatic rise in prices precluded agreement on trigger prices for automatic adjustment to any quotas which might be fixed. The Council was unable to agree on quota-price arrangements for the coming year either at this session or when it reconvened in early December. Consequently, from December 12 onward ICO export quotas ceased to be in effect. A special Council session was set for April 1973 to consider renegotiation or extension of the 1968 Agreement, due to expire on September 30, 1973.

C. Products Not Covered by Commodity Agreements

1. Cocoa

Two sessions of the United Nations Cocoa Conference were held in Geneva under UNCTAD auspices in March and September-October. An International Cocoa Agreement was opened for signature on November 15.

The United States participated actively in the cocoa conferences but did not adhere to the Agreement in the belief that it is deficient in its basic economic provisions. By the end of 1972, the Agreement had not entered into force as the required number of ratifications were not forthcoming from the signatory governments.

2. Tea

Although no formal FAO consultations on tea were held in 1972, there continued to be low key pressure from India and Sri Lanka for a formal long-term tea agreement. Other tea-producing countries, particularly those in Africa, showed little enthusiasm, however, since they believe an agreement would halt further growth in their rapidly expanding market share. Short-term export quotas remained in effect under a voluntary agreement among producing countries within the context of the FAO Intergovernmental Group on Tea, but the total of the quotas continued to be so large that they had little, if any, effect on prices.

3. Jute

Jute is one of the primary products facing serious competition from synthetic substitutes, the market position of which might be improved through an intensive research and development effort to help reduce production costs and increase utilization. A Jute Fact Finding Mission, commissioned by the UN Development Program, was charged with examining the current problems of jute and recommending courses of action to overcome these problems. The Mission released a report in mid-1972 which contained recommendations for an "action program" to revitalize the jute industry, including establishment of an international jute research center and a variety of supporting national measures. The report will be considered by producers, consumers and interested international agencies.

4. Other Commodities

Routine meetings were held during the year to continue work on commodities handled by independent and intergovernmental study groups, including rubber, cotton, wool, and lead and zinc.

X. U.S. DOMESTIC ACTIONS TO DEAL WITH IMPORT COMPETITION

A. Escape Clause Relief

Under Title III of the Trade Expansion Act of 1962 (TEA), the President may increase tariffs or impose other restrictions on imports if the Tariff Commission reports to him a finding that "as a result in major part of concessions granted under trade agreements, an article is being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the domestic industry producing an article which is like or directly competitive with the imported article." In cases of this type, popularly referred to as escape clause actions, the President also may provide relief in the form of adjustment assistance for firms and workers in the industry.

During 1972 escape-action tariff increases proclaimed in earlier years remained in effect on imports of pianos other than grands; were modified downward for window glass; and were allowed to expire in the case of Wilton and velvet carpets of non-Oriental design. In one case, involving certain ceramic table articles, escape-action tariff increases were put into effect.

In January the President announced that he had decided to accept as the findings of the Tariff Commission the findings of those Commissioners who had voted affirmatively with regard to marble and travertine products. Following its investigation in this case, the Commission had reported that its members were equally divided, and in such circumstances the President has the authority under the Tariff Act of 1930, as amended, to accept the views of either group as the findings of the Commission. The remedy determined by the President in this case did not involve tariff relief, but firms and workers in the industry became eligible to apply for adjustment assistance.

Under a 1970 proclamation, modified escape-action rates on window glass were scheduled to be phased out in three stages beginning January 31, 1972. After receiving the advice of the Tariff Commission under section 351(d)(3) of the TEA, the President proclaimed an extension of the escape-action rates until April 30. In a broader investigation under section 301(b)(1) of the TEA, involving all types of flat glass and tempered glass, the Commission reported on January 31 that its members were equally divided as to the threat of injury to the domestic sheet glass industry but were unanimous in a negative finding on all other flat glass and tempered glass. After reviewing the case, the President announced that he would take no action on the report and accordingly, the first stage in the previously scheduled termination of escape clause tariff protection for window glass went into effect on May 1.

In the escape clause case on ceramic table and kitchen articles, including dinnerware, the Commissioners found unanimously against injury from imports of fine china. A majority voted in the affirmative, however, with regard to certain other table articles, mainly earthenware, and the President proclaimed increased rates of duty effective May 1. Firms and workers in the industry also became eligible to apply for adjustment assistance.

The Commission found no injury following its investigation concerning imports of electronic microscopes, apparatus, and parts. Investigations were in process at the close of the year on men's and boy's neckties and brass wind musical instruments.

B. Adjustment Assistance for Workers

Adjustment assistance may be provided under Title III of the TEA for workers who experience unemployment or underemployment from increased import competition. Such assistance can include testing, counseling, training, job placement, cash readjustment allowances, and relocation allowances, if needed and desired.

