93 - 1

93d Congress
1st Session

COMMITTEE PRINT

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

BRIEFING MATERIALS PREPARED

FOR USE OF THE

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IN CONNECTION WITH HEARINGS

ON THE SUBJECT OF

FOREIGN TRADE AND TARIFFS

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FOREWORD

The purpose of compiling these briefing materials is to provide members of the Committee on Ways and Means with background information on foreign trade and tariff matters and not to support any particular point of view. The materials, for the most part, consist of informal staff briefing papers prepared in the executive branch and transmitted to the committee staff by the Office of the Special Representative for Trade Negotiations. Materials in this document have not been considered or approved by the Committee on Ways and Means.

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Table 1

U.S. Exports, Imports, and Merchandise Trade Balance

(Millions of dollars)

Year	U.S. exports, excluding military grant-aid		U.S. imports		Gross merchandise trade balance
	Value	Year-to-year percent change	Value	Year-to-year percent change	
1960	19,659		15,073		4,586
1961	20,226	2.9	14,761	- 2.1	5,465
1962	20,986	3.8	16,464	11.5	4,522
1963	22,467	7.1	17,207	4.5	5,260
1964	25,832	15.0	18,749	9.0	7,083
1965	26,742	3.5	21,427	14.3	5,315
1966	29,490	10.3	25,618	19.6	3,872
1967	31,030	5.2	26,889	5.0	4,141
1968	34,063	9.8	33,226	23.6	837
1969	37,332	9.6	36,043	8.5	1,289
1970	42,659	14.3	39,952	10.8	2,707
1971	43,549	2.1	45,563	14.0	-2,014
1972	49,208	13.0	55,555	21.9	-6,347

Table 2

U.S. Exports Excluding Government-Financed Shipments

(Millions of dollars)

Year	Total U.S. exports	Foreign Assistance Act		Public Law 480	Exports, excluding MGA, AID, and PL-480 shipments
		Military grant-aid	AID loans and grants		
1960	20,608	949	432	1,304	17,923
1961	21,036	810	623	1,304	18,299
1962	21,713	727	832	1,444	18,710
1963	23,387	920	1,085	1,509	19,873
1964	26,650	818	1,077	1,621	23,134
1965	27,521	779	1,140	1,323	24,279
1966	30,430	940	1,186	1,306	26,998
1967	31,622	592	1,300	1,229	28,501
1968	34,636	573	1,056	1,178	31,829
1969	38,006	674	993	1,021	35,318
1970	43,224	565	957	1,021	40,681
1971	44,130	581	915	982	41,652
1972	49,768	560	([1])	1,065	([1])

[1] Not available.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 3

Major U.S. Commodities Exported Under AID Programs
and Major Recipient Countries, 1971

(Millions of dollars)

Commodities exported under AID programs, total	915
Machinery and equipment	239
Fertilizers	51
Other chemicals	107
Iron and steel-mill products	129
Transport equipment	87
All other[1]	302
Recipient countries, total	915
Republic of Viet-Nam	275
India	228
Pakistan	76
Turkey	74
Republic of Korea	60
Colombia	48
Brazil	32
Indonesia	31
All other	91

[1] Excludes agricultural commodities bartered under PL-480.

Table 4

Major U.S. Agricultural Exports Shipped under PL-480 Programs
and Major Recipient Countries, 1972

Major recipients	Million dollars	Major products	Million dollars
Total	1,065	Total	1,065
Rep. of Korea	205	Wheat	294
Rep. of Viet-Nam	135	Rice	238
Indonesia	113	Soybean oil	110
India	86	Dry milk	71
Pakistan	63	Cotton	70
Israel	48	Wheat flour	62
Philippines	30	Corn	57
Morocco	29	Corn-soya-milk	46
Bangladesh	28	Grain sorghums	34
Sri Lanka (Ceylon)	21	Tobacco	28
Tunisia	20	Bulgur wheat	24
Colombia	15	Wheat-soya-blend	12
Dominican Republic	15	Other commodities	19
Khmer Republic (Cambodia)	14		
Brazil	11		
Uruguay	10		
Other and unspecified	222		

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April 23, 1973

Table 5

U.S. Import Values
F.O.B. Foreign Market and Estimated C.I.F. Values

Year	Values as published[1]	Estimated C.I.F. values[2]	Estimated insurance and freight charges[3]
	(Millions of dollars)		(Percent)
1967	26,889	28,745	6.9
1968	33,226	35,320	6.3
1969	36,043	38,241	6.1
1970	39,952	42,389	6.2
1971	45,563	48,342	6.1
1972	55,555	[4]58,944	[4]6.1

[1]Value required by law for customs purposes, which in most instances is the value of commodities at principal markets in exporting country.
[2]Cost of commodities at foreign port of exportation plus estimated values for insurance and freight to the U.S. port of unlading.
[3]Freight and insurance charges represent the basic difference between the two valuations. The percentages also reflect small differences in valuation between the published statistics and f.o.b. foreign port of export values.
[4]Based on the results of the 1971 survey.

Note: Estimates are based on joint Bureau of Customs--Bureau of Census studies of U.S. imports in the years 1967-1971.

Table 6

U.S. Total Trade

(Millions of dollars)

	1968	1969	1970	1971	1972
Total					
Exports[1]	34,063	37,332	42,659	43,549	49,208
Imports	33,226	36,043	39,952	45,563	55,555
Balance	+837	+1,289	+2,707	-2,014	-6,347
Agricultural commodities					
Exports	6,300	6,004	7,349	7,786	9,508
Imports	5,054	5,090	5,767	5,766	6,505
Balance	+1,246	+914	+1,582	+2,020	+3,003
Nonagricultural commodities					
Exports[1]	27,763	31,328	35,310	35,763	39,700
Imports	28,173	30,953	34,185	39,797	49,050
Balance	-410	+375	+1,125	-4,034	-9,350

[1] Exclude military grant-aid shipments.

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Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 7

U.S. Trade by Major End-Use Categories

(Values in millions of dollars)

Commodity	1968	1969	1970	1971	1972	Percent change from 1968 to 1972
Exports, total[1]	34,636	38,006	43,224	44,130	49,768	+ 44
Food, feed, and beverages	4,813	4,688	5,839	6,054	7,492	+ 56
Industrial supplies and materials	11,004	11,776	13,782	12,691	13,982	+ 27
Capital goods, including trucks and buses	11,504	12,877	14,931	15,720	17,356	+ 51
Consumer goods, including automobiles and parts	5,354	5,933	5,811	6,642	7,930	+ 48
"Special category" and other exports	1,961	2,731	2,862	3,023	3,008	+ 53
Imports, total	33,226	36,043	39,952	45,563	55,555	+ 67
Food, feed, and beverages	5,271	5,238	6,154	6,366	7,257	+ 38
Industrial supplies and materials	14,159	14,160	15,106	16,968	20,323	+ 44
Capital goods, including trucks and buses	3,298	3,949	4,534	4,961	6,677	+102
Consumer goods, including automobiles and parts	9,152	11,199	12,727	15,642	19,556	+114
Other imports	1,347	1,471	1,399	1,627	1,742	+ 29
Trade balance, total[1]	+1,410	+1,963	+ 3,272	- 1,433	- 5,787	
Food, feed, and beverages	- 458	- 550	- 315	- 312	+ 235	
Industrial supplies and materials	-3,155	-2,384	- 1,324	- 4,277	- 6,341	
Capital goods, including trucks and buses	+8,206	+8,928	+10,397	+10,759	+10,679	
Consumer goods, including automobiles and parts	-3,798	-5,266	- 6,916	- 9,000	-11,626	
All other	+ 614	+1,260	+ 1,463	+ 1,396	+ 1,266	

[1]Include military grant-aid shipments.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 8

U.S. Exports and Imports in Relation to Gross National Product

(Values in millions of dollars)

Year	GNP	Percent Change	Domestic Exports[1]	Exports as percent of GNP	General imports	Imports as percent of GNP
1960	503,700		20,408	4.1	15,073	3.0
1961	520,100	3.3	20,792	4.0	14,761	2.8
1962	560,300	7.7	21,444	3.8	16,464	2.9
1963	590,500	5.4	23,102	3.9	17,207	2.9
1964	632,400	7.1	26,297	4.2	18,749	3.0
1965	684,900	8.3	27,178	4.0	21,427	3.1
1966	749,900	9.5	29,994	4.0	25,618	3.4
1967	793,900	5.9	31,238	3.9	26,889	3.4
1968	864,200	8.9	34,199	4.0	33,226	3.8
1969	930,300	7.6	37,462	4.0	36,043	3.9
1970	976,400	5.0	42,590	4.4	39,952	4.1
1971	1,050,400	7.6	43,492	4.1	45,563	4.3
1972	1,151,800	9.7	48,968	4.3	55,555	4.8

[1] Include military grant-aid.

Table 9

U.S. and Major Foreign Countries' Exports and Imports in Relation to Gross National Product

(Percent of GNP)

Country	1960	1966	1968	1970	1971	1972
			Exports			
United States.....	4.1	4.0	4.0	4.4	4.1	4.3
Canada.....	14.8	16.8	19.1	19.9	19.2	([1])
European Community[2]...	15.5	15.8	16.7	18.2	18.6	([1])
France.....	11.4	10.2	10.1	12.3	12.7	([1])
Fed. Rep. of Germany..	16.1	16.4	18.4	18.3	17.9	18.0
Italy.....	10.8	12.6	13.5	14.2	14.9	([1])
United Kingdom.....	14.7	13.8	14.9	15.9	16.4	([1])
Japan.....	9.6	9.6	9.0	9.8	10.6	([1])
			Imports			
United States.....	3.0	3.4	3.8	4.1	4.3	4.8
Canada.....	15.1	16.4	17.3	16.5	16.9	([1])
European Community[2]...	15.5	16.1	16.1	18.2	18.3	([1])
France.....	10.5	11.0	11.0	13.0	13.1	([1])
Fed. Rep. of Germany..	14.3	14.7	15.1	16.0	15.8	15.6
Italy.....	14.0	13.5	13.6	16.1	15.7	([1])
United Kingdom.....	18.1	15.6	18.3	17.9	17.6	([1])
Japan.....	10.6	9.4	9.0	9.6	8.7	([1])

[1] Not available.
[2] Original six member countries.

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April 23, 1973

Table 10

U.S. Share of Free-World Exports

Year	Free-world exports ($ billions)	U.S. share of free-world exports[1] (percent)
1960	113	21.0
1961	119	20.3
1962	125	20.0
1963	136	19.7
1964	153	19.9
1965	165	19.1
1966	181	19.5
1967	191	19.3
1968	213	19.2
1969	244	18.2
1970	280	18.0
1971	314	16.5
1972	367	16.0

[1]Excluding exports to the United States.

Table 11

U.S. and Major Competitors' Share of Free-World Exports of Manufactures

(Percent of free-world exports to foreign markets[1])

Year	United States	European Community	France	Fed. Rep. of Germany	Italy	United Kingdom	Japan
1960	25.3	42.3	9.5	18.7	4.7	15.3	5.3
1964	24.0	44.3	8.7	19.0	6.1	13.4	6.3
1965	22.8	44.8	8.8	18.8	6.6	13.3	7.1
1966	23.0	45.2	8.7	19.2	6.8	12.7	7.3
1967	23.3	45.3	8.7	19.5	6.9	11.8	7.6
1968	23.6	45.4	8.6	19.3	7.3	11.0	8.1
1969	22.5	46.3	8.6	19.5	7.2	11.0	8.4
1970	21.3	47.0	9.1	19.8	7.1	10.4	8.9
1971	19.9	47.6	9.1	20.2	7.3	10.9	9.9
Jan.-Sept. 1972[2]	18.8	([3])	9.8	20.5	7.7	9.8	10.1

[1]World exports are defined as exports from the 14 major industrial countries. These nations, which account for approximately four-fifths of world exports of manufactures to foreign markets, are as follows: United States, Austria, Belgium-Luxembourg, Canada, Denmark, France, Federal Republic of Germany, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and Japan. Exports to foreign markets are total exports excluding exports to the United States.
[2]Adjusted for seasonal variation.
[3]Not available.

Note: The term "manufactures" refers to chemicals, machinery, transport equipment, and other manufactures except mineral fuel products, processed food, fats, oils, firearms of war, and ammunition.

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Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 12

U.S. Share of Total Exports and Total Imports of Selected Foreign Countries

Area and country	1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972
	Percent of total exports shipped to the U.S.							Percent of total imports supplied by the U.S.						
Canada	61	64	68	71	65	68	70	72	72	73	73	71	70	69
19 Latin American Republics[1]	35	33	35	32	...	...	...	44	42	42	[2]40	...	...	...
Central American Common Market	35	35	33	35	35	38	...	41	40	40	36	35	34	...
Costa Rica	46	48	47	47	42	41	...	39	39	38	35	35	33	...
El Salvador	26	27	20	21	21	[2]23	...	33	31	29	29	30	28	...
Guatemala	32	31	28	28	28	31	...	42	41	41	34	35	33	...
Honduras	56	44	45	48	55	64	...	50	48	46	43	41	47	...
Nicaragua	23	28	29	32	33	35	...	46	43	38	38	36	33	...
Latin American Free Trade Association[1]	34	32	33	30	29	...	...	44	42	42	40	41	...	...
Argentina	8	8	12	9	9	9	...	23	22	23	22	25	22	...
Bolivia	39	43	35	31	33	28	...	41	41	43	31	31	31	...
Brazil	33	33	33	26	25	26	...	39	34	32	30	32	29	...
Chile	25	18	22	[2]17	14	...	...	39	36	38	39	37	...	...
Colombia	44	44	42	38	37	...	...	48	45	50	46	46	...	...
Ecuador	51	49	42	41	43	39	...	38	39	35	32	33	34	...
Mexico	62	61	65	64	60	62	...	64	63	63	62	64	61	...
Peru	42	42	40	34	33	29	...	39	37	38	31	32	29	...
Venezuela	31	34	33	34	35	40	...	50	51	51	50	46	44	...
Dominican Republic	88	87	89	89	84	74	...	49	55	55	...	...	...	...
Panama	68	77	79	66	63	49	...	41	40	39	36	39	35	...
Other Western Hemisphere														
Bahamas	...	74	73	61	68	83	...	...	69	68	68	55	34	...
Jamaica	38	40	39	38	48	39	...	36	39	39	42	43	37	...
Trinidad and Tobago	36	43	47	52	51	40	...	14	15	15	15	16	18	...

See footnotes at end of table.

Table 12

U.S. Share of Total Exports and Total Imports of Selected Foreign Countries

Area and country	1966	1967	1968	1969	1970	1971	1972	1966	1967	1968	1969	1970	1971	1972
	Percent of total exports shipped to the U.S.							Percent of total imports supplied by the U.S.						
Western Europe[1]	9	9	10	9	8	8	...	11	10	10	10	10	9	...
European Economic Community	8	8	9	8	7	8	[2]8	11	11	10	10	10	9	[2]10
Belgium and Luxembourg	9	8	9	7	6	7	[2]6	8	8	8	8	9	6	[2]5
France	6	6	6	6	5	5	[2]5	10	10	9	8	10	8	[2]8
Germany, Federal Republic of	9	9	10	9	9	10	9	13	12	10	10	11	10	8
Italy	9	10	11	11	10	10	[2]10	12	11	12	11	10	9	[2]9
Netherlands	5	5	5	4	4	4	[2]4	11	11	11	10	10	9	[2]8
European Free Trade Association														
Austria	5	4	5	5	4	4	[2]4	4	4	3	3	3	4	[2]3
Denmark	9	7	8	8	8	8	[2]8	8	9	8	8	[2]8	8	[2]7
Finland	6	6	6	6	5	5	[2]5	6	5	4	5	5	4	[2]4
Norway	9	8	8	7	6	7	[2]7	8	6	8	8	7	6	[2]6
Portugal	11	10	11	9	9	10	[2]11	8	7	7	5	7	7	[2]9
Sweden	7	7	8	6	6	7	[2]7	9	9	9	9	9	8	[2]7
Switzerland	11	10	10	10	9	9	[2]9	9	8	9	8	8	7	[2]7
United Kingdom	12	12	14	12	12	12	12	12	12	13	14	13	11	11
Other Western Europe														
Greece	10	13	10	10	7	9	...	11	8	8	10	6	7	...
Ireland	7	9	10	11	10	11	[2]9	9	8	7	9	7	9	[2]7
Spain	12	15	18	15	14	15	[2]17	17	17	17	17	19	16	[2]16
Turkey	16	18	15	11	10	10	[2]12	25	18	16	17	18	12	[2]9
Yugoslavia	6	6	7	6	5	6	[2]7	13	7	5	4	6	6	[2]7
Near East														
Egypt	2	2	2	2	1	1	...	20	9	6	7	6	6	...
Iran	6	3	4	3	1	1	...	18	18	17	14	13	13	...
Israel	15	16	19	19	19	19	...	25	26	23	24	22	24	...
Kuwait	...	...	...	...	...	...	...	21	22	17	15	13	[2]15	...
Lebanon	4	5	2	4	4	[2]3	...	14	10	11	10	12	[2]11	...
Saudi Arabia	6	6	3	2	2	...	...	26	23	23	19	18	...	...
Japan	21	22	32	31	31	32	22	28	28	27	27	22	25	22

East and South Asia.....														
China, Republic of (Taiwan).....	19	27	36	36	40	43	[2]45	27	31	21	24	24	22	[2]23
Hong Kong.....	28	30	34	35	36	35	[2]34	11	14	14	13	13	12	[2]12
India.....	19	17	17	18	14	17	...	38	39	35	29	29	23	...
Indonesia.....	21	17	16	15	11	15	...	9	8	17	20	18	15	...
Korea, Republic of.....	38	43	52	50	47	50	[2]47	35	31	31	29	30	28	[2]3
Malaysia.....	15	17	19	18	15	13	...	6	6	6	6	8	6	...
Pakistan.....	12	13	13	11	12	10	[2]5	30	33	30	24	32	23	[2]23
Philippines.....	40	43	45	42	42	40	...	34	34	32	28	29	25	...
Singapore.....	5	7	8	11	11	12	[2]15	5	6	7	8	11	13	[2]14
Thailand.....	7	14	13	14	13	13	...	17	17	20	16	15	14	...
Vietnam, Republic of.....	4	2	3	2	2	4	...	40	32	29	39	47	41	...
Oceania.....														
Australia.....	13	12	14	14	13	12	...	25	26	26	25	25	22	...
New Zealand.....	16	15	17	16	17	17	...	11	11	12	12	13	10	...
Africa.....														
Algeria.....	1	([3])	1	([3])	1	2	...	10	8	8	8	8	8	...
Cameroon.....	15	14	11	6	10	...	...	5	5	6	6	8	...	...
Ethiopia.....	44	43	43	42	49	44	...	8	9	19	10	9	9	...
Ghana.....	14	17	18	14	18	...	...	17	17	19	18	18	...	...
Ivory Coast.....	17	13	15	14	19	17	...	8	6	6	8	8	2	...
Kenya.....	9	7	7	8	9	7	...	10	7	7	7	8	9	...
Liberia.....	35	30	26	28	23	22	...	45	38	38	34	31	32	...
Libya.....	6	3	6	5	2	...	...	13	13	17	19	15	...	...
Morocco.....	2	2	2	2	2	2	[2]2	12	10	14	8	11	14	[2]10
Nigeria.....	8	8	8	12	11	18	...	16	12	12	12	15	14	...
South Africa, Rep. of.....	11	8	7	7	8	8	[2]8	18	17	18	17	17	16	[2]16
Tanzania.....	7	5	8	7	9	8	...	6	8	6	6	9	4	...
Tunisia.....	1	3	2	1	1	1	...	16	25	20	19	17	15	...
Uganda.....	25	22	25	23	21	22	...	4	7	4	4	6	7	...
Zaire.....	2	2	7	5	2	...	...	21	18	16	13	11	...	...
Zambia.....	([3])	5	2	1	([3])	1	...	11	11	10	10	9	10	...

[1]Total includes countries not shown separately. [2]Estimated. [3]Less than 0.5 percent. ...Not available.

Note: United States percentage of free-world exports to destinations other than the United States was as follows: 1966, 19.5; 1967, 19.3; 1968, 19.2; 1969, 18.2; 1970, 18.0; 1971, 16.5 and 1972 (est.), 16.0.

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Table 13

U.S. Exports of Principal Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change 1970 to 1972 Value	Change 1970 to 1972 Percent
Agricultural commodities, total....	7,247	7,698	9,410	+2,163	+ 30
Wheat.....	1,012	1,005	1,369	+357	+ 35
Rice.....	314	257	389	+ 75	+ 24
Corn.....	824	746	1,241	+417	+ 51
Fruits and vegetables.....	515	536	642	+127	+ 25
Soybean oil-cake and meal.....	344	400	409	+ 65	+ 19
Unmanufactured tobacco.....	488	462	639	+151	+ 31
Soybeans.....	1,216	1,327	1,508	+292	+ 24
Cotton, excluding linters.....	372	583	503	+131	+ 35
Other agricultural commodities.....	2,162	2,382	2,710	+548	+ 25
Nonagricultural commodities, total.	35,343	35,794	39,558	+4,215	+ 12
Chemicals, total.....	3,826	3,836	4,134	+308	+ 8
Organic chemicals.....	1,070	988	1,103	+ 33	+ 3
Inorganic chemicals.....	427	422	414	- 13	- 3
Medicinals and pharmaceuticals.....	420	396	474	+ 54	+ 13
Plastic materials and resins.....	653	656	696	+ 43	+ 7
Other chemicals.....	1,256	1,374	1,447	+191	+ 15
Machinery, total.....	11,685	11,839	13,570	+1,885	+ 16
Engines and other power generating machinery.....	1,405	1,545	1,843	+438	+ 31
Agricultural tractors, machinery, and parts.....	362	366	498	+136	+ 38
Tracklaying and off-highway tractors and parts.....	569	509	577	+ 8	+ 1
Electronic computers and parts.....	1,236	1,261	1,341	+105	+ 8
Metalworking machinery.....	396	405	410	+ 14	+ 4
Construction and maintenance equipment...	434	410	467	+ 33	+ 8
Mining and well-drilling machines.....	296	316	392	+ 96	+ 32
Air conditioning and refrigerating equipment.....	397	406	465	+ 68	+ 17
Materials handling equipment.....	607	590	650	+ 43	+ 7
Electric power machinery.....	611	679	787	+176	+ 29
Telecommunications apparatus.....	660	679	835	+175	+ 27
Solid state semiconductor devices.....	417	371	470	+ 53	+ 13
Other machinery.....	4,295	4,302	4,835	+540	+ 13
Transport equipment, total.....	6,197	7,621	7,944	+1,747	+ 28
New motor vehicles.....	1,434	1,824	2,061	+627	+ 44
Automotive parts and accessories.....	1,603	1,856	2,212	+609	+ 38
Other road motor vehicles and parts.....	208	199	197	- 11	- 5
Civilian aircraft.....	1,528	1,918	1,706	+178	+ 12
Military aircraft.....	467	626	403	- 64	- 14
Aircraft parts and accessories.....	661	842	902	+241	+ 36
Other transport equipment.....	296	356	463	+167	+ 56
Other nonagricultural products, total.	13,635	12,498	13,910	+275	+ 2
Logs and lumber.....	528	444	653	+125	+ 24
Wood pulp.....	464	351	358	-106	- 23
Iron and steel scrap.....	447	215	244	-203	- 45
Other ores and metal scrap.....	493	271	264	-229	+ 54
Coal.....	962	902	984	+ 22	+ 2
Petroleum and products.....	488	479	445	- 43	- 9
Paper and manufactures.....	622	685	726	+104	+ 17
Textiles other than clothing.....	603	632	779	+176	+ 29
Iron and steel mill products.....	1,188	760	800	-388	- 33
Other products.....	7,840	7,759	8,657	+817	+ 10

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Bureau of International Commerce
U.S. Department of Commerce
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Table 14

U.S. Exports Showing Steady Increases in Value

(Values in millions of dollars)

Commodity	1968	1972	Change from 1968 to 1972 Value	Percent
Agricultural commodities, total	6,227	9,410	+3,183	+ 57
Fish	57	135	+ 78	+137
Wheat	993	1,369	+376	+ 38
Corn	734	1,241	+507	+ 69
Fruits and vegetables	464	735	+271	+ 58
Soybean oil-cake and meal	249	409	+160	+ 64
Hides and skins other than fur skins	122	293	+171	+140
Soybeans	810	1,508	+698	+ 86
Nonagricultural commodities, total	26,862	39,467	+12,605	+ 47
Cigarettes	134	202	+ 68	+ 51
Logs and lumber	414	653	+239	+ 58
Manmade fibers and waste	69	119	+ 50	+ 72
Coal	503	984	+481	+ 96
Organic chemicals	848	1,103	+255	+ 30
Radioactive and associated materials	43	181	+138	+321
Dyeing, tanning, and coloring materials	124	157	+ 33	+ 27
Plastic materials and resins	590	696	+106	+ 18
Internal combustion engines, turbines, and parts	1,030	1,645	+615	+ 60
Electronic computers, parts, and accessories	542	1,341	+799	+147
Mining and well-drilling machines	210	392	+182	+ 87
Materials handling equipment	462	650	+188	+ 41
Air conditioning and refrigerating equipment and parts	327	465	+138	+ 42
Heating and temperature change equipment	145	198	+ 53	+ 37
Pumping equipment and parts	191	262	+ 71	+ 37
Pipe valves and parts	151	213	+ 62	+ 41
Power machinery and switchgear	531	787	+256	+ 48
Telecommunications apparatus	535	835	+300	+ 56
Railway vehicles	81	212	+131	+162
New motor vehicles	1,464	2,061	+597	+ 41
Motor vehicle parts	1,529	2,211	+682	+ 45
Rubber manufactures	188	231	+ 43	+ 23
Paper and manufactures	545	726	+181	+ 33
Glass and glassware	153	202	+ 49	+ 32
Gem diamonds	95	172	+ 77	+ 81
Tools for use in hand or machine	169	223	+ 54	+ 32
Textiles other than clothing	522	779	+257	+ 49
Clothing	54	215	+161	[illegible]
Optical goods; medical and dental apparatus	128	221	+ 93	+ 73
Photographic and motion picture equipment	159	287	+128	+ 81
Photographic supplies	208	334	+126	+ 61
Printed matter	292	346	+ 54	+ 18
Articles of plastic and rubber	102	166	+ 64	+ 63
Toys, games, and sporting goods	117	308	+191	+163

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April 23, 1973

Table 15

Selected Major U.S. Exports as Percent of U.S. Production, 1969

Commodity	Exports (million dollars)	Percent of U.S. production
Raw cotton	280	26
Corn	726	14
Wheat	726	40
Soybeans	822	31
Leaf tobacco	529	41
Bituminous coal and lignite	586	20
Milled rice and byproducts	347	59
Soybean cake, meal, and other byproducts	278	25
Pulp mill products	297	28
Industrial organic chemicals	665	10
Industrial inorganic chemicals	500	12
Thermoplastic resins	294	13
Lubricating oils and greases	229	17
Refined copper	229	16
Farm machinery	430	11
Construction machinery	1,294	29
Oilfield machinery	242	30
Special industry machinery	462	24
Pumps and compressors	367	17
Electronic computing equipment	786	16
Electric measuring instruments	244	19
Solid state semiconductor devices	346	23
Motor vehicle parts and accessories, including bodies	1,714	12
Aircraft	1,866	18
Aircraft engines and parts	379	10
Aircraft parts and auxiliary equipment	651	12
Mechanical measuring and controlling instruments	344	17
Photographic equipment and supplies	394	13

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Table 16

U.S. Imports of Principal Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Percent
Imports, total	39,952	45,563	55,555	+15,603	+ 39
Foods and beverages, total	6,154	6,366	7,257	+1,103	+ 18
Green coffee	1,160	1,167	1,182	+ 22	+ 2
Sugar	725	764	824	+ 99	+ 14
Meat and preparations	1,037	1,072	1,245	+208	+ 20
Fish and preparations	791	875	1,199	+408	+ 52
Whisky and other alcoholic beverages	725	766	824	+ 99	+ 14
Other foods and beverages	1,716	1,722	1,983	+267	+ 16
Industrial supplies and materials, total	15,117	16,964	20,323	+5,206	+ 34
Petroleum and products	2,760	3,318	4,295	+1,535	+ 56
Natural gas	258	312	403	+145	+ 56
Wood pulp	483	486	493	+ 10	+ 2
Newsprint	930	988	1,054	+124	+ 13
Textile yarns and fabrics	1,983	1,224	1,321	-662	- 33
Industrial and agricultural chemicals	836	955	1,130	+294	+ 35
Lumber	516	766	1,179	+663	+128
Plywood veneers	248	309	408	+160	+ 65
Iron ore	480	451	416	- 64	- 13
Ferroalloying materials and ferroalloys	225	298	394	+169	+ 75
Iron and steel-mill products	1,952	2,615	2,743	+791	+ 41
Copper	532	463	516	- 16	- 3
Aluminum	238	325	369	+131	+ 55
Crude rubber	231	211	190	- 41	- 18
Rubber tires and tubes	206	254	386	+180	+ 87
Industrial supplies and materials	3,239	3,989	5,026	+1,787	+ 55
Capital equipment, total	4,512	4,934	6,677	+2,165	+ 48
Electrical machinery	1,017	1,157	1,588	+571	+ 56
Nonelectrical machinery	2,574	2,714	3,524	+950	+ 37
Civilian aircraft and parts	191	228	436	+245	+128
Trucks and chassis	730	835	1,129	+399	+ 55
Consumer goods, total	12,769	15,671	19,556	+6,787	+ 53
Gem diamonds	433	473	637	+204	+ 47
Radio and TV sets	659	773	962	+303	+ 46
Other telecommunications equipment	309	405	525	+216	+ 70
New automobiles	3,722	5,085	5,705	+1,983	+ 53
Automotive parts and equipment	1,496	2,019	2,491	+995	+ 67
Bicycles and parts	56	99	279	+223	+398
Motorcycles and parts	328	524	730	+402	+123
Clothing	1,269	1,521	1,883	+614	+ 48
Footwear	629	758	915	+286	+ 45
Sound recorders and reproducers	433	489	704	+271	+ 63
Toys, games, and sporting goods	427	452	568	+141	+ 33
Other consumer goods	3,008	3,073	4,157	+1,149	+ 38

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April 23, 1973

Table 17

Selected Major U.S. Imports as Percent of New Supply, 1969

Commodity	Imports (Millions of dollars)	Percent of new supply
Coffee	894	100
Crude rubber and allied gum	280	100
Fish	263	50
Shellfish	305	54
Iron ores and concentrates	402	30
Crude petroleum	1,298	11
Diamonds for gemstones	288	100
Beef, except canned	511	5
Canned meats	262	20
Sugar and byproducts	677	22
Distilled liquors, except brandy	486	27
Textile fabrics	718	7
Outerwear apparel	984	7
Sawmill and planing mill products	621	13
Veneer and plywood	297	13
Pulp mill products	501	32
Newsprint	939	68
Residual fuel oil	872	61
Shoes, except rubber	348	11
Iron and steel-mill products	1,671	7
Copper smelter products	233	15
Aluminum and alloys	215	9
Farm machinery and equipment	308	7
Radio and TV receiving sets	1,035	22
Passenger cars, new	3,355	12
Trucks, buses, and special purpose vehicles, including bodies	601	6
Motorcycles, bicycles, and parts	231	43

Note: New supply is defined as U.S. output and imports.

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Table 18

U.S. Exports and Imports of Major Manufactured Products

(Millions of dollars)

Commodity	1968	1969	1970	1971	1972
Manufactures, total					
Exports	23,834	26,802	29,730	30,845	34,267
Imports	20,624	23,012	25,906	30,414	37,747
Chemicals, total					
Exports	3,287	3,383	3,826	3,836	4,134
Imports	1,129	1,228	1,450	1,612	2,015
Organic and inorganic chemicals					
Exports	1,197	1,278	1,497	1,410	1,517
Imports	541	617	726	753	936
Medicinal and pharmaceutical products					
Exports	314	363	420	396	474
Imports	76	83	87	119	149
Manufactured fertilizers					
Exports	265	218	178	192	298
Imports	140	137	192	205	232
Plastic materials and resins					
Exports	590	590	653	656	696
Imports	94	99	123	133	177
Machinery, total					
Exports	8,844	10,137	11,685	11,839	13,570
Imports	3,772	4,571	5,375	6,059	7,916
Engines, turbines, and parts					
Exports	1,057	1,146	1,291	1,456	1,698
Imports	515	600	771	942	1,225
Agricultural tractors, machinery, and parts					
Exports	414	421	362	366	498
Imports	301	314	318	332	448
Nonagricultural tractors and parts					
Exports	459	496	569	509	577
Imports	21	31	30	28	49
Electronic computers and parts					
Exports	542	805	1,236	1,261	1,341
Imports	18	37	60	119	174
Office machines other than computers					
Exports	206	246	311	258	292
Imports	239	335	445	447	526

U.S. Exports and Imports of Major Manufactured Products
(Cont'd)

(Millions of dollars)

Commodity	1968	1969	1970	1971	1972
Metalworking machinery					
Exports	334	343	396	405	410
Imports	204	183	164	107	140
Construction, excavating, mining, well-drilling, and maintenance equipment					
Exports	565	626	730	726	859
Imports	35	46	49	60	82
Air conditioning and refrigeration equipment					
Exports	327	361	397	406	465
Imports	9	15	24	27	23
Pumping equipment					
Exports	191	217	241	248	262
Imports	24	30	36	53	73
Materials handling equipment					
Exports	462	531	607	590	650
Imports	61	89	98	92	118
Electric power machinery and switchgear					
Exports	531	562	611	679	787
Imports	168	196	247	263	356
TV's, radios, and radio-phonographs					
Exports	62	83	78	101	143
Imports	541	763	795	913	1,147
Electronic components					
Exports	280	434	542	477	627
Imports	141	174	224	258	399
Electrical measuring and controlling instruments					
Exports	313	350	419	414	474
Imports	55	64	88	83	114
Transport equipment, total					
Exports	5,603	6,266	6,197	7,621	7,944
Imports	4,215	5,192	5,798	7,814	9,45[illegible]
New automobiles					
Exports	972	1,010	821	1,170	1,303
Imports	2,782	3,355	3,721	5,085	5,7[illegible]
Trucks, including chassis					
Exports	347	447	452	492	[illegible]
Imports	380	553	517	601	[illegible]

U.S. Exports and Imports of Major Manufactured Products
(Cont'd)

(Millions of dollars)

Commodity	1968	1969	1970	1971	1972
Automotive parts, excluding engines					
Exports	1,529	1,756	1,603	1,856	2,212
Imports	436	532	606	850	1,106
Aircraft and parts					
Exports	2,309	2,423	2,656	3,387	3,011
Imports	294	283	274	338	415
Other manufactured goods, total					
Exports	6,084	7,000	7,636	7,147	8,094
Imports	11,508	12,020	13,285	14,929	18,332
Rubber manufactures					
Exports	188	195	186	205	231
Imports	131	154	214	263	399
Paper and manufactures					
Exports	545	585	622	685	726
Imports	976	1,082	1,087	1,157	1,261
Fabrics, yarns, and made-up articles of cotton, wool, and manmade fibers					
Exports	438	495	514	536	671
Imports	638	674	848	1,089	1,163
Apparel of cotton, wool, and manmade fibers					
Exports	117	151	140	148	179
Imports	743	957	1,095	1,347	1,691
Iron and steel mill products					
Exports	583	941	1,188	760	800
Imports	1,962	1,724	1,952	2,615	2,743
Copper					
Exports	282	282	358	265	243
Imports	855	486	532	463	516
Aluminum					
Exports	191	294	358	197	196
Imports	350	264	238	325	369
Footwear					
Exports	9	9	10	10	11
Imports	388	488	629	758	915
Aircraft flight instruments, other measuring and controlling instruments and parts					
Exports	377	452	485	469	471
Imports	68	77	78	78	104
Photographic and motion picture equipment and supplies					
Exports	368	400	450	508	621
Imports	157	180	213	245	316

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Table 19

U.S. Trade with Major Regions

(Values in millions of dollars)