Workers petition for adjustment assistance in two ways. They may petition the U.S. Tariff Commission for a determination of eligibility to apply for assistance and receive certification of eligibility, as provided by Executive Order 11075, from the Department of Labor. Workers may also petition directly to the Department of Labor for a certification; in this case the Tariff Commission must have already found that the industry to which the petitioners are attached has been seriously injured or threatened with serious injury and the President must have authorized that the workers may apply for adjustment assistance through the Department of Labor.

To be determined eligible to apply for adjustment assistance a significant number of a petitioning group of workers must be unemployed or underemployed or so threatened because of increased imports. The increased imports must have been caused in major part by concessions granted under trade agreements; and the increased imports must be the major factor in causing or threatening to cause the workers' underemployment or unemployment.

1. Experience 1962-1972

There has been a total of 162 petitions submitted to the Tariff Commission on behalf of 69,500 workers since October 1962.1/ For the first seven years under the TEA, from October 1962 through November 1969, seven worker petitions were filed with the Tariff Commission; one petition was withdrawn before the Commission could make a finding and six petitions were found not to have met the requirements of the Act. Since November 1969, 27 petitions representing 12,900 workers have been affirmed. Since October 1962, 100 petitions representing 40,800 workers have been denied. Thirty-three petitions representing 15,800 workers were subject to no Tariff Commission finding since the Commission was evenly divided on whether the petitions met the criteria of the Act.

In tie vote cases the President is not required to act, but he may accept either the affirmative or negative views of the Commissioners as the finding of the Commission. The President accepted the affirmative views in 30 of these cases and authorized that the 15,200 workers involved may be certified to apply for adjustment assistance.

Nearly three-quarters of the petitions, 116, representing about 45,700 workers came from three industrial groups: nonrubber footwear, electrical equipment, and textiles.

Seventy-four petitions representing 17,400 workers were from the nonrubber footwear and tanning industries. Of these, 48 petitions representing 10,500 workers were denied and 25 petitions representing 6,800 workers were certified. One petition was awaiting Presidential review at the close of the year.

Twenty-four petitions representing 17,800 workers were from the electrical equipment industry. Of these, 15 petitions representing 7,800 workers were denied and eight petitions representing 9,700 workers were certified. One petition was under review by the President at the end of the year.

Eighteen petitions representing 10,500 workers were from the textile industry. Of these, 12 petitions representing 7,600 workers were denied, and five petitions representing 2,700 workers were certified. One petition was awaiting Presidential review.

Since March 1970, when the first petition was filed with the Labor Department pursuant to a Presidential authorization for workers in an industry to petition for adjustment assistance, 15 petitions representing 4,000 workers have been filed directly with the Department of Labor. There were eight petitions representing 1,800 workers from the piano industry, five petitions representing 1,800 workers from the sheet glass industry, one petition from the marble industry and one from the earthenware industry representing 400 workers. Fourteen of the 15 petitions were affirmed; 4,000 workers were certified eligible to apply for adjustment assistance.

In all industrial categories, petitions representing 70 worker groups accounting for 32,000 workers, have been certified since 1969. Fifty-seven percent of the certified workers reside in the Northeast section of the country, 23 percent in the South, 19 percent in the North Central section, and 1 percent in the West.

2. Experience 1972

In 1972 the Tariff Commission issued 41 determinations on petitions filed on behalf of 22,200 workers.2/ Of these, 10 petitions representing about 6,100 workers met the criteria set forth in the Act and 27 petitions representing about 14,700 workers did not. On the remaining four petitions representing about 1,400 workers the Tariff Commission was equally divided.

In 1972 the Department of Labor issued 14 Notices of Certification covering approximately 8,400 workers. Twelve Notices of Certification covered 8,000 workers who petitioned with the Tariff Commission. These workers were employed by firms in the nonrubber footwear, textile, electronics, nonelectrical machinery and musical instrument industries. The two remaining certifications originated from petitions filed directly with the Secretary of Labor on behalf of about 400 workers in the marble and earthenware industries.

1/ Two petitions were terminated without a finding.
2/ One petition was terminated without a Commission finding.

At year's end four worker petitions were under investigation by the Tariff Commission; three worker petitions were awaiting Presidential review and one worker petition was under certification investigation by the Department of Labor.

3. Worker Benefits

From 1969 through 1972, $47.1 million was paid to certified workers for Trade Readjustment Allowances (TRA). It is estimated, in addition, that between 5 percent and 10 percent of workers received training benefits and that less than one percent were able to take advantage of relocation benefits. A substantial proportion of workers received counseling, testing and placement services from their local employment security agency.

In 1972 expenditures were $11.7 million for Trade Readjustment Allowances to certified workers. (See Appendix C for statistical data on worker adjustment assistance.)

C. Adjustment Assistance for Firms

Adjustment assistance for firms seriously injured or threatened with serious injury by increasing imports is authorized under Title III of the TEA. Assistance may consist of loans, loan guarantees, technical aid, and tas caryback benefits.