Area	1968	1969	1970	1971	1972	Percent change from 1968 to 1972
Exports, total[1]	34,636	38,006	43,224	44,130	49,768	+ 44
Developed countries, total	23,600	26,479	29,877	30,335	34,304	+ 45
Canada	8,072	9,137	9,079	10,365	12,415	+ 54
Western Europe	11,132	12,392	14,463	14,178	15,342	+ 38
European Community[2]	6,127	7,005	8,423	8,381	8,840	+ 44
EFTA[3]	3,877	4,040	4,515	4,257	4,691	+ 21
United Kingdom	2,289	2,335	2,536	2,369	2,658	+ 16
Japan	2,954	3,490	4,652	4,055	4,966	+ 68
Australia, New Zealand, and South Africa	1,442	1,460	1,683	1,737	1,580	+ 10
Developing countries, total	10,821	11,277	12,993	13,410	14,585	+ 35
19 Latin American Republics	4,699	4,869	5,695	5,666	6,471	+ 38
CACM	366	353	425	408	439	+ 20
LAFTA	4,059	4,203	4,885	4,849	5,580	+ 37
Other Western Hemisphere	640	707	837	818	808	+ 26
Near East	1,094	1,344	1,423	1,816	1,975	+ 81
East and South Asia	3,582	3,495	4,030	4,047	4,375	+ 22
Africa	765	819	940	1,009	899	+ 18
Communist areas	215	249	354	384	879	+309
Imports, total	33,226	36,043	39,952	45,563	55,555	+ 67
Developed countries, total	24,130	26,460	29,259	33,744	40,801	+ 69
Canada	9,005	10,384	11,092	12,692	14,909	+ 66
Western Europe	10,139	10,138	11,169	12,658	15,420	+ 52
European Community[2]	5,885	5,798	6,609	7,522	8,980	+ 53
EFTA[3]	3,548	3,682	3,851	4,330	5,337	+ 50
United Kingdom	2,058	2,120	2,194	2,498	2,986	+ 45
Japan	4,054	4,888	5,875	7,259	9,064	+124
Australia, New Zealand, and South Africa	931	1,050	1,123	1,135	1,408	+ 51
Developing countries, total	8,886	9,373	10,442	11,549	14,350	+ 61
19 Latin American Republics	4,288	4,214	4,779	4,881	5,772	+ 35

U.S. Trade with Major Regions
(Cont'd)

(Values in millions of dollars)

Area	1968	1969	1970	1971	1972	Percent change from 1968 to 1972
CACM	343	368	416	447	485	+ 41
LAFTA	3,685	3,577	4,071	4,153	4,948	+ 34
Other Western Hemisphere	855	949	1,057	1,157	1,230	+ 44
Near East	388	383	371	593	773	+ 99
East and South Asia	2,499	3,039	3,397	3,941	5,258	+110
Africa	834	762	800	931	1,254	+ 50
Communist areas	200	198	226	229	354	+ 77
Trade balance, total[1]	+1,410	+1,963	+3,272	-1,433	-5,787	....
Developed countries, total	- 530	+ 19	+ 618	-3,409	-6,497	....
Canada	- 933	-1,247	-2,013	-2,327	-2,494	....
Western Europe	+ 993	+2,254	+3,294	+1,520	- 78	....
European Community[2]	+ 242	+1,207	+1,814	+ 859	- 140	....
EFTA[3]	+ 329	+ 358	+ 664	- 73	- 646	....
United Kingdom	+ 231	+ 215	+ 342	- 129	- 328	....
Japan	-1,100	-1,398	-1,223	-3,204	-4,098	....
Australia, New Zealand, and South Africa	+ 511	+ 410	+ 560	+ 602	+ 172	....
Developing countries, total	+1,935	+1,904	+2,551	+1,861	+ 235	....
19 Latin American Republics	+ 411	+ 655	+ 916	+ 785	+ 699	....
CACM	+ 23	- 15	+ 9	- 39	- 46	....
LAFTA	+ 374	+ 626	+ 814	+ 696	+ 632	....
Other Western Hemisphere	- 215	- 242	- 220	- 339	- 422	....
Near East	+ 706	+ 961	+1,052	+1,223	+1,202	....
East and South Asia	+1,083	+ 456	+ 633	+ 106	- 883	....
Africa	- 69	+ 57	+ 140	+ 78	- 355	....
Communist areas	+ 15	+ 51	+ 128	+ 155	+ 525	....

[1]Exports include military grant-aid shipments.
[2]Original six member countries.
[3]Nine member countries.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 20

U.S. Trade with the Six European Community Countries

(Millions of dollars)

	1968	1969	1970	1971	1972
European Community, total					
Exports	6,127	7,005	8,423	8,381	8,840
Imports	5,885	5,798	6,609	7,522	8,980
Balance	+242	+1,207	+1,814	+859	-140
Agricultural commodities					
Exports	1,367	1,269	1,559	1,828	2,110
Imports	368	379	440	422	531
Balance	+999	+890	+1,119	+1,406	+1,579
Nonagricultural commodities					
Exports	4,564	5,425	6,605	6,140	6,607
Imports	5,517	5,419	6,169	7,101	8,449
Balance	-953	+6	+436	-961	-1,842

Note: Totals only include reexports and special category shipments.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

Table 21

U.S. Trade with the Six European Community Countries
by Major Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Percent
Exports, total	8,423	8,381	8,840	+417	+ 5
Agricultural commodities, total	1,559	1,828	2,110	+551	+ 35
Corn	289	302	378	+ 89	+ 31
Animal feeds	279	319	340	+ 61	+ 22
Unmanufactured tobacco	124	151	158	+ 34	+ 27
Soybeans	409	516	570	+161	+ 39
Other agricultural commodities	458	540	664	+206	+ 45
Nonagricultural commodities, total	6,605	6,139	6,452	-153	- 2
Metal ores and scrap	223	127	114	-109	- 49
Coal	240	192	209	- 31	- 13
Chemicals	946	916	929	- 17	- 2
Iron and steel-mill products	242	68	88	-154	- 64
Copper and aluminum	270	167	134	-136	- 50
Engines and other power generating machinery	215	236	275	+ 60	+ 28
Electronic computers and parts	440	477	486	+ 46	+ 10
Construction, excavating, and mining machinery	200	175	205	+ 5	+ 2
Paper and manufactures	150	176	173	+ 23	+ 15
Other nonelectrical machinery	775	750	812	+ 37	+ 5
Electrical apparatus	599	526	645	+ 46	+ 8
Aircraft parts and commercial aircraft	607	698	540	- 67	- 11
Professional, scientific, and controlling instruments	185	191	210	+ 25	+ 14
Other nonagricultural commodities	1,513	1,440	1,632	+119	+ 8
Reexports and special category exports	259	414	278	+ 19	+ 7
Imports, total	6,609	7,522	8,980	+2,371	+ 36
Foods, feeds, and beverages, total	405	402	498	+ 93	+ 23
Whisky and other alcoholic beverages	166	179	230	+ 64	+ 39
Industrial supplies and materials, total	1,911	2,371	2,783	+872	+ 46
Fabrics	148	175	188	+ 40	+ 27
Industrial chemicals	249	299	377	+128	+ 51
Iron and steel	650	967	1,144	+494	+ 76
Finished metal and advanced metal manufactures	100	111	140	+ 40	+ 40
Capital goods, including trucks and buses, total	1,132	1,212	1,512	+380	+ 34
Electrical machinery	146	174	220	+ 74	+ 51
Nonelectrical industrial machinery and components	619	667	856	+237	+ 38
Business machines and computers	156	144	152	- 4	- 3
Consumer goods, including automobiles and parts, total	2,961	3,303	3,953	+992	+ 34
Passenger cars	1,254	1,527	1,686	+432	+ 34
Automotive parts and engines	159	206	237	+ 78	+ 49
Wearing apparel	173	148	166	- 7	- 4
Footwear	302	324	380	+ 78	+ 26
Other consumer durables	725	737	1,014	+289	+ 40
All other imports	200	235	234	+ 34	+ 17

Prepared in the
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April 23, 1973

Table 22

U.S. Trade with Japan

(Millions of dollars)

	1968	1969	1970	1971	1972
Total					
Exports	2,954	3,490	4,652	4,055	4,965
Imports	4,054	4,888	5,875	7,259	9,064
Balance	-1,100	-1,398	-1,223	-3,204	-4,099
Agricultural commodities					
Exports	933	934	1,241	1,073	1,429
Imports	37	38	38	47	53
Balance	+896	+896	+1,203	+1,026	+1,376
Nonagricultural commodities					
Exports	1,987	2,494	3,355	2,917	3,484
Imports	4,017	4,850	5,837	7,214	9,011
Balance	-2,030	-2,356	-2,482	-4,297	-5,527

Note: Totals only include reexports and special category shipments.

Prepared in the
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U.S. Department of Commerce
April 23, 1973

Table 23

U.S. Trade with Japan by Major Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Percent
Exports, total	4,652	4,055	4,965	+313	+ 7
Agricultural commodities, total	1,214	1,073	1,429	+215	+ 18
Wheat	157	152	162	+ 5	+ 3
Corn	235	148	200	- 35	- 15
Grain sorghums	129	75	118	- 11	- 9
Tobacco, unmanufactured	61	21	105	+ 44	+ 72
Hides and skins, except fur skins, undressed	54	51	113	+ 59	+109
Soybeans	305	311	375	+ 70	+ 23
Cotton	88	126	116	+ 28	+ 32
Other agricultural commodities	185	189	240	+ 55	+ 30
Nonagricultural commodities, total	3,355	2,917	3,450	+ 95	+ 3
Logs	304	239	362	+ 58	+ 19
Metal ores and scrap	365	123	150	-215	- 59
Coal	412	355	351	- 61	- 15
Chemicals	322	324	312	- 10	- 3
Nonferrous metals	87	44	95	+ 8	+ 9
Electronic computers and parts	168	142	144	- 24	- 14
Other nonelectric machinery	465	400	435	- 30	- 6
Electrical apparatus	239	227	228	- 11	- 5
Commercial aircraft and aircraft parts	238	322	402	+164	+ 69
Other nonagricultural commodities	755	741	971	+216	+ 29
Reexports and special category exports	83	64	86	+ 3	+ 4
Imports, total	5,875	7,259	9,064	+3,189	+ 54
Foods, feeds, and beverages	170	174	253	+ 83	+ 49
Industrial supplies and materials, total	1,809	2,127	2,324	+515	+ 28
Fabrics	232	254	275	+ 43	+ 19
Industrial chemicals	126	147	182	+ 56	+ 44
Building materials, other than metals	88	84	108	+ 20	+ 23
Iron and steel	1,009	1,206	1,246	+237	+ 23
Other industrial supplies and materials	354	436	513	+159	+ 45
Capital goods, including trucks and buses, total	658	813	1,234	+576	+ 88
Electrical machinery	233	279	401	+168	+ 72
Nonelectrical industrial machinery and components	178	194	292	+114	+ 64
Business machines and computers	130	158	176	+ 46	+ 35
Other capital goods, including trucks and buses	117	182	365	+248	+212
Consumer goods, including automobiles and parts, total	3,160	4,053	5,157	+1,997	+ 63
Passenger cars	457	929	1,139	+682	+149
Automotive parts and engines	152	182	264	+112	+ 74
Apparel; textile household goods	285	294	336	+ 51	+ 18
Leather and rubber footwear and related goods	125	125	93	- 32	- 26
Metal cookware, cutlery, and other household wares	139	128	172	+ 33	+ 24
Radios and TV sets	480	537	549	+ 69	+ 14
Other electrical household appliances	474	559	810	+336	+ 71
Other consumer goods, including automobiles and parts	1,048	1,299	1,794	+746	+ 71
All other imports	78	92	95	+ 17	+ 22

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April 23, 1973

Table 24

U.S. Trade with Canada

(Millions of dollars)

	1968	1969	1970[1]	1971	1972
Total					
Exports	8,072	9,137	9,079	10,365	12,415
Imports	9,005	10,384	11,092	12,692	14,909
Balance	-933	-1,247	-2,013	-2,327	-2,494
Agricultural commodities					
Exports	595	710	810	761	844
Imports	226	262	325	315	354
Balance	+369	+448	+485	+446	+490
Nonagricultural commodities					
Exports	7,325	8,232	7,982	9,315	11,238
Imports	8,779	10,122	10,767	12,447	14,555
Balance	-1,454	-1,890	-2,785	-3,132	-3,317

[1] Discrepancies between U.S. and Canadian bilateral trade data have been reconciled for 1970. This study made by the official U.S.-Canadian Trade Statistics Committee resulted in an increase in the valuation of U.S. exports to Canada to $9,148 million and a decrease in U.S. imports to $10,572 million.

Note: Totals only include reexports and special category shipments.

Table 25

U.S. Trade with Canada by Major Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Percent
Exports, total	9,079	10,365	12,415	+3,336	+37
Agricultural commodities, total	810	761	844	+ 34	+ 4
Grains and preparations	175	120	138	- 37	-21
Fruits, nuts, and vegetables	224	251	297	+ 73	+33
Other agricultural commodities	411	390	409	- 2	-(1)
Nonagricultural commodities, total	7,977	9,315	11,215	+3,238	+41
Coal and coke	212	226	277	+ 65	+31
Chemicals	554	593	693	+139	+25
Iron and steel-mill products	251	262	291	+ 40	+16
Metal manufactures	249	273	334	+ 85	+34
Engines and other power generating machinery	399	483	590	+191	+48
Tractors and parts; agricultural machinery	242	326	419	+177	+73
Electronic computers and office machines	214	257	311	+ 97	+45
Other nonelectrical machinery	1,047	1,120	1,343	+296	+28
Electrical apparatus	603	730	872	+269	+45
Trucks, buses, and chassis[2]	253	324	387	+134	+53
Passenger cars[2]	625	946	1,076	+451	+72
Automotive parts, including engines[2]	1,640	2,022	2,111	+471	+29
Aircraft parts and commercial aircraft	241	181	194	- 47	-20
Professional, scientific, and controlling instruments	185	201	224	+ 39	+21
Other nonagricultural commodities	1,262	1,371	2,093	+831	+66
Reexports and special category exports	292	290	357	+ 65	+22

Prepared in the
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U.S. Department of Commerce
April 23, 1973

U.S. Trade with Canada by Major Commodities
(Cont'd)

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Change from 1970 to 1972 Percent
Imports, total	11,092	12,692	14,909	+3,817	+34
Foods, feeds, and beverages	645	662	744	+ 99	+15
Industrial supplies and materials, total	5,197	5,707	6,832	+1,635	+31
Crude petroleum	646	755	938	+292	+45
Natural gas	248	306	400	+152	+61
Wood pulp	465	470	478	+ 13	+ 3
Newsprint	891	954	1,014	+123	+14
Fertilizers	189	206	217	+ 28	+15
Lumber	463	706	1,090	+627	+135
Iron ore	297	267	248	- 49	-16
Iron and steel	241	261	248	+ 7	+ 3
Nonferrous ores and metals	837	821	940	+103	+12
Capital goods, including trucks and buses, total	1,504	1,603	1,966	+462	+31
Electrical machinery	180	161	141	- 39	-22
Nonelectrical industrial machinery and components	255	246	274	+ 19	+ 7
Farm tractors and machinery and parts	184	191	246	+ 62	+34
Trucks, buses, and special purpose vehicles[2]	667	701	852	+185	+28
Consumer goods, including automobiles and parts, total	3,112	4,114	4,725	+1,613	+52
Passenger cars[2]	1,787	2,349	2,593	+806	+45
Automotive parts[2]	1,080	1,481	1,796	+716	+66
Other imports	634	606	642	+ 8	+ 1

[1] Less than 0.5 percent.
[2] U.S. trade under the Automotive Products Trade Agreement with Canada cannot be correctly identified by an addition of these export and import categories. The most accurate assessment of trade under the APTA derives from U.S. import data, which include all items entering duty-free under specially designated APTA categories, but adjusted to reflect actual rather than constructed vehicle values; and from Canadian import values which include all items entering duty-free. Canadian imports, as those of U.S. exports, are based on actual transaction values for automotive products. These values show U.S. trade in automotive products with Canada in the years 1970-72 as follows in millions of dollars: Imports, 3,132, 3,999, 4,595; Exports--2,936, 3,802, 4,495; balance, -196, -197,-100.

The value of U.S. imports of cars and trucks shown in the tabulation above is based on a constructed wholesale price in Canada (the official Customs value for duty purposes). It does not accurately reflect the actual values of such products imported from Canada. On the export side, there are various products exported to Canada for use in automotive production (such as glass, copper pipe, bearings, etc.) which are included in other non-automotive classifications. Their end use cannot be identified in U.S. export statistics.

Note: In a recent reconciliation of bilateral trade data for 1970 by the official U.S.--Canadian Trade Statistics Committee it was found that U.S. exports to Canada should have been valued in that year at $9,148 million and imports at $10,572 million. Reconciliation of data for 1971 and 1972 is currently in progress.

Prepared in the
Bureau of International Commerce
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Table 26

U.S. Trade with the United Kingdom
by Major Commodities

(Values in millions of dollars)

Commodity	1970	1971	1972	Change from 1970 to 1972 Value	Change from 1970 to 1972 Percent
Exports, total	2,536	2,369	2,658	+122	+ 5
Agricultural commodities, total	402	438	481	+ 79	+ 20
Grains and preparations	129	115	139	+ 10	+ 8
Tobacco, unmanufactured	107	102	132	+ 25	+ 23
Other agricultural commodities	166	221	210	+ 44	+ 27
Nonagricultural commodities, total	2,043	1,844	2,084	+ 41	+ 2
Chemicals	227	212	251	+ 24	+ 11
Paper, paperboard, and manufactures	54	53	52	- 2	- 4
Iron and steel-mill products	105	26	26	- 79	- 75
Nonferrous base metals	96	53	46	- 50	- 52
Power generating machinery	67	64	102	+ 35	+ 52
Electronic computers and other office machines	233	181	167	- 66	- 28
Construction, excavating, and mining machinery	51	58	69	+ 18	+ 35
Other nonelectric machinery	317	271	321	+ 4	+ 1
Electrical apparatus	221	185	243	+ 22	+ 10
Commercial aircraft and aircraft parts	161	230	214	+ 53	+ 33
Scientific, measuring, and controlling instruments	86	86	93	+ 7	+ 8
Other nonagricultural commodities	425	425	500	+ 75	+ 18
Reexports and special category exports	91	87	93	+ 2	+ 2
Imports, total	2,194	2,498	2,986	+792	+ 36
Foods, feeds, and beverages, total	368	383	371	+ 3	+ 1
Whisky and other alcoholic beverages	322	331	308	- 14	- 4
Industrial supplies and materials, total	486	607	711	+225	+ 46
Textile fibers and yarns	38	52	61	+ 23	+ 61
Fabrics	42	58	50	+ 8	+ 19
Industrial chemicals	61	67	85	+ 24	+ 39
Iron and steel	126	192	201	+ 75	+ 60
Nonferrous metals	64	68	93	+ 29	+ 45
Capital goods, including trucks and buses, total	503	500	702	+199	+ 40
Industrial machinery and components	256	253	306	+ 50	+ 20
Farm tractors	73	73	101	+ 28	+ 38
Civilian aircraft and parts	47	35	145	+ 98	+209
Consumer goods, including automobiles and parts, total	727	837	1,007	+280	+ 39
Passenger cars	105	152	126	+ 21	+ 20
Automotive parts and engines	39	71	96	+ 57	+146
Electrical household appliances, radios, and similar products	43	60	88	+ 45	+105
Bicycles and motorcycles	42	66	63	+ 21	+ 50
Gem diamonds, uncut or unset	141	120	182	+ 41	+ 29
All other imports	112	132	196	+ 84	+ 75

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Table 27

U.S. Trade With Selected Major Trading Partners

(Millions of dollars)

Country	1968	1969	1970	1971	1972
Federal Republic of Germany					
Exports	1,709	2,142	2,741	2,831	2,811
Imports	2,721	2,603	3,127	3,650	4,249
Balance	-1,012	-461	-386	-819	-1,438
France					
Exports	1,095	1,195	1,483	1,373	1,610
Imports	842	842	942	1,088	1,369
Balance	+253	+353	+541	+285	+241
Italy					
Exports	1,121	1,262	1,353	1,314	1,430
Imports	1,102	1,204	1,316	1,406	1,756
Balance	+19	+58	+37	-92	-326
Denmark					
Exports	207	205	227	253	258
Imports	220	258	284	286	367
Balance	-13	-53	-57	-33	-109
Ireland					
Exports	87	118	112	138	125
Imports	108	123	135	125	152
Balance	-21	-5	-23	+13	-27
Norway					
Exports	156	198	196	185	213
Imports	156	150	142	175	241
Balance	-	+48	+54	+10	-28
Sweden					
Exports	441	477	543	470	472
Imports	390	355	399	454	601
Balance	+51	+122	+144	+16	-129
Switzerland					
Exports	595	605	700	627	672
Imports	438	452	459	493	619
Balance	+157	+153	+241	+134	+53
Austria					
Exports	50	56	74	101	96
Imports	96	115	120	128	172
Balance	-46	-59	-46	-27	-76

U.S. Trade With Selected Major
Trading Partners
(Cont'd)

(Millions of dollars)

Country	1968	1969	1970	1971	1972
Finland					
Exports	52	76	99	90	91
Imports	103	120	114	123	142
Balance	-51	-44	-15	-33	-51
Spain					
Exports	517	580	712	627	930
Imports	306	304	353	458	600
Balance	+211	+276	+359	+169	+330
Israel					
Exports	278	457	592	707	558
Imports	117	129	150	173	222
Balance	+161	+328	+442	+534	+336
Australia					
Exports	872	855	986	1,004	843
Imports	488	588	611	619	807
Balance	+384	+267	+375	+385	+36
Taiwan					
Exports	387	393	527	510	631
Imports	270	388	549	817	1,294
Balance	+117	+5	-22	-307	-663
Hong Kong					
Exports	304	364	406	424	489
Imports	637	814	944	991	1,249
Balance	-333	-450	-538	-567	-760
Republic of Korea					
Exports	510	699	643	681	735
Imports	199	291	370	462	708
Balance	+311	+408	+273	+219	+27
Mexico					
Exports	1,378	1,450	1,704	1,620	1,982
Imports	910	1,029	1,218	1,262	1,632
Balance	+468	+421	+486	+358	+350

Prepared in the
Bureau of International Commerce
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Table 28

Free-World and U.S. Trade with Communist Areas

(Millions of dollars)

	Exports to Eastern Europe, Communist Asia, and Cuba		Imports from Eastern Europe, Communist Asia, and Cuba	
	Free-world	United States	Free-world	United States
Communist areas, total[1]				
1968	8,837	215	9,530	201
1969	10,111	249	10,389	198
1970	11,775	354	11,406	227
1971	12,455	384	12,620	229
1972	(2)	879	(2)	354
Eastern Europe, excluding U.S.S.R.				
1968	4,310	157	4,385	140
1969	4,840	144	4,814	144
1970	5,673	235	5,538	153
1971	6,314	222	6,099	166
1972	(2)	272	(2)	225
U.S.S.R.				
1968	2,954	58	3,277	58
1969	3,503	106	3,541	52
1970	4,020	119	3,762	72
1971	4,154	162	4,153	57
1972	(2)	547	(2)	96
People's Republic of China				
1968	1,288	-	1,628	(3)
1969	1,370	-	1,752	(3)
1970	1,612	-	1,735	(3)
1971	1,552	-	1,959	5
1972	(2)	60	(2)	32
Cuba				
1968	231	-	174	-
1969	303	(4)	208	(4)
1970	399	(4)	279	-
1971	365	(4)	311	-
1972	(2)	(4)	(2)	(4)

[1] Includes trade with North Korea, North Viet-Nam, and Outer Mongolia.
[2] Not available.
[3] Imports in 1968-70 were valued: $269, $24,000, and $1,000.
[4] Exports in 1969-72 were valued: $228, $42,642, $30,838, and $8,572; imports, in 1969 $4,000 and $32,962, 1972.
- None.

Prepared in the
Bureau of International Commerce
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April 23, 1973

Table 29

U.S. Trade with Major Developing Areas
by Principal Commodities

(Millions of dollars)

	Total developing areas[1]	19 American Republics	Near East	East and South Asia	Developing Africa
Exports and reexports, total					
1970	12,993	5,695	1,423	4,030	939
1971	13,410	5,667	1,810	4,047	1,009
1972	14,585	6,471	1,975	4,375	899
Agricultural products, total					
1970	2,371	562	222	1,252	237
1971	2,600	642	301	1,288	230
1972	2,896	725	321	1,476	219
Grains and preparations					
1970	1,167	226	117	668	118
1971	1,140	249	158	560	131
1972	1,516	357	174	810	132
Soybeans					
1970	114	23	18	73	(2)
1971	137	24	42	71	(2)
1972	150	17	44	89	(2)
Cotton					
1970	212	3	(2)	198	11
1971	315	6	1	295	13
1972	242	1	(2)	231	9
Other agricultural commodities					
1970	878	310	87	313	108
1971	1,008	363	100	362	86
1972	988	350	103	346	78
Nonagricultural products, total					
1970	9,728	5,046	822	2,416	656
1971	9,910	4,921	1,031	2,489	743
1972	10,836	5,622	1,240	2,615	665
Petroleum products					
1970	161	79	8	42	11
1971	170	98	8	37	12
1972	152	81	13	34	12
Chemicals					
1970	1,284	716	68	335	52
1971	1,297	746	78	300	54
1972	1,471	908	86	348	49
Paper and manufactures					
1970	227	132	19	39	16
1971	237	134	20	44	18
1972	257	151	21	44	17
Textiles other than clothing					
1970	201	78	7	65	19
1971	159	78	9	55	17
1972	216	90	11	64	14

U.S. Trade with Major Developing Areas
by Principal Commodities
(Cont'd)

(Millions of dollars)

	Total developing areas[1]	19 American Republics	Near East	East and South Asia	Developing Africa
Iron and steel					
1970	459	218	22	161	39
1971	357	138	23	144	31
1972	334	155	45	90	24
Manufactures of metal					
1970	280	137	24	58	22
1971	269	134	27	49	25
1972	262	126	36	50	16
Nonelectric machinery					
1970	2,565	1,391	236	633	272
1971	2,728	1,363	308	652	259
1972	3,025	1,548	410	663	253
Electrical apparatus					
1970	961	445	105	300	48
1971	1,034	496	97	343	43
1972	1,308	633	137	434	42
Automobiles, new					
1970	114	82	17	4	2
1971	148	100	34	3	2
1972	168	121	35	2	1
Comercial aircraft and parts					
1970	485	218	112	98	54
1971	676	169	189	193	110
1972	688	192	160	240	80
Professional, scientific, and controlling instruments					
1970	189	101	21	44	14
1971	197	103	24	45	14
1972	224	127	24	50	13
Other nonagricultural commodities					
1970	2,802	1,449	183	637	107
1971	2,638	1,362	214	624	158
1972	2,731	1,490	262	596	144
Reexports and special category exports					
1970	894	87	379	362	46
1971	900	104	478	270	36
1972	853	124	414	284	15
Imports, total					
1970	10,442	4,779	371	3,397	800
1971	11,549	4,881	593	3,941	931
1972	14,350	5,772	773	5,258	1,254
Foods, feeds, and beverages, total					
1970	3,452	2,276	31	489	537
1971	3,562	2,287	30	551	567
1972	3,888	2,625	33	580	529

U.S. Trade with Major Developing Areas,
by Principal Commodities
(Cont'd)

(Millions of dollars)

	Total developing areas[1]	19 American Republics	Near East	East and South Asia	Developing Africa
Green coffee					
1970	1,159	769	(2)	41	340
1971	1,167	758	(2)	53	344
1972	1,180	800	(2)	44	326
Cane sugar					
1970	685	421	---	220	2
1971	723	418	---	249	7
1972	777	493	---	234	13
Industrial supplies and materials, total					
1970	4,499	2,032	196	1,134	237
1971	4,909	1,999	402	1,217	320
1972	6,078	2,258	522	1,550	676
Fuels and lubricants					
1970	1,922	1,021	139	55	87
1971	2,388	1,112	331	83	158
1972	3,017	1,197	430	138	482
Textile fibers and yarns					
1970	89	47	13	25	4
1971	82	38	12	30	3
1972	94	47	13	31	3
Fabrics					
1970	290	35	6	246	3
1971	336	38	14	279	5
1972	429	52	12	360	5
Building materials other than metals					
1970	235	49	1	167	7
1971	298	55	1	222	7
1972	415	81	(2)	308	8
Iron ore, scrap, and ferroalloys					
1970	234	174	1	10	40
1971	242	176	(2)	11	40
1972	255	168	(2)	10	53
Bauxite and aluminum					
1970	243	24	---	(2)	(2)
1971	245	20	(2)	1	19
1972	269	23	(2)	(2)	20
Copper ores, metal, and scrap					
1970	279	254	---	23	2
1971	170	151	---	13	7
1972	190	158	(2)	30	2
Other nonferrous ores, metal, and scrap					
1970	353	149	(2)	183	20
1971	280	108	(2)	154	14
1972	346	138	(2)	179	28

U.S. Trade with Major Developing Areas,
by Principal Commodities
(Cont'd)

(Millions of dollars)

	Total developing areas[1]	19 American Republics	Near East	East and South Asia	Developing Africa
Capital goods, including trucks and buses, total					
1970	373	135	10	216	1
1971	454	167	7	268	([2])
1972	740	287	10	428	([2])
Electrical machinery, other than consumer type					
1970	286	90	3	183	([2])
1971	367	128	3	228	([2])
1972	603	213	4	374	([2])
Consumer goods, including automobiles and parts, total					
1970	1,840	223	115	1,464	17
1971	2,275	292	131	1,773	33
1972	3,268	447	181	2,557	35
Apparel; textile household goods					
1970	667	35	22	594	2
1971	932	52	25	837	2
1972	1,201	85	26	1,072	3
Footwear and related goods					
1970	135	28	5	100	1
1971	202	50	8	143	([2])
1972	315	82	12	219	1
Electrical household appliances, radios, and TVs					
1970	178	18	([2])	160	([2])
1971	244	22	([2])	221	([2])
1972	480	38	([2])	442	([2])
Other imports					
1970	278	114	19	100	9
1971	349	138	23	132	11
1972	376	156	27	144	14

[1] Includes developing countries in the Western Hemisphere and Oceania.
[2] Less than $500,000.

Prepared in the
Bureau of International Commerce
U.S. Department of Commerce
April 23, 1973

TABLE 30: BALANCE OF PAYMENTS SUMMARY TABLE, 1970 TO MOST RECENT PERIOD
(millions of dollars)

	For Detail See Table	1970	1971	1972	Seasonally adjusted 1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV
Merchandise: exports		41963	42787	48840	11659	11561	12380	13240				
imports		-39799	-45453	-55656	-13490	-13338	-13905	-14923				
balance	(2)	2164	-2666	-6816	-1831	-1777	-1525	-1683				
(annual rates)					(-7324)	(-7108)	(-6100)	(-6732)				
Military transactions, investment incomes, other services and remittances, net	(3)	-76	1888	1039	139	-6	293	611				
Balance on current account excluding gov't. grants		2089	-779	-5776	-1692	-1783	-1232	-1072				
(annual rates)					(-6768)	(-7132)	(-4928)	(-4288)				
Government grants & capital, net	(4)	-3752	-4423	-3575	-944	-630	-860	-1141				
Private long term capital:												
U.S. assets abroad		-5753	-6348	-5427	-1915	-877	-1270	-1367				
For. assets in the U.S.		4355	2269	5534	834	1627	1016	2057				
Balance	(5)	-1398	-4079	107	-1081	750	-254	690				
Current and long term capital accounts, net		-3059	-9281	-9243	-3717	-1663	-2346	-1523				
(annual rates)					(-14868)	(-6652)	(-9384)	(-6092)				
Short term non-liquid capital, net	(6)	-482	-2386	-1634	-508	592	-507	-1211				
Errors and omissions		-1174	-11054	-3806	942	-1314	-1825	-1608				
Net liquidity balance (excl. SDR allocations)		-4718	-22719	-14684	-3283	-2385	-4678	-4342				
(annual rates)					(-13132)	(-5540)	(-18712)	(-17368)				
Transactions in liquid funds other than those of official reserve agencies, net	(7)	-5988	-7763	3677	-119	1386	-173	2583				
Official reserve transactions balance (excl. SDR allocations)	(8)	-10706	-30482	-11007	-3402	-999	-4851	-1759				
(annual rates)					(-13608)	(-3996)	(-19404)	(-7036)				

Note: Quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

Treasury/OASIA/Research
March 20, 1973

TABLE 31: BALANCE OF PAYMENTS SUMMARY TABLE, 1960 TO 1969
(millions of dollars)

	For Detail See Table	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Merchandise: exports		19650	20107	20779	22252	25478	26438	29287	30638	33576	36417
imports		14744	14519	16218	17011	18647	21496	25463	26821	32964	35796
balance	(2)	4906	5588	4561	5241	6831	4942	3824	3817	612	621
Military transactions, investment incomes, other services and remittances, net	(3)	-1426	-649	-149	-110	869	1127	366	43	612	-12
Balance on current account excluding gov't grants		3479	4940	4414	5132	7702	6070	4190	3858	1223	610
Government grants & capital, net	(4)	-2553	-2754	-2811	-3067	-3237	-3340	-3379	-4226	-3866	-3570
Private long term capital											
U.S. assets abroad		-2530	-2623	-2881	-3674	-4431	-4547	-3918	-4429	-4297	-4855
For. assets in the U.S.		430	442	274	317	-39	-30	1363	1517	5495	4805
Balance	(5)	-2100	-2181	-2607	-3357	-4470	-4577	-2555	-2912	1198	-50
Current and long term capital accounts, net		-1174	4	-1003	-1292	-4	-1846	-1744	-3280	-1444	-3011
Short term non-liquid capital, net	(6)	-1405	-1200	-657	-968	-1642	-154	-104	-522	230	-640
Errors and omissions		-1098	-1054	-1206	-455	-1048	-476	-302	-881	-399	-2470
Net liquidity balance (excl. SDR allocations)		-3676	-2251	-2864	-2713	-2696	-2477	-2151	-4683	-1610	-6122
Transactions in liquid funds other than those of official reserve agencies, net	(7)	273	903	214	779	1162	1188	2370	1265	3251	3824
Official reserve transactions balance (excl. SDR allocations)	(8)	-3403	-1348	-2650	-1934	-1534	-1289	219	-3418	1641	2702

Source: U.S. Department of Commerce, Survey of Current Business, June 1972

Treasury/OASIA/Research
June 1972

TABLE 32: MERCHANDISE TRADE, BY MAJOR END-USE CATEGORIES, 1970 TO MOST RECENT PERIOD
(millions of dollars)

Trade By End-Use	1970	1971	1972	Seasonally adjusted 1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV
Foods, Feeds & Beverages											
Exports	5839	6054	7492	1615	1795	1918	2119				
Imports	6154	6366	7257	1818	1719	1823	1897				
Net	-315	-312	235	-203	76	95	222				
Industrial Materials											
Exports	13782	12691	13982	3509	3209	3470	3792				
Imports	15106	16964	20323	4830	4873	5096	5520				
Net	-1324	-4273	-6341	-1321	-1664	-1626	-1728				
Of which: (fuels, net)	(-1461)	(-2062)	(-3174)	(-648)	(-788)	(-854)	(-875)				
Captial Goods											
Exports	14371	15119	16670	4061	4013	4187	4441				
Imports	3814	4127	5572	1331	1338	1384	1525				
Net	10557	10992	11098	2730	2675	2803	2916				
Automotive Goods											
Exports	3652	4396	5125	1194	1207	1336	1409				
Imports	5492	7360	8674	2084	2147	2115	2328				
Net	-1840	-2964	-3549	-890	-940	-779	-919				
Of which: (Canada)	(-649)	(-765)	(-702)	(-217)	(-229)	(-68)	(-156)				
(Other Countries)	(-1191)	(-2199)	(-2847)	(-673)	(-711)	(-711)	(-763)				
Consumer Goods											
Exports	2719	2847	3491	830	835	891	940				
Imports	7553	8561	11355	2804	2704	2879	2966				
Net	-4834	-5714	-7864	-1974	-1869	-1988	-2026				
Other Net 1/	-80	-395	-395	-173	-55	-30	-148				
Total (Balance of Payments Basis)											
Exports	41963	42787	48840	11659	11561	12380	13240				
Imports	-39799	-45453	-55656	-13490	-13338	-13905	-14923				
Net	2164	-2666	-6816	-1831	-1777	-1525	-1683				

Note: For individual categories, seasonally adjusted figures may not add to annual totals.
1/ Includes adjustments of Bureau of the Census data to balance of payments basis.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

Treasury/OASIA/Research
March 20, 1973

TABLE 33: MERCHANDISE TRADE, BY MAJOR END-USE CATEGORIES, 1960 TO 1969
(millions of dollars)

Trade By End-Use	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Foods, feeds & Beverages										
Exports	3170	3418	3829	4282	4849	4928	5489	4998	4813	4689
Imports	3286	3331	3573	3753	3915	3946	4409	4586	5271	5238
Net	-116	87	256	529	934	982	990	412	-458	-550
Industrial materials										
Exports	7924	7705	7132	7822	9185	8917	9613	9971	11004	11776
Imports	7887	7714	8573	8874	9563	11024	12162	11856	14159	14160
Net	37	-9	-1441	-1052	-378	-2107	-2549	-1885	-3155	-2384
Of which: (fuels, net)	(-739)	(-933)	(-1080)	(-956)	(-1069)	(-1264)	(-1276)	(-1127)	(-1457)	(-1645)
Capital goods										
Exports	5511	5910	6443	6604	7463	8039	8892	9913	11072	12346
Imports	562	693	758	823	1039	1490	2163	2412	2819	3244
Net	4949	5217	5685	5781	6424	6549	6729	7501	8253	9102
Automotive goods										
Exports	1266	1188	1301	1468	1729	1929	2354	2784	3453	3888
Imports	633	383	521	586	767	890	1808	2442	3956	4935
Net	633	805	780	882	962	1039	546	342	-503	-1047
Of which: (Canada)	(389)	(363)	(460)	(500)	(535)	(670)	(456)	(348)	(99)	(-346)
(Other countries)	(244)	(442)	(320)	(382)	(427)	(369)	(90)	(-6)	(-603)	(-701)
Consumer goods										
Exports	1396	1441	1455	1558	1751	1799	2035	2111	2334	2576
Imports	1901	1889	2276	2389	2694	3305	3912	4213	5375	6616
Net	-505	-448	-821	-831	-943	-1506	-1877	-2102	-3041	-4040
Other, net 1/	-92	-64	102	-68	-168	-15	-15	-451	-484	-400
Total (balance of payments basis)										
Exports	19650	20107	20779	22252	25478	26438	29287	30638	33576	36417
Imports	14744	14519	16218	17011	18647	21496	25463	26921	32964	35796
Net	4906	5588	4561	5241	6831	4942	3824	3717	612	621

1/ Includes adjustments of Bureau of the Census data to balance of payments basis.