In 1972 the President received 10 reports from the Tariff Commission on the results of investigations under Section 301(c) of the TEA following petitions by firms seeking findings which would qualify them as eligible to seek adjustment assistance. In four cases a majority of the Commissioners found affirmatively and in three others the President broke a tie vote by accepting the affirmative finding as the finding of the Commission. In three cases the Commission found that the firms did not meet the criteria for establishing injury under section 301(c). In addition four firms sought certification of eligibility to apply for adjustment assistance as members of industries which were found by the Tariff Commission, after investigation under section 301(b), to be seriously injured by increased imports resulting in major part from tariff concessions.

In the course of the year, the Department of Commerce certified six firms as eligible to apply for assistance. The economic adjustment proposals of six firms, which had earlier been certified eligible to apply, were also approved. As a result of the proposal certifications, $12,045,000 of financial, technical and tax assistance was authorized in 1972. Employment in the six companies whose proposals were certified has expanded and currently amounts to approximately 7,100. In addition, technical assistance to aid in developing adjustment proposals was extended to several firms.

Among the proposals approved in 1972 were the following: (a) $3.4 million of tax assistance to enable a textile manufacturer in Georgia to expand inventories of and accounts receivable for new product lines not subject to severe import competition; (b) $3.2 million of financial, technical and tax assistance to allow a ladies footwear manufacturer in Massachusetts to improve productivity in one plant and reopen a plant in Maine using new technology substantially reducing production costs; and (c) over $1 million of financial and technical aid to an electronic components firm in Indiana to improve its competitive position in the production of electrolytic capacitors and to sell a new line of material to other capacitor manufacturers.

D. Implementation of Section 22 of the Agricultural Adjustment Act

Section 22 of the Agricultural Adjustment Act of 1935, as amended, directs the President, on the basis of an investigation and report by the Tariff Commission, to regulate imports whenever he finds that such imports render or tend to render ineffective or materially interfere with any domestic production and marketing control program, price support, or other program or operation relating to agricultural commodities undertaken by the Department of Agriculture. The legislation also provides for the modification of import restrictions established under its terms in order to meet changing conditions.

In 1972, Section 22 import quotas were in effect for: cotton, certain cotton waste and cotton products (products in any stage of production preceding spinning into yarn); wheat and wheat products; peanuts; and specified dairy products.

Presidential Proclamation 4138 of June 3, 1972, modified the pricebreak mecnanism governing the import quotas on Emmenthaler cheese, Gruyere-process cheese, and the miscellaneous tariff category of "Other" cheeses, nspf. The pricebreak was revised from a fixed figure of 47 cents per pound, f.o.b. country of origin, to a flexible figure of 7 cents above the Commodity Credit Corporation's purchase price for Cheddar cheese rounded to the nearest whole cent. The new pricebreak was 62 cents per pound throughout the remainder of 1972. In addition, the quotas on cheese priced below the break point were increased by an amount equal to imports in the 47 to 62 cent range during 1970.

At the end of 1972, the President authorized the importation of an additional 25 million pounds of nonfat dry milk for a temporary period to end February 15, 1973. Manufacturing stocks were low because of the increased use of fresh milk for alternative purposes and because of seasonal variations in dairy production, and the Commodity Credit Corporation had no uncommitted inventory. Nonfat dry milk had been removed from the monthly Commodity Credit Corporation sales list in October and, in a related action, foreign sales and donations of nonfat dry milk had been stopped. Imports under this action were on a global, first come, first served basis and were completed January 15, 1973.

E. Actions Under the Antidumping Act

The Antidumping Act, 1921, as amended, imposes on the Secretary of the Treasury the responsibility for determining whether foreign merchandise is being, or is likely to be, sold in the United States at less than its fair value. If the Secretary of the Treasury makes an affirmative determination, the case is forwarded to the U.S. Tariff Commission to determine whether an industry in the United States is being, or is likely to be, injured or is prevented from being established by reason of such imports. In the event of affirmative determinations by both agencies, a finding of dumping is made by the Secretary of the Treasury and a special dumping duty is assessed on all unappraised imports into the United States covered by the finding to the extent any dumping margins are found to exist.

In March 1972, the Treasury Department issued a policy statement with regard to the impact of the December 1971 international currency realignments on the administration of the Antidumping Act. In the normal situation, less than fair value sales occur when merchandise is sold by a foreign exporter to a purchaser in the United States at a lower price than in the exporter's home market. The appreciation of foreign currencies in relation to the U.S. dollar had effectively increased the adjusted home market ex-factory prices of foreign merchandise as expressed in U.S. dollars. Thus, the Treasury gave public notice that sales at less than fair value may result from the currency realignments unless foreign exporters take appropriate actions to adjust prices.

In May 1972, the Treasury published a notice in the Federal Register announcing its intention to undertake a review of the extent to which price information relating to sales below cost of production may be used in determining "fair value" within the meaning of the Antidumping Act. Interested persons were invited to submit written comments as to whether, and under what circumstances, sales below cost of production in the home market or for exportation to countries other than the United States may be disregarded in the ascertainment of "fair value," and whether, if such sales are disregarded, resort to a "constructed value" as defined by the Act would be appropriate.