Source: U.S. Department of Commerce, Survey of Current Business, June 1972.

Treasury/OASIA/Research
June 1972

TABLE 34: MILITARY TRANSACTIONS, INVESTMENT INCOMES, OTHER SERVICES AND REMITTANCES, NET, 1970 TO MOST RECENT PERIOD
(Seasonally adjusted, millions of dollars)

	1970	1971	1972	1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV
Military sales & purchases:											
Receipts	1478	1922	1166	334	281	251	299				
Payments	-4852	-4816	-4707	-1218	-1239	-1101	-1149				
Net	-3374	-2894	-3541	-884	-958	-850	-850				
Investment income:											
Receipts, total	9507	10729	11447	2706	2655	2831	3256				
Direct investment	6001	7286	7948	1764	1833	1977	2374				
Other	3506	3443	3499	942	822	854	882				
Payments, total	-5056	-4809	-5803	-1364	-1400	-1480	-1560				
Direct investment	-441	-621	-604	-157	-172	-128	-147				
Other	-4615	-4188	-5199	-1207	-1228	-1352	-1413				
Net	4451	5920	5644	1342	1255	1351	1696				
Fees & royalties:											
Receipts, total	2498	2790	3015	728	718	761	810				
Direct investment	1919	2169	2345	560	550	593	642				
Other	579	621	670	168	168	168	168				
Payments	-225	-220	-226	-58	-52	-57	-59				
Net	2273	2570	2789	670	666	704	751				
Travel:											
Receipts	2319	2457	2708	651	655	667	735				
Payments	-3973	-4294	-4740	-1176	-1211	-1122	-1231				
Net	-1654	-1837	-2032	-525	-556	-455	-496				
Transportation:											
Receipts	3627	3708	4426	1072	1081	1090	1182				
Payments	-4034	-4303	-4977	-1214	-1170	-1240	-1346				
Net	-407	-595	-551	-142	-89	-158	-164				
Other services, net	109	253	287	67	59	69	90				
Remittances & pensions	-1474	-1529	-1557	-389	-383	-368	-416				
Total military transactions, investment income, other services and remittances, net	-76	1888	1039	139	-6	293	611				

Note: Quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

Treasury/OASIA/Research
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TABLE 35: MILITARY TRANSACTIONS, INVESTMENT INCOMES, OTHER SERVICES AND REMITTANCES, NET, 1960 TO 1969
(millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Military sales & purchases:										
Receipts	335	402	656	657	747	830	829	1240	1392	1512
Payments	-3087	-2998	-3105	-2961	-2880	-2952	-3764	-4378	-4535	-4856
Net	-2752	-2596	-2449	-2304	-2133	-2122	-2935	-3138	-3143	-3344
Investment income:										
Receipts, total	3349	3942	4419	4649	5386	5893	6252	6872	7687	8857
Direct investment	2355	2768	3044	3129	3674	3963	4045	4517	4973	5658
Other	994	1174	1375	1520	1712	1930	2207	2355	2714	3199
Payments, total	-1063	-1007	-1110	-1325	-1457	-1730	-2142	-2361	-2933	-4463
Direct investment	-220	-194	-185	-223	-202	-299	-372	-381	-388	-417
Other	-843	-813	-925	-1102	-1255	-1431	-1770	-1980	-2545	-4046
Net	2286	2935	3309	3324	3929	4163	4110	4511	4754	4394
Fees & royalties:										
Receipts, total	837	906	1056	1163	1314	1534	1682	1836	2000	2183
Direct investment	590	662	800	890	1013	1199	1329	1438	1546	1682
Other	247	244	256	273	301	335	353	398	454	501
Payments	-75	-89	-101	-112	-127	-135	-140	-167	-186	-221
Net	762	817	955	1051	1187	1399	1542	1669	1814	1962
Travel:										
Receipts	919	947	957	1015	1207	1380	1590	1646	1775	2058
Payments	-1750	-1785	-1939	-2114	-2211	-2438	-2657	-3207	-3030	-3407
Net	-831	-838	-982	-1099	-1004	-1058	-1067	-1561	-1255	-1349
Transportation:										
Receipts	1782	1802	1955	2103	2317	2415	2609	2792	2948	3112
Payments	-1915	-1943	-2128	-2316	-2462	-2675	-2922	-2994	-3258	-3547
Net	-133	-140	-173	-213	-145	-260	-313	-202	-310	-435
Other services, net	-130	-168	-97	-44	-99	33	9	41	-46	61
Remittances & pensions	-628	-659	-712	-825	-866	-1028	-980	-1278	-1202	-1301
Total military transactions, investment incomes, other services and remittances, net	-1426	-649	-149	-110	869	1127	366	43	612	-12

TABLE 36: U.S. GOVERNMENT GRANTS & CAPITAL TRANSACTIONS, 1970 TO MOST RECENT PERIOD
(millions of dollars)

	1970	1971	1972	1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV
				Seasonally adjusted, except as indicated							
(1) Debits (outflows)											
Grants	1734	2045	2208	601	535	538	534				
U.S. Government capital	3303	3996	3652	799	835	912	1106				
Total	5036	6041	5860	1400	1370	1450	1640				
Details of grants and capital outflows by program				Not adjusted for seasonal variation							
Farm product disposal programs	1164	1151	1238	287	437	204	310				
Foreign assistance acts and related programs	2083	2626	2259	619	627	510	502				
Export-Import bank act	1091	1423	1297	401	305	265	327				
Capital subscriptions to international and regional organizations (except IMF)	234	246	271	44	69	48	110				
Other programs	464	594	794	81	79	267	369				
(2) Credit (inflows)											
Repayments of loans	1717	2104	2071	557	583	410	521				
(3) Grants and net outflows of U.S. capital (Net debits -) (2)-(1)	-3319	-3937	-3789	-843	-787	-1040	-1119				
(4) U.S. Government liabilities (excluding liabilities to foreign reserve agencies) (net debits -)	-433	-486	214	-101	157	180	-22				
Total U.S. Government grants and capital transactions (net debits -) (3)+(4)	-3752	-4423	-3575	-944	-630	-860	-1141				

Note: Details may not add to totals and quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlies issues.

Treasury/OASIA/Research
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TABLE 37: U.S. GOVERNMENT GRANTS & CAPITAL TRANSACTIONS, 1960 TO 1969
(millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
(1) Debits (outflows)										
Grants	1664	1853	1919	1917	1888	1808	1910	1802	1707	1644
U.S. Government capital	1741	2200	2374	2648	2394	2470	2766	3425	3652	3388
Total	3405	4053	4293	4565	4281	4277	4676	5227	5358	5032
Details of grants and capital outflows by program										
Farm product disposal programs	1278	1351	1503	1670	1765	1484	1396	1316	1259	1156
Foreign assistance acts and related programs	1657	1791	1949	2172	2027	2157	2274	2280	2149	2136
Export-Import bank act	406	822	621	509	337	533	900	1259	1517	1258
Capital subscriptions to international and regional organizations (except IMF)	153	172	122	62	112	-	-101	194	127	184
Other programs	-89	-82	97	152	40	103	198	178	307	298
(2) Credit (inflows)										
Repayments of loans	637	1274	1279	987	717	872	1232	1003	1383	1195
(3) Grants and net outflows of U.S. capital (net debits -) (2)-(1)	-2768	-2779	-3014	-3578	-3564	-3405	-3444	-4224	-3975	-3837
(4) U.S. Government liabilities (excluding liabilities to foreign reserve agencies) (net debits -)	215	25	203	511	338	66	65	-2	110	267
Total U.S. Government grants and capital transactions (net debits -) (3)+(4)	-2553	-2754	-2811	-3067	-3237	-3340	-3379	-4226	-3865	-3570

Note: Detail may not add to total due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, June 1972.

Treasury/OASIA/Research
June 1972

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TABLE 38: PRIVATE LONG TERM CAPITAL, 1970 TO MOST RECENT PERIOD
(millions of dollars)

				Seasonally adjusted							
				1972				1973			
	1970	1971	1972	I	II	III	IV	I	II	III	IV
U.S. assets abroad, net											
Direct investments (net outlfows -)	-4400	-4765	-3339	-1266	-100	-1116	-857				
Foreign securities (U.S. purchases)	-942	-909	-619	-393	-354	211	-84				
Stocks	-68	-20	436	46	76	84	230				
Bonds	-874	-889	-1055	-439	-429	127	-314				
Other claims (increase -)											
Reported by U.S. banks	175	-565	-1250	-178	-352	-335	-385				
Reported by U.S. concerns other than banks	-586	-109	-219	-78	-71	-30	-41				
Total U.S. assets abroad, net (outflows of capital -)	-5753	-6348	-5427	-1915	-877	-1270	-1367				
Foreign assets in the U.S. net											
Direct investments (net inflows +)	1030	-67	322	-360	350	237	95				
U.S. securities other than Treasury issues (net sales -)	2190	2202	4502	1067	956	611	1868				
Stocks	697	849	2463	695	165	380	1223				
Bonds	1493	1433	2038	372	791	230	645				
Other claims (net increase +)											
Reported by U.S. banks	23	-249	148	200	83	-73	-62				
Reported by U.S. concerns other than banks	1112	303	562	-73	238	241	156				
Total foreign assets in the U.S., net (inflows of capital +)	4355	2269	5534	834	1627	1016	2057				
Balances:											
Direct investments	-3370	-4832	-3017	-1626	250	-879	-762				
Transactions in securities	1248	1373	3803	674	602	822	1784				
Other long-term claims	724	-620	-759	-129	-102	-197	-332				
Total, private long-term capital	-1398	-4079	107	-1081	750	-254	690				

Note: Details may not add to totals and quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

Treasury/OASIA/Research
March 21, 1973

TABLE 39: PRIVATE LONG-TERM CAPITAL, 1960 TO 1969
(millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
U.S. assets abroad, net:										
Direct investments (net outflows -)	-1674	-1598	-1654	-1976	-2328	-3468	-3661	-3137	-3209	-3254
Foreign securities (U.S. purchases)	-663	-762	-969	-1105	-677	-759	-482	-1266	-1226	-1494
Stocks	-95	-370	-104	60	206	293	207	-51	-153	-467
Bonds	-568	-392	-865	-1165	-883	-1051	-689	-1216	-1073	-1028
Other claims (increase -):										
Reported by U.S. banks	-153	-136	-126	-755	-941	-232	337	255	358	317
Reported by U.S. concerns other than banks	-40	-127	-132	162	-485	-88	-112	-281	-220	-424
Total U.S. assets abroad, net (outflows of capital -)	-2530	-2623	-2881	-3674	-4431	-4547	-3918	-4429	-4297	-4855
Foreign assets in the U.S., net:										
Direct investments (net inflows +)	141	73	132	-5	-5	57	86	258	319	832
U.S. securities other than Treasury issues (net sales -)	282	324	134	282	-84	-357	909	1016	4389	3112
Stocks	202	323	111	225	-293	-400	-305	701	2096	1565
Bonds	80	1	23	57	208	44	1214	315	2292	1547
Other claims (increase +):										
Reported by U.S. banks	6	-5	5	53	88	241	188	158	72	160
Reported by U.S. concerns other than banks	1	50	3	-13	-38	29	180	85	715	701
Total foreign assets in the U.S., net (inflows of capital +)	430	442	274	317	-39	-30	1363	1517	5495	4805
Balances:										
Direct investments	-1533	-1525	-1522	-1981	-2333	-3411	-3575	-2879	-2890	-2422
Transactions in securities	-391	-438	-835	-823	-761	-1116	427	-250	3163	1618
Other long-term claims	-186	-218	-250	-553	-1376	-50	593	217	925	754
Total private long-term capital	-2100	-2181	-2607	-3357	-4470	-4577	-2555	-2912	1198	-50

Note: Detail may not add to total due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, June 1972

Treasury/OASIA/Research
June 1972

TABLE 40: SHORT-TERM NON-LIQUID CAPITAL, NET, 1970 TO MOST RECENT PERIOD
(millions of dollars)

				Seasonally adjusted							
				1972				1973			
	1970	1971	1972	I	II	III	IV	I	II	III	IV
U.S. assets abroad, net (increase -)											
Claims reported by U.S. banks	-1023	-1807	-1530	-587	467	-370	-1040				
Claims reported by U.S. concerns other than banks	-361	-555	-243	-17	103	-91	-238				
Corporations	-360	-521	-154	50	63	-94	-173				
Brokerage firms	-1	-34	-89	-67	40	3	-65				
Foreign assets in the U.S., net											
Non-liquid liabilities to private foreigners reported by U.S. concerns other than banks	902	-24	139	96	22	-46	67				
Corporations	987	13	85	82	35	-20	-12				
Brokerage firms	-85	-37	54	14	-13	-26	79				
Short-term non-liquid capital, net	-482	-2386	-1634	-508	592	-507	-1211				

Note: Quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

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March 21, 1973

TABLE 41: SHORT-TERM NON-LIQUID CAPITAL, NET, 1960 TO 1969
(millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
U.S. assets abroad, net (increase -)										
Claims reported by U.S. banks	-951	-1005	-358	-747	-1333	-200	-220	-645	-44	-658
Claims reported by U.S. concerns other than banks	-363	-371	-187	-198	-422	-103	-180	-376	-485	-73
Corporations	-366	-334	-224	-175	-439	-75	-171	-206	-275	-301
Brokerage firms	3	-37	37	-23	17	-28	-9	-170	-210	228
Foreign assets in the U.S., net										
Non-liquid liabilities to private foreigners reported by U.S. concerns other than banks	-91	176	-112	-23	113	149	296	499	759	91
Corporations	-96	139	-74	-20	106	106	279	363	434	293
Brokerage firms	5	37	-38	-3	7	43	17	136	325	-202
Short-term non-liquid capital, net	-1405	-1200	-657	-968	-1642	-154	-104	-522	230	-640

Source: U.S. Department of Commerce, Survey of Current Business, June 1972

Treasury/OASIA/Research
June 1972

TABLE 42: TRANSACTIONS IN LIQUID FUNDS OTHER THAN THOSE BY OFFICIAL RESERVE AGENCIES, 1970 TO MOST RECENT PERIOD
(millions of dollars)

				Seasonally adjusted, except as indicated							
				1972				1973			
	1970	1971	1972	I	II	III	IV	I	II	III	IV
U.S. assets abroad, net (increase -)											
Reported by U.S. banks	-99	-566	-733	-533	312	-469	-43				
Reported by U.S. concerns other than banks	351	-506	-406	-140	-115	-144	-7				
Total	252	-1072	-1139	-673	197	-613	-50				
Foreign assets in the U.S., net (increase +)											
U.S. liquid liabilities to foreign commercial banks	-6508	-6908	3905	476	980	316	2133				
(Foreign branches of U.S. banks) 1/	(-6343)	(-4942)	(178)	(-200)	(396)	(34)	(-52)				
U.S. liquid liabilities to other private foreigners and to int'l agencies	268	217	911	78	209	124	500				
Total	-6240	-6691	4816	554	1189	440	2633				
Transactions in liquid funds other than those by official reserve agencies	-5988	-7763	3677	-119	1386	-173	2583				

Note: Quarterly figures may not add to annual figures due to rounding.
1/ Not adjusted for seasonal variation.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

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March 20, 1973

TABLE 43: TRANSACTIONS IN LIQUID FUNDS OTHER THAN THOSE BY OFFICIAL RESERVE AGENCIES, 1960 TO 1969
(millions of dollars)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
U.S. assets abroad, net (increase -)										
Reported by U.S. banks	-44	-120	34	-34	-191	525	136	-85	-61	-209
Reported by U.S. concerns other than banks	9	-60	-35	193	-201	532	-150	-122	-497	371
Total	-35	-180	-1	159	-392	1057	-14	-207	-558	162
Foreign assets in the U.S., net (increase +)										
U.S. liquid liabilities to foreign commercial banks	140	586	-138	470	1454	116	2697	1272	3387	9166
(Foreign branches of U.S. banks)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(6963)
U.S. liquid liabilities to other private foreigners and to int'l agencies	168	497	353	150	100	15	-313	200	422	-504
Total	308	1083	215	620	1554	131	2384	1472	3809	8662
Transactions in liquid funds other than those by official reserve agencies	273	903	214	779	1162	1188	2370	1265	3251	8824

Note: n.a. = not available
Source: U.S. Department of Commerce, Survey of Current Business, June 1972.

Treasury/OASIA/Research
June 1972

TABLE 44 OFFICIAL RESERVE TRANSACTIONS BALANCE, 1970 TO MOST RECENT PERIOD
(millions of dollars)

Financing Items (credit (+); debit (-))	1970	1971	1972	Seasonally adjusted 1972 I	1972 II	1972 III	1972 IV	1973 I	1973 II	1973 III	1973 IV
Official reserve transactions balance (excluding SDR allocations) (annual rates)	-10706	-30482	-11007	-3402 (-13608)	-999 (-3996)	-4851 (-19404)	-1759 (-7036)				
Financed by changes in liabilities:											
Non-liquid liabilities to foreign official reserve agencies reported by U.S. Govt.	535	341	189	280	-2	78	-167				
Liquid liabilities to foreign official agencies	7637	27615	9676	2294	1027	4617	1742				
Other readily-marketable liabilities to foreign official agencies	-810	-539	400	221	27	34	118				
Total	7362	27417	10265	2795	1052	4729	1693				
Financed by purchases (-); sales (+) of official reserve assets:											
Gold	787	866	547	544	-	3	-				
SDR	16	468	7	-	7	-	-				
Convertible currencies	2152	381	35	64	-245	134	82				
Gold tranche position in IMF	389	1350	153	-1	185	-15	-16				
Total	3344	3065	742	607	-53	122	66				

Note: Quarterly figures may not add to annual figures due to rounding.
Source: U.S. Department of Commerce, Survey of Current Business, March 1973 and earlier issues.