In December 1972, the Department issued amendments to the Antidumping Regulations which were to become effective in January 1973. These amendments, adopted after consideration of public comments submitted in response to proposed changes published in the Federal Register of April 1972, set forth specific timetables for processing cases and special procedures for accelerated renewal of investigations where the Treasury has reasonable cause to believe that price assurances have been violated in discontinued investigations. Other amendments included procedures whereby discontinued investigations can be terminated and supplemental language to clarify existing and newly implemented procedures.

During the calendar year 1972, the following actions were taken under the U.S. Antidumping Act:

Findings of dumping		15
Discontinuance of investigations by reason of assurances		9
	Subtotal	24
Determination by Treasury of sales at not less than fair value		6
Determination by Tariff Commission of no injury		13
	Subtotal	19
	TOTAL	43

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F. Actions Under Section 303, Tariff Act of 1930 (Countervailing Duties)

The Tariff Act of 1930 provides that whenever the Secretary of the Treasury finds that a bounty or grant has been paid, directly or indirectly, by a foreign country on dutiable items imported into the United States, a countervailing duty must be levied on the goods. This duty is equal to the amount of the bounty or grant on each importation of the product involved and is additional to the normal customs duty. In March 1972, the Treasury Department issued a countervailing duty order against tomato products from Greece, and in May 1972 issued a countervailing duty order against compressors and compressor parts from Italy.

G. Unfair Import Practices Under Section 337

Section 337 of the Tariff Act of 1930 declares unlawful unfair methods of competition in import trade, the effect or tendency of which is to destroy or substantially injure a domestic industry, efficiently and economically operated, to prevent the establishment of an industry, or to restrain or monopolize trade and commerce in the United States. Although the Congress, in enacting section 337 in 1930, intended that the statute have a broad scope, virtually all the cases under this section have involved patent infringement, i.e., the unlicensed importation of articles falling within the claims of a U.S. patent.

The statute provides for a Tariff Commission investigation and report to the President in respect of alleged unfair methods of competition. If the President is satisfied that the statutory criteria have been met, he must direct the Secretary of the Treasury to issue an exclusion order against the articles concerned in the unfair methods of competition. Additionally, if the President has preliminary information, pending the full investigation, indicating that the statute is being violated, he may direct the issuance of a temporary exclusion order, in which case imports are permitted under bond prescribed by the Secretary of the Treasury.

During 1972 the President received from the Tariff Commission its official report on four complaints. For sphygmomanometers no violation was found. For plastic sheets with openwork structure the Commission found a violation, and the President had the case under consideration at the end of the year. For lightweight luggage a violation was found and the President issued a permanent exclusion order on November 9. With regard to certain pantyhose, for which the President issued a temporary exclusion order on February 17, the Commission reported a violation. At the end of the year, the temporary exclusion order remained in effect, and the President had the final Tariff Commission report under consideration.

Complaints were dismissed in four cases: paper stitchers; cold forged mounts for semiconductors; combination fish scaler, hook remover and rule; and entertainment headsets and replacement tips. At the end of the year full investigations were underway on electronic pianos and certain writing instruments and nibs. Preliminary inquiries were in process on six other complaints (closed toe circular hosiery knitting machines, combination measuring tools, cyclinder boring machines, certain disposable catheters and cuffs, expanded unsintered polytetrafluoroethylene in tape form for sealing threaded joints, convertible game tables); and one additional complaint had been received but the inquiry had not yet been ordered.

XI. OTHER DEVELOPMENTS

A. U.S.-Canada Automotive Agreement

Under the U.S.-Canada Automotive Products Agreement, trade between the two countries in automotive vehicles and original equipment parts has, with certain exceptions, been duty free since 1965. The Agreement has largely achieved its objective of facilitating an integration of the North American automotive industry. Some movement toward a single market has occurred, with a narrowing of the differential between U.S. and Canadian prices of vehicles.

Since the inception of the Agreement, trade with Canada in automotive products has grown nearly ten-fold and in 1972 reached a level of $9.0 billion. While exports have risen sharply, imports grew by an even greater amount through 1970, with the result that the U.S. trade surplus declined steadily and turned into a deficit. The deficit bottomed out at $197 million in 1971, and an improvement in the trade balance occurred in 1972 as the deficit was reduced to $99 million, or about one-fifth of the bilateral trade under the Agreement. The earlier shift in the balance of trade led to increased U.S. efforts to induce Canada to terminate certain restrictive measures designed to foster increased automotive production in Canada. Bilateral discussions aimed at eliminating or modifying these restrictions were intensified in 1972, with further talks anticipated in 1973.

An annual report made by the President to the Congress on the operation of the Agreement provides detailed information on the implementation of the Automotive Products Trade Act of 1965 as well as data on production, trade, prices and employment.

B. U.S.-Venezuela Reciprocal Trade Agreement

The Reciprocal Trade Agreement between the United States and Venezuela was signed in November 1939 and modified in August 1952. Since that time, the introduction of petroleum import quotas by the United States and import licensing requirements by Venezuela reduced the effectiveness of the Agreement. Under the provisions of the Agreement, either party can terminate it upon six months notice, and such notice was given by Venezuela on December 31, 1971.

Following discussions by the two governments on their future trade relations, it was decided to continue the Agreement in part. Under an exchange of notes on June 26, 1972, it was agreed that the petroleum tariffs specified in the Agreement should be maintained at their present low rate. At the same time, the most favored nation principle was reaffirmed, although an exception was made in the event that Venezuela should desire to enter into free trade pacts or customs unions. Either government may terminate these provisions upon six months prior written notice.

C. Brussels Tariff Nomenclature Study

The system of customs tariff classification used by most countries of the world is the Brussels Tariff Nomenclature (BTN); the only exceptions among major trading nations are the United States and Canada. Because of the widespread adoption of the BTN, it is being used as the basis for a detailed universal commodity description and coding system which is being constructed in the Customs Cooperation Council for use in international transportation by all types of carriers and also for customs purposes and statistics. The new commodity code would permit significant economies in transportation documentation and associated procedures and would also simplify trade negotiation procedures and reduce costs, notably by permitting the use of computers.

To determine whether the United States should adopt the BTN -- as has been proposed by various groups, including the Williams Commission -- requires complex technical and legal analysis. After an extensive preliminary study in the Executive Branch, the President in July 1972 requested the Tariff Commission to: (1) prepare a draft translation of the Tariff Schedules of the United States which would conform with the BTN and (2) report on the probable effects of its adoption on U.S. industries and trade. The President indicated that the new draft schedules should, as far as practicable, avoid changes in rates of duty on individual products, should simplify the tariff structure to the extent possible without entailing significant rate changes, and, where feasible, should convert specific and compound rates into equivalent or nearly equivalent ad valorem rates.

An interagency task force met from August to October 1972 and sent its recommendations to the Commission. A second group is reviewing legal and administrative problems involved in adherence to the international convention that established the BTN. The Tariff Commission's report was scheduled for completion by September 30, 1973, at which time further consideration is to be given to the question of whether legislation should be submitted to the Congress.

D. Textiles

In the late 1960's, wool and manmade fiber textile imports began increasingly to penetrate the U.S. market. The first agreement on manmade fiber and wool textiles was signed with Malaysia in 1970. In January 1972, following negotiations in 1971, formal agreements on manmade fiber and wool textiles were signed with the major Far East textile trading nations -- Japan, Hong Kong, the Republic of China, and the Republic of Korea. In December 1972, a sixth agreement was signed with Portugal covering imports from Macao. These agreements limit the annual growth in manmade fiber textile exports to the United States to between 5 and 7.5 percent; this is about one-tenth of the high growth rates reached by U.S. imports of these textiles from the four leading exporting countries in the year preceding the agreements. The rate of growth in wool fiber textile exports is limited to 1 percent.

The agreements have been effective. Manmade fiber textile imports from all countries grew by only 2 percent in 1972 compared with 57 percent in 1971. In 1972, based on import data for the first nine months, imports of manmades from Japan, Hong Kong, Taiwan, and Korea declined by 16 percent from the comparable period in 1971. The effects of these agreements tended to restore confidence throughout the American industry. With imports stabilized, the domestic industry was able to plan more effectively. Partly as a result of the agreements, the industry has enjoyed increased capital expenditures, higher sales, improved profits, increasing production, rising employment, and an overall improvement in its order position.

Additionally, by the end of 1972 the United States added four new bilateral cotton textile and apparel agreements with El Salvador, Portugal (for Macao), Nicaragua, and Thailand under Article 4 of the GATT Long-Term Arrangement Regarding International Trade in Cotton Textiles.

E. Voluntary Restraints on Steel Exports to the United States

In May 1972, the leading integrated steel producers of Japan, the then six member countries of the European Community, and the United Kingdom informed the Secretary of State of their intention to restrain exports of steel mill products to the United States during the three year period ending December 31, 1974. Their action extended a similar voluntary export restraint arrangement covering the three years 1969-71, but with a number of additional provisions: (1) a reduction of the 5.0 percent annual growth rate of shipments in the 1969-71 arrangement to 2.5 percent, in line with recent growth in the U.S. steel market; (2) the addition of United Kingdom steel producers as participants in the voluntary restraint undertaking; (3) specific tonnage limitations on each of the three groups of specialty steels (stainless, tool, and other alloy steel); (4) firmer assurances on maintenance of the mix of products exported as well as patterns of geographic distribution in the United States; (5) inclusion of restraints with respect to shipments of fabricated structural steel and cold finished steel bars; and (6) provision for a consultative process through which the U.S. government or the foreign producer associations may initiate periodic discussions to consider any problem or question which may arise.