Treasury/OASIA/Research
March 21, 1973

TABLE 45: OFFICIAL RESERVE TRANSACTIONS BALANCE, 1960 TO 1969
(millions of dollars)

Financing Items [credit (+); debit (-)]	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Official reserve transactions balance (excluding SDR allocations)	-3403	-1348	-2650	-1934	-1534	-1289	219	-3418	1641	2702
Financed by changes in liabilities:										
Non-liquid liabilities to foreign official reserve agencies reported by U.S. Government	-	-	199	-125	139	123	15	452	1006	-162
Non-liquid liabilities to foreign officials agencies reported by U.S. banks	-	-	-	9	149	-38	793	894	534	-836
Liquid liabilities to foreign official agencies	1258	742	918	1673	1075	-18	-1595	2020	-3101	-517
Total	1258	742	1117	1557	1363	67	-787	3366	-761	-1515
Financed by purchases (-) sales (+) of official reserve assets:										
Gold	1703	857	890	461	125	1665	571	1170	1173	-967
SDR	-	-	-	-	-	-	-	-	-	-
Convertible currencies	-	-116	17	-113	-220	-349	-540	-1024	-1183	814
Gold tranche position in IMF	442	-135	626	29	266	-94	537	-94	-870	-1034
Total	2145	606	1533	377	171	1222	568	52	-880	-1187

Source: U.S. Department of Commerce, Survey of Current Business, June 1972.

Treasury/OASIA/Research
June 1972

TABLE 46

BALANCE OF PAYMENTS WITH MAJOR AREAS
(millions of dollars)

	Canada		Western Europe		Japan		Australia N. Zealand S.A.		Developing Countries		Intl. Organizatio & unallocated	
	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972	1971	1972
Merchandise: exports	10475	12629	13579	14965	4069	4978	1694	1546	12562	13865	—	—
imports	-12168	-14468	-12754	-15557	-7277	-9079	-1139	-1406	-11890	-14782	—	—
balance	- 1693	-1839	825	- 597	-3208	-4101	555	140	672	- 917	—	—
Military transactions investment income other services and remittances, net	1243	1395	- 2808	- 3979	- 269	- 705	543	560	3193	3786	105	26
Balance on current account excluding government grants	- 450	- 444	- 1983	- 4571	-3477	-4806	1098	700	3865	2869	105	26
Government grants & capital, net	- 57	- 15	- 330	- 73	63	34	- 18	- 38	- 4078	- 3411	-254	--366
Private long term capital:												
U.S. assets abroad	- 436	- 1166	- 2258	- 813	- 469	- 350	- 407	- 252	- 2771	- 2818	-819	-518
Foreign assets in the U.S. 1/	45	94	2492	- 4335	- 393	618	11	28	364	311	92	237
Balance 1/	- 391	- 1072	234	3522	- 862	268	- 396	- 224	- 2407	- 2507	-727	-281
Current and long term capital accounts, net 1/	- 898	- 1531	- 2079	- 1122	-4276	-4504	684	438	- 2620	- 3049	-876	-621
Short term non-liquid capital, net	- 132	- 421	- 915	- 546	- 407	397	- 210	- 127	- 832	- 1153	*	- 1
Memo: Balance on current accounts including governments grants	- 450	- 444	- 2011	- 4509	-3477	-4804	1098	700	1853	599	- 83	-271

*Less than $500,000.

1/ This table does not include long term liabilities to private foreigners reported by U.S. banks since the breakdown of these liabilities betwe private and official foreigners is confidential

Source: U.S. Department of Commerce, Survey of Current Business, March 1973, Table IX

Treasury/OASIA/Research
April 4, 1973

TABLE 47

U.S. RESERVE ASSETS AND LIQUID LIABILITIES TO FOREIGNERS 1/

(billions of dollars)

	U.S. Reserve Assets	U.S. Liquid Liabilities to all Foreigners 1/	U.S. Liabilities Liquid & Non-Liquid to Foreign Official Agencies
1950	24.3	8.9	n.a.
1951	24.3	8.8	n.a.
1952	24.7	10.4	n.a.
1953	23.5	11.4	n.a.
1954	23.0	12.5	n.a.
1955	22.8	13.5	n.a.
1956	23.7	15.3	n.a.
1957	24.8	15.8	n.a.
1958	22.5	16.8	n.a.
1959	21.5	19.4	(10.6)
1960	19.4	21.0	(11.9)
1961	18.8	22.9	(12.6)
1962	17.2	24.3	(13.7)
1963	16.8	26.4	(15.2)
1964	16.7	29.4	(16.6)
1965	15.5	29.6	(16.7)
1966	14.9	31.0	(15.9)
1967	14.8	35.7	(19.2)
1968	15.7	38.5	(18.4)
1969	17.0	45.9	(17.0)
1970	14.5	47.0	(24.3)
1971	12.2	67.8	(51.2)
1972	13.2 2/	82.7 2/	(61.3) 2/

1/ Including non-liquid liabilities to foreign official agencies.

2/ Normal release dates February 27, 1973.

SOURCE: Treasury Bulletin, January 1973.

Treasury/OASIA/Research
February 13, 1973

TABLE 48

Composition of World Reserves, 1950-1972

(millions of dollars)

End of Year	Gold (All Countries)	Foreign Exchange	Reserve Position in Fund	SDR's	Total Reserves
1950	33.8	13.3	1.7	--	48.7
1951	33.9	13.7	1.7	--	49.4
1952	33.9	14.2	1.8	--	49.9
1953	34.3	15.6	1.9	--	51.8
1954	35.0	16.7	1.8	--	53.5
1955	35.4	17.0	1.8	--	54.3
1956	36.0	17.8	2.3	--	56.2
1957	37.3	17.0	2.3	--	56.6
1958	38.0	17.1	2.6	--	57.7
1959	37.9	16.4	3.3	--	57.5
1960	38.0	19.0	3.6	--	60.6
1961	38.9	19.6	4.2	--	62.7
1962	39.3	20.0	3.8	--	63.1
1963	40.2	22.5	3.9	--	66.6
1964	40.8	24.0	4.2	--	69.0
1965	41.9	23.8	5.4	--	71.0
1966	40.9	25.4	6.3	--	72.6
1967	39.5	29.0	5.7	--	74.3
1968	38.9	31.9	6.5	--	71.3
1969	39.1	32.3	6.7	--	78.2
1970	37.2	44.5	7.7	3.1	92.5
1971	39.2	77.6	6.9	6.4	130.1
1972 (3rd quarter)	38.8	97.0	6.7	9.5	152.0

SOURCE: International Financial Statistics, January 1972, February 1973, Supplement to 1966-67

February 16, 1973
Treasury/OASIA/Research

GPO 860-315

TABLE 49

U.S. GOLD STOCK AND WORLD MONETARY GOLD HOLDINGS*
(Millions of dollars)

Date	U.S.	World
1951	22,873	33,925
1952	23,252	33,900
1953	22,091	34,320
1954	21,793	34,950
1955	21,753	35,410
1956	22,058	36,055
1957	22,857	37,305
1958	20,582	38,030
1959	19,507	37,880
1960	17,804	38,065
1961	16947	38,890
1962	16,057	39,280
1963	15,596	40,220
1964	15,471	40,840
1965	14,065	41,855
1966	13,235	40,910
1967	12,065	39,510
1968	10,892	38,940
1969	11,859	39,130
1970	11,072	37,185
1971	10,206	36,125
1972	10,487	38,780

Source: 1951-1961 IFS Supplement to 66/67 Issues;
1962-1971 IFS, May 1972; 1972 IFS, April 1973

* Excludes IMF holdings

Treasury/OASIA/Res.

April 10, 1973

NONTARIFF BARRIERS

GATT WORK PROGRAM ON NONTARIFF BARRIERS

The elimination or reduction of nontariff barriers (NTBs) is an important objective of the work program of the General Agreement on Tariffs and Trade (GATT) that was initiated at the end of the Kennedy Round trade negotiations. On the basis of countries' notifications, an inventory of alleged NTBs was compiled and later examined by the GATT Committee on Trade in Industrial Products. This inventory covers many types of measures that vary greatly in restricting trade in industrial products.

The next stage of work was a search for possible solutions to the problems raised by the major barriers. For this purpose five working groups were established to consider the 27 NTB categories into which the notifications had been grouped (see attached Illustrative List). In meetings during the spring and fall of 1970 various solutions to these problems were proposed and discussed.

In February 1971 a new stage of the GATT NTB work program was initiated. Rather than dilute efforts over the entire field, it was decided that concentration on a few NTBs would be more likely to produce concrete results. Product standards, import licensing, and customs valuation were selected for priority attention. It was also agreed that if working groups could draft acceptable solutions to NTB problems, these solutions would be recommended to governments for their consideration and approval.

During 1972 and 1973 work was initiated on export subsidies, trade diverting aids (domestic subsidies that stimulate exports), countervailing duties, quantitative restrictions, export restraints, consular formalities, import documentation, and packaging and labeling regulations. Work on government procurement is underway in the OECD. Consequently, most of the important NTB categories are now being actively considered. Other categories also receive attention through bilateral efforts. These include alcoholic beverage regulations, discriminatory automobile taxes, statistical and administrative duties, and motion picture restrictions.

It appears, however, that there are few industrial NTB categories where solutions might be selfbalancing and made effective independently of concessions in other areas. A code on product standards might be selfbalancing. Solutions for most other NTBs would require much larger commitments from some countries than from others. Consequently, although countries may be willing in the NTB working groups to devise acceptable solutions, they are not willing to implement these solutions except in the context of a larger package that would include action on additional trade measures, such as other NTBs, tariffs, agriculture and safeguards.

In devising NTB solutions the GATT work program is defining, as precisely as possible, negotiating chips that can be placed upon the bargaining table. Because of the varying trade importance and heterogeneous nature of NTBs and because of the unequal commitments involved, these chips have different sizes, shapes, and colors. When enough of them are on the table, they can be used in the negotiating game that will also include other trade matters in order to arrive at a balanced package.

Attachment

NONTARIFF BARRIERS
GATT SECRETARIAT ILLUSTRATIVE LIST

Group 1 Government participation in trade

- *a. Trade diverting aids
- *b. Export subsidies
- *c. Countervailing duties
- +d. Government procurement
- e. State trading in market-economy countries
- f. Other restrictive practices

Group 2 Customs and administrative entry procedures

- *a. Valuation
- b. Antidumping duties
- c. Customs classification
- *d. Consular and customs formalities and documentation
  - (i) consular formalities and fees
  - (ii) customs clearance documentation
  - (iii) certificates of origin
- e. Samples requirements

Group 3 Standards

- *a. Standards
- *b. Packaging, labeling and marking regulations

Group 4 Specific limitations on trade

- *a. Quantitative restrictions
- b. Discriminatory bilateral agreements
- *c. Export restraints
- d. Minimum price regulations
- *e. Licensing
- f. Motion picture restrictions

Group 5 Charges on imports

- a. Prior deposits
- b. Credit restrictions for importers
- c. Variable levies
- d. Fiscal adjustments at the border or otherwise
- e. Restrictions on foreign wines and spirits
- f. Discriminatory taxes on motor-cars
- g. Statistical and administrative duties
- h. Special duties on imports

*Work underway in the GATT
+Work underway in the OECD

PRODUCT STANDARDS

Standards were chosen for priority attention in the GATT work program because of their growing importance and because it appeared that progress might be more possible here than in certain other areas. All countries have an interest in this question and, in large part, work on standards deals with potential trade barriers rather than with difficult rollbacks of existing restrictions. Furthermore, the United States and some other countries are increasingly concerned about European plans to conclude regional standards arrangements on an exclusive basis. U.S. interest in GATT work on standards was particularly spurred by the conclusion of a European arrangement for the harmonization and certification of electronic components (CENEL Agreement), which had potential adverse trade effects for nonparticipants.

The international harmonization and certification of product standards can facilitate trade. Significant economies can be realized if exports are designed and tested for a large multi-country market rather than for a number of separate national markets with different standards and quality assurance requirements. However, if international harmonization and certification arrangements are exclusive, they can result in technical barriers to trade.

Work in the GATT is directed toward the drafting of a code of conduct that would ensure that standards and certification are used to facilitate rather than to impede trade. Such a code would (1) encourage participation in standards writing in international organizations so as to harmonize standards on as wide a basis as possible; (2) encourage participation in international, as opposed to regional, certification arrangements for assuring conformity to standards; (3) formulate rules for regional standards arrangements so that, in standards writing and certification, these arrangements will not operate to restrict the trade of third countries; and (4) formulate rules that should be followed by national standards bodies so that standards writing and certification will not create unjustifiable obstacles to trade.

The draft code would apply both to mandatory standards and to voluntary standards, where there is no legal obligation for compliance. Furthermore, it would apply to standards bodies at the central, state, and local government levels and to voluntary or private standards bodies. Commitments with respect to bodies over which central governments have no direct control would be on a "best efforts" basis.

The drafting of a GATT standards code is well advanced and the technical work should be concluded in the near future. Public hearings on this proposed code were conducted in June and July 1972 by the Office of the Special Representative for Trade Negotiations.

Related to the draft GATT code is the Administration's proposed International Voluntary Standards Cooperation Act. Last year the Act (S. 1798) passed the Senate and completed House hearings by the end of the session. The Act was resubmitted to the House on April 4. In terms of timing, standards legislation should preferably be enacted before implementation of the GATT standards code. Since regional standards arrangements generally require members to have national standards bodies, the U.S. can reap the full benefits of the GATT code only if it has in place a formal working arrangement in the standards field between government and industry. Such an arrangement is a key element of the proposed Act.

GOVERNMENT PROCUREMENT

Government procurement systems vary widely in form, but throughout the world they all have a "buy-national" bias and constitute major nontariff barriers to trade. GATT provisions are weak in the area of public procurement and avenues for the redress of grievances involving discrimation are very limited. Because the U.S. system is more visible than the informal administrative methods and practices of other governments, the United States has been subject to strong criticism from other countries. The United States has, in turn, been pressing in the OECD for an international code under which governments would open their procurement to foreign suppliers.

The United States has played a leading role in OECD work aimed at developing an international code which would safeguard the existing stake U.S. suppliers have in sales to foreign governments and improve access to the steadily growing public sector markets abroad. The United States has emphasized particularly the need for published regulations, tightly drawn rules to discourage discrimination against foreign firms and products, and minimal exceptions from the proposed rules. Despite progress, wide differences remain on certain key provisions which the United States considers essential for any proposed code. The issues have proven very complex and can be resolved only if all the major trading countries are prepared to make significant changes in their laws and regulations affecting government procurement.

In the United States, the Defense Department gives a 50 percent preference margin to domestic products. Other agencies give a 6 percent preference, or 12 percent on items produced by small businesses or firms in labor surplus areas. Not only the Buy American Act, but a number of other statutes provide for restricting or prohibiting procurement of foreign goods.

Other countries generally have few specific published regulations on supply procurements. The use of open public tender procedures is uncommon and most contracts are awarded on the basis of bids solicited from selected domestic suppliers or private negotiations involving no competition. Many governments resort to administrative guidance to persuade purchasing entities to buy domestic products whenever possible. Charges of discrimination are hard to prove, however, since governments

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are seldom willing to reveal after the fact the considerations ruling in a contract award, prices quoted in bids, and firms participating.

A common procurement policy being developed within the EC will have particular importance. While member governments are under some constraint to move toward a fairer, more open system, pressures exist to prompte certain industries, notably in the high technology area, through protectionist procurement policies. Proposals made by the EC Commission to date contain many of the key provisions the United States considers essential in an international code. While this is an encouraging development, the final outcome could well be adversely affected if other countries should, in the meanwhile, adopt new discriminatory measures.

The United States recently opened the bidding for the second set of three turbine-generators at Grand Coulee to world-wide bidding. (Only domestic bids were accepted for the first stage.) This decision represents an expression of good faith on the part of the United States in multilateral negotiations looking toward removal of NTBs in the government procurement area. It has been made clear to all suppliers that unless substantial reciprocity is soon accorded to U.S. suppliers of heavy electrical equipment, the U.S. Government may have to revise its present practices in this area.

INVENTORY OF THE NONTARIFF BARRIERS OF SELECTED COUNTRIES AND THE EUROPEAN COMMUNITY

This inventory of nontariff barriers (NTBs) includes those foreign restrictions which have been reported by U.S. diplomatic missions overseas or have been the subject of U.S. industry complaints. The list is not exhaustive since many NTBs are not publicized or arise from the administration of otherwise nontrade-distorting regulations and therefore are not readily discernible. Furthermore, the list does not include potential trade barriers, such as border tax adjustments, applied by most countries, including the U.S., nor such other practices as restrictions applied for purposes of national security, public morals and certain other purposes as provided for in the Article XX exceptions of the General Agreement on Tariffs and Trade (GATT).

The foreign countries included in the inventory are those which receive Most Favored Nation (MFN) tariff treatment from the U.S. and had total imports of over $500 million in 1972.

Algeria
Argentina
Australia
Austria
Belgium-Luxembourg
Brazil
Canada
Chile
Colombia
Denmark
Egypt
EUROPEAN COMMUNITY
Finland
France
Germany
Greece
Hong Kong
India
Indonesia
Iran
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Kenya
Korea
Kuwait
Lebanon
Libyan Arab Republic
Malaysia
Mexico
Morocco
Netherlands
Netherlands Antilles
New Zealand
Nigeria
Norway
Pakistan
Peru
Philippines
Poland
Portugal
Saudi Arabia
Singapore
South Africa
Spain
Sweden
Switzerland
Taiwan
Thailand
Trinidad & Tobago
Turkey
United Kingdom
Venezuela
Yugoslavia
Zaire
UNITED STATES

NONTARIFF BARRIERS, BY CATEGORY
GATT SECRETARIAT ILLUSTRATIVE LIST

1. Government participation in trade

   *a. Trade diverting aids
   *b. Export subsidies
   *c. Countervailing duties
   +d. Government procurement
   e. State trading in market-economy countries
   f. Other restrictive practices

2. Customs and administrative entry procedures

   *a. Valuation
   b. Antidumping duties
   c. Customs classification
   *d. Consular and customs formalities and documentation
   e. Samples requirements

3. Standards

   *a. Standards
   *b. Packaging, labeling, and marking regulations

4. Specific limitations on trade

   *a. Quantitative restrictions
   b. Discriminatory bilateral agreements
   *c. Export restraints
   d. Minimum price regulations
   *e. Licensing
   f. Motion picture restrictions

5. Charges on imports

   a. Prior deposits
   b. Credit restrictions for importers
   c. Variable levies
   d. Fiscal adjustments at the border or otherwise
   e. Restrictions on foreign wines and spirits
   f. Discriminatory taxes on motor-cars
   g. Statistical and administrative duties
   h. Special duties on imports

*Work underway in the GATT
+Work underway in the OECD

ALGERIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Virtually 100% of Algerian imports are either directly imported by a State Trading Corporation or are imported by private individuals who have been approved for such imports by a State Trading Corporation.
4. Specific limitations on trade	
4a. Quantitative restrictions	Importation of some 99 items is prohibited. Included are luxury foods, soft drinks, carpets, certain undergarments, umbrellas, bathroom fixtures, some jewelry, and other items classified as luxuries.
4e. Licensing	Licensing is required to import all goods not on the "liberalized" list and not imported by a State Trading Corporation
4f. Motion picture restrictions	Restrictions are maintained on the distribution of foreign films in Algeria; there are also restrictions on the remittance of earnings of foreign films.