Aggregate steel exports by the EC and the United Kingdom steel producers to the United States in 1972 were within the overall limit specified in their voluntary restraint undertaking, while those of the Japanese producers exceeded their limit by 1.2 percent. Both European and Japanese producers exceeded specified ceilings for certain types of specialty steels, and Japanese producers exceeded their ceiling for cold finished steel bars. Differences in U.S. and foreign classification of specialty steels and cold finished bars preclude an exact comparison of U.S. and foreign trade data for such products. However, in the case of Japanese tool steel exports, consultations between the Department of State and the Japanese steel producers on the question of overshipments in 1972 resulted in the latter agreeing to a reduction in their 1973 ceiling on exports of U.S.-definition tool steel to the United States.

F. U.S. Meat Imports

The Meat Import Act of 1964 (P.L. 88-482) establishes a formula for imposing quotas on fresh, chilled or frozen beef, veal, mutton, and goat meat when estimated imports exceed trigger levels. Trigger levels are based on the relationship between imports and domestic commercial production. The Act permits the President to suspend or increase the quota if he determines such action to be required by overriding economic or national security interests or if supplies of meat covered by the Act would be inadequate to meet domestic demand at reasonable prices.

Since imports in 1972 were estimated to exceed trigger levels, the President on March 9 issued Proclamation 4114 limiting imports of meat subject to the Act. At the same time, he suspended that limitation and directed that a program of voluntary restraints be negotiated with major supplying countries. The program permitted imports of 1,240 million pounds. This level of imports was 11 percent above actual imports of the same meats in 1971. The first voluntary restraint program began in 1968, and the program has been continued since that time.

In June 1972, the President directed Secretary of State Rogers to take steps immediately with foreign suppliers of meat to the United States to remove restraints established under present arrangements with those suppliers. The President stated that his action was to counter recent rises in the cost of meat and was intended to encourage more meat imports into the United States, thereby increasing the supply available here. He noted that the recent rise in the price of meat was in part due to an improving economy here at home, causing increased demands for meat which had not been matched by increased supplies.

The President's directive covered the balance of 1972. In December, the President continued the suspension of import restraints through 1973. The removal of import restraints did not change U.S. sanitary requirements for meat imports, nor did it affect U.S. duties.

G. Petroleum

Import allocations for 1972 for Petroleum Administration for Defense Districts east of the Rocky Mountains were originally set above 1971 levels and were increased again about mid-year. Imports of crude oil, unfinished oils and plant condensates were about 31 percent over 1971 levels while imports of refined products were 11 percent higher. Despite these increases, rising domestic demand put pressure on available supplies. Although some states which limit production permitted wells to operate at virtually maximum capacity during the latter part of the year, total domestic crude oil production was slightly below 1971 as many of the wells were already producing at practical capacity.

Crude runs to stills rose moderately during the year, and based on American Petroleum Institute estimates, represented approximately 91 percent of refining capacity by the end of the year. Stocks of crude oil, unfinished oils and plant condensate at the end of 1972 were 5 percent below those of the end of 1971, while stocks of refined products were down by almost 7 percent.

Domestic crude oil prices in 1972 increased only slightly; however, landed costs of foreign crude showed substantial increases primarily reflecting adjustments made during the 1971 settlements between governments of foreign oil producing countries and the producing companies, as well as the effects of the devaluation of the U.S. dollar. The U.S. price index for refined products rose by about 5 percent during 1972.

APPENDIX A

SELECTED STATISTICS ON WORLD AND U.S. TRADE

Table 1. Free-world Exports, 1972

Areas	Value ($ billion)	Increase from 1971 (percent)
Total	371.1	17.9
Developed Countries	300.2	18.6
United States	49.8 1/	12.8
Western Europe	189.9	20.3
EEC	124.5 2/	22.7
United Kingdom	24.4	9.1
Japan	28.6	19.1
Canada	21.0	14.4
Australia/New Zealand/South Africa	10.9	24.0
Developing Countries 3/	71.1	15.1
South and East Asia	19.2	18.7
Near East	17.3	14.8
19 American Republics	16.8	15.9
Africa	14.0	11.1
Other Western Hemisphere	3.1	10.7
Other countries	0.7	16.7

1/ Including military grant-aid. 2/ Including exports to other members.
3/ Estimates based on partial year data.

Table 2. U.S. Trade with Selected Areas, 1971-72

Area and country	Exports 1971 (Millions of dollars)	Exports 1972 (Millions of dollars)	Exports Percent change from 1971 to 1972	Imports 1971 (Millions of dollars)	Imports 1972 (Millions of dollars)	Imports Percent change from 1971 to 1972
Total	43,549	49,208	+ 13	45,563	55,555	+ 22
Developed areas, total	30,063	34,070	+ 13	33,744	40,801	+ 21
Western Europe	13,906	15,108	+ 9	12,658	15,420	+ 22
Canada	10,365	12,415	+ 20	12,691	14,909	+ 17
Japan	4,055	4,966	+ 22	7,259	9,064	+ 25
Australia, New Zealand, and South Africa	1,737	1,580	- 9	1,135	1,408	+ 24
Developing areas, total	13,102	14,260	+ 9	11,549	14,350	+ 24
American Republics	5,666	6,471	+ 14	4,881	5,772	+ 18
Other Western Hemisphere	818	808	- 1	1,157	1,231	+ 6
East and South Asia	4,047	4,375	+ 8	3,941	5,258	+ 33
Near East1/	1,816	1,975	+ 9	593	773	+ 30
Africa	1,009	893	- 11	931	1,254	+ 35
Oceania	54	57	+ 6	46	62	+ 35
Eastern Europe	384	819	+113	223	321	+ 44
People's Republic of China	-	60	-	5	32	+540
Unspecified countries	-	-	-	41	51	+ 24

1/Includes Egypt.

Note: Military grant-aid shipments are included only to the individual developing areas.

Source: U.S. Department of Commerce

Table 3. U.S. Exports of Principal Commodities, 1971-1972

Commodity	1971 (Millions of dollars)	1972 (Millions of dollars)	Percent change from 1971 to 1972
Exports and reexports, total...	43,549	49,208	+ 13
Nonagricultural products, total......	35,763	39,700	+ 11
Machinery, total......................	11,839	13,570	+ 15
Power generating machinery................	1,546	1,843	+ 19
Office machines and parts.................	1,519	1,623	+ 7
Telecommunications apparatus..............	678	835	+ 23
Power machinery and switchgear............	679	787	+ 16
Agricultural machinery and tractors.......	366	498	+ 36
Tubes, semiconductors, and parts..........	477	627	+ 31
Cooling equipment.........................	407	465	+ 14
Mining and well drilling machinery........	316	392	+ 24
Transport equipment, total.............	7,621	7,944	+ 4
Aircraft and parts........................	3,387	3,011	- 11
Automotive parts..........................	1,856	2,212	+ 19
Passenger cars............................	1,169	1,304	+ 12
Trucks....................................	492	562	+ 14
Chemicals, total.......................	3,836	4,134	+ 8
Organic chemicals.........................	987	1,103	+ 12
Pharmaceuticals...........................	396	474	+ 20
Manufactured fertilizers..................	192	298	+ 55
Other nonagricultural products, total..	12,467	14,052	+ 13
Coal......................................	902	984	+ 9
Iron and steel-mill products..............	760	800	+ 5
Textiles, other than clothing.............	632	779	+ 23
Logs and lumber...........................	471	720	+ 53
Photographic equipment and supplies.......	508	621	+ 22
Agricultural products, total...........	7,786	9,508	+ 22
Soybeans..................................	1,327	1,508	+ 14
Wheat.....................................	1,005	1,369	+ 36
Corn......................................	746	1,241	+ 66
Unmanufactured tobacco....................	462	639	+ 38
Cotton....................................	583	503	- 14
Rice......................................	257	389	+ 51
Cattle hides..............................	126	256	+103
Reexports..............................	638	800	+ 25

Note: Totals exclude, and commodities include, military grant-aid shipments.

Source: U.S. Department of Commerce

Table 4. U.S. Imports of Principal Commodities, 1971-1972

Commodity	1971	1972	Percent change
	(Millions of dollars)		
Total	45,563	55,555	+ 22
Consumer goods, total	15,671	19,556	+ 25
Passenger cars	5,085	5,705	+ 12
Automotive parts and equipment	2,019	2,491	+ 23
Clothing	1,521	1,883	+ 24
Sound recorders and reproducers	489	704	+ 44
Motorcycles	497	697	+ 40
Gem diamonds	473	637	+ 35
Television sets	415	499	+ 20
Glassware and pottery	333	453	+ 36
Transistor radios	332	436	+ 31
Industrial supplies, total	16,964	20,323	+ 20
Iron and steel products	2,871	3,070	+ 7
Crude petroleum	1,704	2,383	+ 40
Nonferrous base metals	1,706	2,007	+ 18
Textile yarns and fabrics	1,391	1,528	+ 10
Fuel oil	1,204	1,409	+ 17
Lumber	766	1,179	+ 54
Industrial and agricultural chemicals	955	1,130	+ 18
Capital goods, total	4,934	6,677	+ 35
Office machines	566	700	+ 24
Textile and leather machinery	501	638	+ 27
Agricultural machinery and tractors	332	448	+ 35
Tubes, semiconductors, and parts	259	396	+ 53
Power machinery and switchgear	263	356	+ 35
Trucks, buses, and special vehicles	835	1,129	+ 35
Civilian aircraft and parts	228	436	+ 91
Food and beverages, total	6,366	7,257	+ 14
Meat	1,072	1,245	+ 16
Fish	875	1,199	+ 37
Coffee	1,167	1,182	+ 1
Sugar	764	824	+ 8
Whiskey	477	469	- 2
Wine	156	213	+ 37
Other imports	1,627	1,742	+ 7