ARGENTINA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Most non-traditional products.
1d. Government procurement	A Buy-Argentina Law applies to goods for public account.
2. Customs and administrative entry procedures	
2a. Valuation	Minimum official prices exist for a variety of goods on which the import duty is levied.
2d. Consular and customs formalities and documentation	Consular fee of 1.5% on f.o.b. value is levied on all imports. As the value of the shipment increases, the amount charged is out of line with the service performed. Bill of lading fee must be paid by the exporter to the consulate within whose jurisdiction the commercial invoices to be notarized are issued.
3. Standards	
3a. Standards	Pharmaceuticals and cosmetics are subject to prior registration.
4. Specific limitations on trade	
4a. Quantitative restrictions	Automobile products; certain tractors, engines and hand tools; and non-essential items are embargoed.

ARGENTINA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4b. Discriminatory bilateral agreements	LAFTA products are excluded from the embargo on non-essential products.
4e. Licensing	License required for imports for public account.
4f. Motion picture restrictions	Screen-quota, local work requirements, discriminatory taxes.
5. Charges on imports	
5a. Prior deposits	A prior deposit of 45% of the c.i.f. value is required for nearly all imports, except raw materials and capital goods, and is held without interest for 180 days. This restriction is applied intermittently, depending on Argentina's balance-of-payments situation.
5d. Fiscal adjustments at the border or otherwise	Argentina uses a two rate exchange system. Virtually all importers purchase foreign exchange at some combination of the fixed overvalued "commercial" and the floating "financial" rate. The combination changes over time. Restrictions on foreign exchange are applied intermittently, depending on Argentina's balance-of-payments situation. Usually they only affect processed foods, and not raw materials. There are arbitrary exchange rates for certain classes of imports.
5g. Statistical and administrative duties	A statistical tax of 1.5% is levied on the c.i.f. value of imports. (0.3% if the import enters duty-free.)
5h. Special duties on imports	All products, a 10% surcharge on ocean freight charges. Special steel fund tax of 3 to 36 centavos per net kilo on products of iron and steel. Special tax of 4 to 10% on c.i.f. value of wood products; there is a forestry fund tax on forest products.

AUSTRALIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Include export incentive grant scheme, export market development allowance, etc.
3. Standards	
3a. Standards	Health and sanitary standards serve as prohibitions on live animals and meat products, butter and eggs, some plant parts, several fresh vegetables, walnuts, most grains, and many seeds. Health and sanitary standards also restrict trade on onions, citrus, apples, and several other products. Margarine must be pink colored. Quarantine regulations on wooden containers
4. Specific limitations on trade	
4a. Quantitative restrictions	There is a prohibition on sugar imports. Tobacco manufacturers, to qualify for concessional duties, must blend 50% domestic tobacco with the imported leaf and maintain domestic stocks sufficient to fulfill the regulation for 18 months. Cotton users must buy domestic lint cotton before they can qualify for concessional duties on cotton imports.

AUSTRALIA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (Cont.)	Embargo on certain medicated creams, soaps, shampoos, and cosmetics.
	Quotas on certain textile products, used motor vehicles, and aluminum and aluminum alloy scrap and waste.
4e. Licensing	Licenses required on certain second-hand earthmoving equipment and parts.
4f. Motion picture restrictions	Screen-time quota requiring that 15% of all films shown be British and 2% be Australian.
	Screen-time quota for television programs.
5. Charges on imports	
5c. Variable levies	On many chemicals--if duty-paid price is lower than the "support value," an extra duty of 90% of the differential is assessed.
5h. Special duties on imports	A wide range of non-essential goods--Discriminatory sales taxes whereby the tax base for imported goods is their duty-paid value inflated by 20%.
	Fruit juices--A mixing regulation whereby imported juices mixed with 5% or more Australian juices are exempted from the tax.

AUSTRIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Austrian law requires, circumstances permitting, that government purchases must be of Austrian products and services must be performed by Austrian firms.
1e. State trading in market-economy countries	Most grains and cereal products are tightly regulated. Especially bothersome is the practice of specifying the country of origin on the import tender: for durum wheat, usually Canada; for other types of grain, eastern European countries are specified to help clear bilateral accounts. There is a 5% premium on USSR barley. Tobacco and forage are also state traded. There is a state monopoly on industrially produced raw spirits, salt, and products containing salt.
2. Customs and administrative entry procedures	
2b. Antidumping duties	Austria establishes "guiding" or "minimum" prices for products which cause market disruptions.
4. Specific limitations on trade	
4a. Quantitative restrictions	The Grain Milling Board allocates the foreign and domestic high protein wheat to commercial milling operations in varying percentages according to the quality of the wheat crop.

AUSTRIA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (Cont.)	There are quotas on antibiotics, certain other medicaments, and non-sparkling wines.
4e. Licensing	The government practices discretionary licensing, which functions as a QR. The items included are: most live animals, selected meats and meat products, virtually all dairy products, a few vegetables, apples and grapes, grains, a few animal fats and food preparations, apple and grape juice. Licenses are also required for lignite (except bituminous coal) and certain cinematographic film.
5. Charges on imports	
5c. Variable levies	Normally, if the variable levy applies, there is no statutory tariff. This measure is used on most live animals, meat and dairy products, a few starchy vegetables, grains and grain products, sugar and sugar products, a few oils, selected food preparations, and on certain chemicals, starches and starch preparations.

BELGIUM-LUXEMBOURG[1]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Foreign bids may be rejected if, for economic reasons, it is essential that the contract should go to domestic industry, subject to price differentials generally not exceeding 10%.
3. Standards	
3a. Standards	Special health and sanitary requirements govern imports of pork and pork-containing products, beef cuts, veal, and horsemeat.
4. Specific limitations on trade	
4a. Quantitative restrictions	Ban on imports of tomatoes (May 16-December 31); of table grapes (July 1-January 31).
4e. Licensing	Covers almost all agricultural products but used principally for statistical purposes. Authority exists to withhold licenses on potatoes and unroasted chicory. Licenses required for coal and certain coal derivatives, petroleum products, some textiles, chemicals, and a few other goods.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	Certain income tax practices of Belgium.
5f. Discriminatory taxes on motor-cars	Road tax is based on fiscal horsepower.

1/This listing includes national nontariff barriers only. Belgium-Luxembourg also apply the nontariff barriers listed under the European Community.

BRAZIL

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Manufactured goods.
1d. Government procurement	All goods purchased for public account.
1e. State trading in market-economy countries	Wheat and wheat flour. State trading monopoly for packaged lubricating oil, petroleum, and rubber.
2. Customs and administrative entry procedures	
2a. Valuation	Entries for which declared value is less than base price pay, specific duty equal to difference between declared value and the base price.
4. Specific limitations on trade	
4a. Quantitative restrictions	Mixing regulations restrict use of wheat flour imports. Embargo on automobiles and motorboats priced in the country of origin at over $3500, including accessories.
4e. Licensing	Caustic soda--Licenses based on proof of purchase of a like amount of domestic soda. Petroleum products, to assure full use of domestic and LAFTA production.
4f. Motion picture restrictions	Screen-time quota, local work requirements, rental price controls, and discriminatory taxes.

BRAZIL (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	A number of Brazilian states charge a 14% internal tax on fresh apple and pear imports from non-LAFTA countries.
5h. Special duties on imports	Brazil charges a 2% Port Improvement tax on all non-LAFTA agricultural imports and a 15% Merchant Marine Renewal Tax on the net freight charges of all such imports. The only exception to these is state traded wheat. Supplementary charges are imposed on: nonfat dried milk, fresh apples and pears, hops, lard, and a number of other items.
	All or most industrial products are subject to: Port Improvement Tax (2% on c.i.f. value); Merchant Marine Improvement Tax (20% of freight charges); Industrialized Products Tax (4-30% on c.i.f. duty paid value and up to 75% for luxury goods).

CANADA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government Participation in Trade	
1a. Trade diverting aids	Canada uses an internal feed freight subsidy to assist feedgrains from the prairie provinces to the eastern meat producing regions. This measure reduces the export of U.S. feedgrains from the midwest to the same area.
1b. Export subsidies	Michelin x-radial steel-belted tires.
1e. State trading in market-economy countries	Wheat, oats, barley, and their products are state traded. The controls on these products amount to a virtual prohibition through non-issuance of licenses.
	Alcoholic beverages--Monopoly operated by Canadian provinces, which are reluctant to offer U.S. wine and liquor brands.
2. Customs and administrative entry procedures	
2a. Valuation	Used clothing--Arbitrary minimum valuation.
3. Standards	
3a. Standards	Electrical equipment--Each province requires a certificate of approval issued by the Canadian Standards Association or Provincial Inspection Authorities.
3b. Packaging, labeling and marking regulations	Canned foods--Imports are permitted only if in cans of sizes established.
	Fresh produce--Certain common container sizes are banned (e.g., 2/3 and 3/4 bushel containers).

CANADA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restrictions	Prohibition on imports of margarine and butter substitutes and feeds over 40% nonfat solids.
	Used aircraft and used automobiles--Embargo.
4e. Licensing	Licensing serves as a de facto embargo on evaporated and condensed milk, dried buttermilk, skimmed milk, whole milk and whey, butter cheddar and colby cheese, and most low-priced process type cheese, wheat, oats, barley, and their products.
	Licensing on motor gasoline and animal casein and caseinates.
4f. Motion picture restrictions	TV program quotas.
5. Charges on imports	
5c. Variable levy	Canada has used a "Value-for-Duty surcharge" in the past on corn, potatoes, strawberries, and turkey meat. The surcharge functions as a variable levy in conjunction with a minimum price set by the government. The MFN duty is collected on the sum of the CIF value plus the surcharge. Since 1968 the surcharge has been used only once: in 1971 on strawberries.

CHILE

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Virtually all agricultural commodities, except hides, skins, and processed foods, are state traded. Due to the severe balance-of-payments difficulties of Chile, the restrictions are very strict. Items of particular interest include cotton, grains, and tobacco. Special quotas on a variety of manufactured products are established from time to time for official government purchases, import monopolies, or government-favored activities.
4. Specific limitations on trade	
4a. Quantitative restrictions	Luxury goods, electronic products and various consumer goods--Embargo. All imports--Importers must register imports with the Central Bank which has the authority to limit import registrations.
4b. Discriminatory bilateral agreements	Several products, among them wheat and wheat flour, are subject to bilateral agreements with the Communist bloc.
4e. Licensing	Items not state traded are subject to very restrictive licensing. Processed foods and hides and skins are regulated in this manner.

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CHILE (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
5. Charges on imports	
5a. Prior deposits	Chile has a system of prior deposits of 10,000% on several agricultural items which have served as effective prohibitions. This has been less important since the state took over more of the import activities and is exempt from prior import charges. A wide range of manufactured products, including most capital machinery, are subject to prior deposits of 10,000% of c.i.f. value. Government, LAFTA, and Andean imports are not subject to this requirement.
5h. Special duties on imports	All imports: - 2% port improvement tax. - Merchant marine improvement tax, 10% of freight charge. - 3% registration tax.

COLOMBIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Exporters of non-traditional products receive a tax credit based on a percentage of the value of the export.
1d. Government procurement	"Buy Colombian" legislation, December 1972, requires the Colombian Government to give preferential treatment to Colombian goods over foreign goods. Producers in the member countries of the Andean Common Market will receive the same treatment as Colombian producers, provided reciprocal usage is accorded.
1e. State trading	Items of interest to the U.S. that are subject to state trading include wheat, wheat flour, barley, tobacco, cigarettes, and tallow.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	Consular invoices must be prepared and legalized by the consulate in the country of export for all shipments to Colombia.

COLOMBIA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restrictions	A number of goods are prohibited from being imported. These are primarily: a) agricultural and livestock items, b) luxury items, and c) consumer goods.
4b. Discriminatory bilateral agreements	As a member of LAFTA and the Andean Group some U.S. exporters have lost ground to preferential trade: cattle, tallow, apples, pears, and cotton. Compensation trade agreements with Spain, Hungary, Bulgaria, E. Germany, Poland, Romania, and Yugoslavia provide for barter-type arrangements. Colombia exports coffee and other products and imports various products, primarily industrial and transportation equipment. Trade balances owed Colombia, which are not brought down by imports, are often sold, at discount, for imports from third countries.
4e. Licensing	Prior import license requirements have been gradually reduced to 53%, by value, of total Colombian imports. All other imports must be registered. A prior exchange license must be secured from the Bank of the Republic for all imports. An import registration or an import license must accompany the request. Tobacco imports are restricted.
5. Charges on imports	
5a. Prior import deposits	Prior import deposits are required on most imports. Prior import deposits were (Feb. 1973) recently reduced to 10% on 80% of the items in the Colombian tariff schedule. The remaining items carry deposits of 1% to 100%, except for automobiles, which run to 350%. Items of interest to the U.S. include tobacco and cigarettes.
5g. Statistical and administrative duties	Various surcharges totaling approximately 4% of c.i.f. value are assessed on most imports. (Includes the 1-1/2% shown under 1b above.)

DENMARK[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Discrimination favoring domestic procurement accomplished by administrative action.
1f. Other restrictive practices	The Danish agricultural subsidy program is fairly comprehensive: government aid is used for market promotion, quality production schemes, subsidies to stabilize the grain market, freezing and storage of beef, stabilization of the pork market, and quantitative rebates on canned meats and milk. Direct grants are made for milk subsidies, dairy rationalization, rapeseed and protein crop support, and aid to young farmers. Many of these programs are being revised with adoption of the EC CAP.
3. Standards	
3a. Standards	Imported food products containing peanuts or peanut products are prohibited if analysis shows a detectable content of aflatoxin. Electrical equipment--State testing organization, applying rigid technical standards, requires individual testing in the country prior to certifying imports.
4. Specific limitations on trade	
4a. Quantitative restrictions	Mixing regulations restrict grain imports by requiring use of domestically produced bread grains for milling. Denmark, under the CAP, is required to drop its extensive quotas on meats and meat products, fruits, fruit juices, and vegetables.

DENMARK[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing	Denmark has an extensive system of licensing governing agricultural products that compete with domestic production, including meat and meat products, dairy products, certain fruit and vegetables, cereals, and most cereal flour, animal fats and oils, sugar syrups, and others. Denmark will revise certain of these requirements, in those cases where national regulations conflict with requirements of the EC CAP. Licenses are also required for certain alcoholic products, gold and gold coin.
4f. Motion picture restrictions	Discriminatory admission taxes.
5. Charges on imports	
5f. Discriminatory taxes on motor-cars	Automobiles and motorcycles--A steeply progressive excise tax is levied on the c.i.f. and TVA value.

1/This listing includes only national nontariff barriers. As a member of the European Community, Denmark is required to phase out certain of these national nontariff barriers and adopt the comprehensive requirements of the EC Common Agricultural Policy (CAP).

EGYPT

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Most imports are made through 13 state-owned commercial companies.
1f. Other restrictive practices	The foreign trade sector is largely nationalized and imports are regulated through a complex tariff, and exchange control system. Items of interest to the U.S. include fats, tallow, soybean and cotton seed oil.
3. Standards	
3a. Standards	Health and sanitary restriction on imports of fresh and canned meats; quality standards for imports of vegetables, animal oils and greases (including fats and tallow), pressed tomato, tomato pulp, sauces and juice, molasses and salt.
4. Specific limitations to trade	
4a. Quantitative restrictions	All imports considered nonessential are prohibited. All imports from Israel, Rhodesia, and South Africa are prohibited.
4c. Export restraints	Exports of some basic agricultural items are prohibited when they are in short supply; exports of cotton, onions, rice, peanuts are all subject to seasonal quota limitations
4f. Motion picture restrictions	Dubbing of foreign pictures must be done in Egypt. There are exchange restrictions on remittance of funds earned by films.
5. Charges on Imports	
5g. Statistical and Administrative duties	1% statistical tax on all imports except wheat.
5h. Special duties on imports	There is a 10% ad valorem charge for "Consolidation of Economic Development" on most imports into Egypt. 3% pier handling charge; porterage duty on all imports; 0.2% marine duty for goods imported through Egyptian ports.

EUROPEAN COMMUNITY[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	EC commodities eligible for export subsidies are: beef and veal, poultry, pigmeat, dairy products, eggs, numerous fruits and vegetables, the sugar content of processed fruit and vegetables, grains, rice, oilseeds, olive oil, sugar, wines, tobacco, and certain processed agricultural products, such as macaroni, spaghetti, miscellaneous food preparations (for infants, for dietetic use, etc.)
1c. Countervailing duties	Offsetting compensatory taxes are levied on imports selling below EC minimum prices. (See 4d) Compensatory taxes are imposed on marine and vegetable oils if EC finds direct or indirect evidence of an export subsidy; such taxes have been applied to imports of rapeseed oil, castor oil, and olive oil.
1f. Other restrictive practices	Production subsidies are used for the manufacture of starch, beer, casein, a wide range of chemicals and pharmaceuticals made from sugar, and for the use of olive oil in canning. Denaturing subsidies encourage the feed use of domestic wheat and sugar. A subsidy is provided for converting skim milk powder to feed. Subsidies are paid to EC crushers of domestic rapeseed and sunflower seed and to processors of certain oranges. EC users of Community tobacco receive premiums to offset the higher cost rather than use cheaper imports. Payments are made to producers of flax, hemp, cottonseed, hops, herbage seed, and silk.

EUROPEAN COMMUNITY[1/] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
2. Customs and administrative entry procedures	
2c. Customs classification	The EC has revised tariff classifications, which in some instances results in duty changes.
3. Standards	
3a. Standards	Rigid quality requirements govern wine imports.
	Imported seeds must, with certain exceptions, be of varieties approved by the EC and be certified by the exporting country as meeting EC quality standards. A quality certificate is required on imported hops.
	In calculating variable levies the EC adjusts the actual price of grain imports by arbitrary price differentials alleged to reflect the "normal" difference in prices between the quality of the imported grain and the standard set for domestic grain.
4. Specific limitations on trade	
4d. Minimum price regulations	A minimum import, or reference, price based on EC market prices is applied to fresh apples, cherries, grapes, lemons, mandarines, clementines, tangerines, satsumas, oranges, peaches, pears, plums, seed corn, tomatoes, and wine. Offsetting compensatory taxes are levied on imports selling below the reference price.