Source: U.S. Department of Commerce

APPENDIX B

GATT Membership

December 31, 1972

1. Contracting Parties to the GATT (81)

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

2. Acceded provisionally: Tunisia

3. Countries to whose territories the GATT has been applied and which now, as independent States, maintain a de facto application of the GATT pending final decisions as to their future commercial policy (15)

Algeria
Bahrein
Botswana
Equatorial Guinea
Fiji
Khmer Republic
Lesotho
Maldives
Mali
Qatar
Singapore
Swaziland
Tonga
Yemen, People's Dem. Rep.
Zambia

APPENDIX C

SUMMARY RECORD OF WORKER ADJUSTMENT ASSISTANCE CASES

Table 1. Summary of Petitions
Filed with the Labor Department Pursuant to Presidential Authorization
to Workers in an Industry to Petition for Adjustment Assistance
1970-1972

		Denied		Affirmed	
Industry	Petitions	Petitions	Est. Workers	Petitions	Est. Workers
Earthenware	1			1	270
Marble	1			1	150
Piano	8	1	30	7	1,785
Sheet Glass	5			5	1,770
TOTALS	15	1	30	14	3,975

Table 2. Summary of U.S. Tariff Commission Determinations on Worker Adjustment Assistance Petitions by Industry 1962-1972

Industry	Denied Petitions	Denied Est. Workers	Affirmed Petitions	Affirmed Est. Workers	Evenly Divided[1/] Petitions	Evenly Divided[1/] Est. Workers
Chemicals and Allied Products						
Synthetic Fibers	1	1,000				
Electrical Equipment						
Radio, TV, Stereo, Phonograph and Tape Recorders	5	1,820	2	3,500	2	3,500
Electronic Components	9	5,780	1	240	4	2,740
Electrical Lighting & Wiring Equipment	1	210				
Fabricated Metal Products						
Structural Metal Products			3	450		
Leather Products						
Men's Shoes	7	1,520			1	230
Women's Shoes	36	8,050	6	2,020	19	4,633
Shoe Components	4	507				
Leather Tanning	1	400				
Metal Mining						
Iron Ores	1	650				
Miscellaneous Manufacturing Industries						
Musical Instruments			3	910	1	280
Games and Toys	2	5,830				
Sporting Goods	1	100				
Silverware & Plated Ware			3	1,810		
Nonelectrical Machinery						
Metalworking Machinery	2	1,200	1	26		
Office Machines	2	1,700				
Nonmetalworking Machinery	1	500				
Primary Metal Industries						
Ferrous Metal Refining	3	1,240	1	400		
Nonferrous Metal Refining	2	530				
Rubber Products						
Tires	1	100				
Rubber Footwear	1	90	2	900	4	4,070
Miscellaneous Rubber Products	1	250				
Stone, Clay, and Glass Products						
Structural Clay Products	3	985				
Pottery Products	1	260				
Glass Products	3	475				
Textile Mill Products						
Cotton Fabrics	4	2,080	5	2,680	1	220
Wool Fabrics	1	300				
Manmade Fabrics	1	600				
Knitted Fabrics	3	3,100				
Spun Yarn	2	1,280				
Miscellaneous Textile Products	1	200				
Transportation Equipment						
Motor Vehicle Parts					1	150
TOTALS	100	40,757	27	12,936	33	15,823

1/ When the Commission is evenly divided and makes no finding, the President under Section 330(d)(1) of the Tariff Act of 1930, as amended, may accept either views of the Commissioners as the finding of the Commission. The President had accepted the views of the Commissioners finding in the affirmative in 31 evenly-divided petitions representing 15,823 workers.

Table 3. State Summary of Department of Labor Certifications of Workers Eligible to Apply for Adjustment Assistance and Trade Readjustment Allowances, 1969 - 1972

State	Petitions	Estimated Certified Workers	TRA Expenditures
Alabama	1	300	$ 862,702
Arkansas			1,105 1/
California	2	300	339,143
Connecticut	2	1,710	1,572,140
Florida	1	350	1,057,188
Georgia	2	1,730	1,173,251
Illinois	7	2,340	2,713,668
Indiana	6	2,540	5,738,168
Iowa	1	440	774,392
Louisiana	1	410	1,052,744
Maine	1	280	386,575
Maryland	1	280	242,100
Massachusetts	15	7,293	13,058,471
Michigan	3	870	839,804
New Hampshire	5	1,530	422,697
New Jersey	1	800	1,568,818
New York	5	3,655	2,182,211
North Carolina	1	250	237,263
Ohio	2	126	281,068
Oklahoma	1	300	374,764
Pennsylvania	5	1,630	2,779,476
Rhode Island	2	900	4,807,415
Tennessee	1	2,700	3,928,072
Texas	1	400	881 1/
Vermont	1	150	90,756
West Virginia	2	650	616,324
Totals 26	70	31,934	$ 47,101,196

1/ Expenditures on Oklahoma Petition Number I-15.3

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