EUROPEAN COMMUNITY[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing	Licenses are required for all imports of grains, rice, olive oil, sugar, dairy products, frozen beef and veal, and wine. Licenses for rice imports from the Far East are valid for longer periods than imports from U.S., thus discriminating against U.S. suppliers. Restrictive licensing may be employed as an emergency measure (e.g., this has been used on imports of fresh apples and tomato concentrates).
5. Charges on imports	
5a. Prior deposits	With respect to imports requiring licenses, the importers must deposit a surety.
5c. Variable levies 2/	Variable import levies on agricultural products, except in the beef sector, replaced both tariff and certain nontariff import protection. Calculation of the levy differs from product to product, but it generally represents the difference between the world market price and the EC support price, plus a small additional amount to ensure that Community production receives preference. Variable levies are applied to imports of grains, rice, wheat flour, beef and veal, pork, lard, dairy products, poultry and eggs, olive oil, sugar, and a wide range of processed food and industrial products made from grains, rice, milk, and sugar (including the estimated added sugar content of canned fruit and fruit juices).
5d. Fiscal adjustments at the border or otherwise	The EC plan to harmonize excise taxes on manufactured tobacco products favors use of less expensive (non-U.S.) tobaccos. Implementation has begun.

1/ EC-wide nontariff barriers; national restrictions of member states are included in the inventory of each country.

2/ The EC member states apply a system of monetary compensatory amounts on many agricultural imports and exports that are variable levy commodities. The monetary compensatory amounts make adjustments for currency changes and prevent non-EC suppliers, such as the U.S., from full benefits of exchange rate changes.

FINLAND

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	State trading in most grains and tobacco, alcoholic beverages, crude petroleum, and fertilizers (de facto state trading).
3. Standards	
3a. Standards	Electrical equipment--State testing organization, applying rigid technical standards, requires individual testing in the country prior to certifying imports.
4. Specific limitation on trade	
4a. Quantitative restrictions	Finland's global quotas cover groups of products. An importer assigned a share of a quota may use the given value on any set of items in the group. The groups cover sugar and some milk products, food preparations, fruits, starches, vegetable oils. Mineral tar, coal, coal tar, distillates, certain gasoline, bitumen, silver and gold, and platinum are also assigned global quotas.
4b. Discriminatory bilateral agreements	Finland maintains bilateral trade and payments agreements with the USSR and most Communist countries. Oilseeds are covered by this type of agreement.
4e. Licensing	Some items not covered by global quotas are subject to discretionary licensing, such as fruits, cereal products, and some oils. Many other items are subject to licensing: dairy products, vegetables.

FINLAND (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing (cont.)	paraffin wax, etc. All quota items are also licensed.
5. Charges on imports	
5a. Prior deposits	Clothing, household and office machinery, radio and TV sets, and a few other items--100% prior deposit required.
5b. Credit restrictions for importers	Passenger cars--limitation of length of time credit may be extended.
5c. Variable levies	VLs, sometimes referred to as sliding import charges, apply to dairy products and many other agriculture items.
5d. Fiscal adjustments at the border or otherwise	Import equalization tax of 1.5 to 6% on 60% of Finnish imports.

FRANCE[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1a. Trade diverting aids	Poultry vaccine--Subsidy is for use of EC-origin vaccine for poultry.
1d. Government procurement	Administrative practices not codified, but first preference in government purchases given to French goods and second preference to EC suppliers. "Buy French" policy for telecommunications equipment.
1e. State trading in market-economy countries	Pharmaceutical products--Monopoly control and price fixing. Tobacco and tobacco goods, explosives, matches, alcohol, alcoholic beverages, fishing gear, coal, petroleum and petroleum products, potash and products containing potash, mixed alkylenes--state trading.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	Many goods--A "visa administratif" is required.
3. Standards	
3a. Standards	Stringent health and sanitary regulations govern many products. Live poultry and processed poultry imports, for example, are not admitted from any country that does not by law forbid the feeding of estrogens, arsenicals, and antimonials to poultry. Poultry liver is exempted.

FRANCE[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
3a. Standards (Cont.)	Shoes--The binding sole of all shoes must be made of a single piece of natural leather.
	Electrical equipment. France is a member of a European Harmonization Scheme to facilitate mutual acceptability of quality certification of electronic components in all EC and EFTA countries.
4. Specific limitations on trade	
4a. Quantitative restrictions	QRs on a wide variety of agricultural commodities, principally fruits and vegetables (those of trade interest to the U.S. include canned pineapple, vinegar, certain alcoholic beverages, tobacco and tobacco products).
	Following negotiations undertaken as the result of an Article XXIII:2 complaint filed with the GATT by the U.S., the Government of France has agreed to liberalize the quotas on dried and dehydrated vegetables and canned fruit (except canned pineapple) by January 1, 1975, and on dried prunes by January 1, 1978. In the meantime, quotas for these products will be increased by 35 percent each year.
4e. Licensing	Discretionary licensing on a wide variety of goods, including petroleum products, textile goods, electronic components, and many products covered by quantitative restrictions.

FRANCE[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4f. Motion picture restrictions	Screen and TV program quotas, local work requirements, rental price control.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	Certain income tax practices.
5e. Restrictions on foreign wines and spirits	Excise taxes fall more heavily on whiskey and grain based spirits than on fruit based spirits. Advertising restrictions on grain based spirits.
5f. Discriminatory taxes on motor-cars	Annual use tax depends on fiscal horsepower and age of car. Standard U.S. models fall in highest tax bracket, liable to payment in first year of $200 compared to $30 for most European models.

1/ This listing includes only national nontariff barriers. France also applies the nontariff barriers listed under the European Community.

GERMANY[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Import monopoly--ethyl alcohol and brandy.
3. Standards	
3a. Standards	All food and agricultural products entering Germany are subject to a rigid Food Law, which is more restrictive than EC requirements. Foods to which antioxidants, such as BHA and BHT, have been added are prohibited, as are figs and certain other dried fruits treated with sorbic acid and apples and pears treated with diphenylamin. Flour and products made of flour containing bleaching agents and/or baking quality improvers, such as bromates, that are not specifically permitted by the Food Law are also prohibited. Inspection requirements hamper U.S. imports of pork and variety meats by increasing importer costs. Packaged foods and beverages--By 1974, mandatory container standards will apply to specified imports of packaged foods and beverages. Those not subject to mandatory container standards will be subject to a unit price labeling requirement. Electronic equipment--West Germany is a member of a European Harmonization Scheme to facilitate mutual acceptability of quality certification of electronic components in all EC and EFTA countries.

GERMANY[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
3b. Packaging, labeling, and marking regulations	All food products treated with coloring matter, preservatives, etc., must be labeled "color added" or "with preservatives" (except colored cheese rinds, sausage casings, wrappings and packings, including stamps--the color content of which may be absorbed by the foods--are exempt from this requirement).
4. Specific limitations on trade	
4a. Quantitative restrictions	Global quotas--coal, briquettes, certain textiles and textile products, and articles of ceramic. Distilled spirits which compete with the neutral spirits produced by the German Spirits Monopoly Administration are not permitted to be imported.
4e. Licensing	Certain agricultural commodities--such as potato preparations--from non-EC sources. Licenses are not granted freely; in some instances, licensing requirements have the effect of restricting imports. Discretionary licensing on certain alcoholic beverages, vinegar and worsted yarn, in addition to quota items.

1/This listing includes national nontariff barriers only. Germany also applies the nontariff barriers listed under the European Community.

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GREECE

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Purchases in excess of $50,000 may be limited to Greek suppliers; foreign bids are not accepted if purchases can be made from countries with which Greece has bilateral clearing arrangements; foreign films may be required to bid in association with a Greek firm.
1e. State trading in market-economy countries	Cigarette paper, tobacco, kerosene, alcohol, matches, salt, playing cards, saccharine, petroleum products, wheat flour, and all grains except rice are state traded.
3. Standards	
3a. Standards	Maximum permissible length for taxis is 5.0 meters; maximum permissible horsepower is 20 (Greek horsepower).
4. Specific limitations on trade	
4a. Quantitative restrictions	Certain insecticide preparations--Embargo. TV receivers--Quota.
4e. Licensing	Licensing is wholly at the discretion of the Ministry of Commerce. The items subject to licensing include some dairy products, selected fresh vegetables, and tomato puree, and products such as cosmetics, textiles, motor vehicles, agricultural, mining, food processing, and electrical machinery.

GREECE (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4f. Motion picture restrictions	Screen-time quota, rental price controls.
5. Charges on imports	
5a. Prior deposits	Prior deposits are a major barrier to imports. They range from 28% to 140%. Items subject to this measure include most fruits and vegetables, fresh and canned; tobacco; cotton; and all manufactured imports. Advance cash deposits or limits on terms of credit are used. Requirement is most stringent for luxury goods.
5c. Variable levies	There is a VL on butter, cottonseed and poultry meat and offals.
5g. Discriminatory taxes on motor-cars	Discriminatory license and registration taxes.
5h. Special duties on imports	A supplementary charge is levied on cotton imports to encourage domestic production.

HONG KONG

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4e. Licensing	Licensing requirements are maintained for a limited list of commodities for a variety of reasons. Included are, *inter alia*, rice, frozen meats, coffee, insecticides, vaccines, and radio transmitting equipment.
4f. Motion picture restrictions	Quotas have been established limiting the number of foreign films to a certain percentage of the total amount shown.

INDIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Various products.
1d. Government procurement	Preferences up to 40% are accorded indigenous products.
1e. State trading in market-economy countries	Cotton, grains, artificial silk yarn and thread, cement, fertilizers, petroleum products, certain pharmaceuticals and chemicals, tractors, tires, and occasionally, other capital goods and industrial raw materials.
1f. Other restrictive practices	Restrictions on the appointment of import agents and advisors.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	All commercial imports--licensing fees.
4. Specific limitations on trade	
4a. Quantitative restrictions	All commercial imports subject to quotas, exchange controls or embargo.
4b. Discriminatory bilateral agreements	Licensing procedures for capital goods and some other commodities result in refusal of authorities to license imports from Western sources if similar products are available from Eastern Europe. India has "Rupee agreements" with East Europe, USSR, Egype, and the Sudan on several agricultural commodities, which are barter arrangements. Cotton is traded under such an arrangement.

INDIA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing	All imports.
4f. Motion picture restrictions	25% of net film earnings may be remitted. Balance is held in blocked accounts and may be withdrawn only for specific uses.
5. Charges on Imports	
5d. Fiscal adjustments at the border or otherwise	Currency restriction -- Due to a shortage of American dollars, there are some restrictions on imports of certain prepared fruits.
5h. Special duties on imports	2.5-10% regulatory duty on most tariff items.
	Indian-produced items manufactured under certain conditions or for a certain use are granted preferential excise tax rates.

INDONESIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Cloves, rice, wheat, flour, and refined sugar.
3. Standards	
3a. Standards	Health and sanitary restriction on fresh fruit.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo--Certain motor vehicles, radio and TV sets, iron sheeting, certain textiles, certain tires, glass bottles, certain electric batteries, light bulbs and fluorescent lamps, mosquito sticks.
4f. Motion picture restrictions	Local dubbing requirement. National import monopoly.
5. Charges on imports	
5a. Prior deposits	100% deposit required when opening a letter of credit, except in the case of imports under foreign aid program loans where importers are permitted to delay 100% rupiah payment for 3 months subject to approval of foreign exchange bank.
5h. Special duties on imports	Most imports except essential commodities--Surcharge on import duty of 20-600%. All products 0.5% service charge on draft amount of letters of credit.
5h. Special duties on imports (Cont.)	A few products to which duty or surcharges do not apply--excess profit levy of RP 10 or RP 220 per c.i.f. US $ value of import. Most GATT-bound items--Special retribution tax equal to the difference between GATT-bound and non-MFN tariff rate.

IRAN

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Sugar, tobacco and cigarette paper may be imported only subject to monopoly controls.
1f. Other restrictive trade practices	All imports are subject to control by the Government. Tobacco products are state traded.
4. Specific limitations on trade	
4a. Quantitative restrictions	Local component requirement requires factories to commit themselves to a graduated scale of local production of components.
	All categories of used goods are forbidden for import except water transport vehicles and used industrial molds.
4b. Discriminatory bilateral agreements	Import of certain commodities are restricted to countries having bilateral trade agreements with Iran.
4e. Licensing	Many "authorized" imports require the prior approval of government agencies, which is tantamount to import licensing.
5. Charges on imports	
5a. Prior deposits	Virtually all imports, except machinery and raw materials, require advance deposits of 15%, 40%, or 100% of the invoice value when opening letters of credit.
5h. Special duties on imports	Monopoly taxes on sugar, confectionery, tobacco; all imports are subject to a commercial benefits tax, 6% municipal tax; 1% or 1-1/2% special municipal tax; 1-1/2% Iranian Red Cross tax, port health tax, port tax, and other supplementary charges for surface and air cargo.

IRAQ

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Imports of some 300 items are restricted to government companies. These include tea, sugar, milk, rice, agricultural imports that compete with domestic items, cloth for textile production, paper and products, calculators, typewriters, medical, surgical, and dental instruments, scientific and laboratory instruments, agricultural pumps, some chemicals, drugs, internal combustion engines, earth moving machinery, agricultural machinery, including tractors, fork lifts, automotive vehicles and spare parts.
1f. Other restrictive practices	Partial boycott of U.S. goods. Following June 1967 war, Iraq broke diplomatic relations with U.S. and declared boycott of U.S. goods. In practice, boycott never total nor meant to be. Initially, boycott applied to exclude all but U.S. machinery spare parts, later relaxed further to permit U.S. goods "indispensible to Iraqui economy," a wide and very vague loophole. Nevertheless, the partial boycott has held U.S. exports to less than half of the pre-war level.
4. Specific limitations on trade	
4a. Quantitative restrictions	Quotas are imposed on all imports by the private sector. Quotas are based on previous years' imports.

IRAQ (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (Cont.)	Approximately 120 items are prohibited imports and another 100 have been temporarily suspended from importation into Iraq. These measures are primarily protective and the list grows as productive capacity expands.
4e. Licensing	Required for all commercial imports.
4f. Motion picture restrictions	Iraq maintains quotas on the number of foreign films allowed to enter. Price controls on the rental of films are maintained. There are restrictions on the distribution of films within Iraq.
5. Charges on imports	
5g. Statistical and administrative duties	There is an import license tax of 1% of the license value for consumer goods, .5% for capital goods. Supplementary licenses to private importers are taxed 15%.
5h. Special duties on imports	There is a customs surtax of 15% of the customs duty.

IRELAND[1]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Tea, instant tea, and essences and extracts of tea.
4. Specific limitations on trade	
4a. Quantitative restrictions	Ban on certain fresh fruit and vegetables during certain months. QRs on superphosphates, certain hosiery, laminated springs for vehicles, spark plugs and metal components, certain electric bulbs, certain brushes, brooms, and mops.
4e. Licensing	Discretionary licensing on agricultural products, including breadgrains, feedgrains, meat, poultry, dairy products, certain preserved fruit, fruit pulps, fruit juices, tobacco, tobacco products, and egg albumen. Some of these requirements are being phased out and replaced by the EC CAP.

1/This listing includes only national nontariff barriers. As a member of the European Community, Ireland is required to phase out certain of these national nontariff barriers and adopt the comprehensive requirements of the EC Common Agricultural Policy (CAP).

ISRAEL

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Cotton, citrus.
1e. State trading in market-economy countries	Wheat, variety meats, rice, corn, wheat, flour, and animal hides.
4. Specific limitation on trade	
4a. Quantitative restrictions	Quota restrictions imposed on approximately 10% of industrial imports to protect infant industries and industries in developing areas--also as a control of non-essential imports.
	Tractors--Mixing requirement; 25-30% of imported wheeled tractors required to be Israeli-produced.
	Beef offals.
4b. Discriminatory bilateral agreements	EEC-Israel preferential arrangement. U.S. interest--citrus.
5. Charges on imports	
5a. Prior deposits	Most imports--A prior deposit of 30% of the value of the good must be held by the Bank of Israel for 6 months.
5f. Discriminatory taxes on motor cars	Discriminatory purchase and annual property taxes.
5h. Special duties on imports	20% defense surcharge on most imports.
	Import surcharges of varying rates on a wide variety of products such as paper goods, textiles, etc.
	Import deposit scheme affecting all agricultural imports.

ITALY[1]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1b. Export subsidies	Law 639, subsidizing: electric transmission towers, steel-welded wire mesh, ski lifts and parts, certain steel products, compressors and parts, refrigerators and freezers, and many other products.
1d. Government procurement	30% of Government purchasing reserved for Southern Italy and Italian islands for development purposes. Government departments do not, in principle, have any relations with foreign firms or suppliers and buy only with firms legally established in Italy.
1e. State trading in market-economy countries	State monopolies on tobacco products, salt, matches, and flint.
3. Standards	
3a. Standards	Quarantine regulations restrict certain fruit imports.
4. Specific limitations on trade	
4a. Quantitative restrictions	Quotas on essential orange oils, tetraethyl lead and certain anti-knock preparations, essential oils, other than terpeneless, of citrus.

ITALY[1] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing	Discretionary licensing applies to many fruit and fruit products, including dates in packages of more than 500 grams, dried grapes, dried figs, and date, dried fig and grape pastes, whether or not mixed. Importation of these products is normally conditional on their being intended for a specified purpose, other than ethyl alcohol. Licensing also applies to vinegars, other than from wine; cork; silk, raw and processed; and umbrella parts.
4f. Motion picture restrictions	Screen-time quotas, local work requirements, discriminatory admission taxes.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	A burdensome and discriminatory excise tax on imported cigarettes places imports at a disadvantage; a special system of internal taxes places a heavier burden on imported ethyl alcohol than on domestically-produced ethyl alcohol.
5e. Restrictions on foreign wines and spirits	State seal tax applies discriminatorily to spirits distilled from grain or sugar cane as opposed to liquors distilled from fruits or grapes.
5f. Discriminatory taxes on motor-cars	Road tax weighs heavily on vehicles with large cylinder displacement.

1/This listing includes national nontariff barriers only. The Netherlands also applies the nontariff barriers listed under the European Community.

JAMAICA

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo on standard-sized U.S. cars (autos with a wheelbase of 116" or more).
4b. Discriminatory bilateral agreements	Under a rice marketing arrangement Jamaica is obligated to import 50% of its rice needs from Guyana. This agreement is implemented through a discriminatory licensing quota system. As a member of CARIFTA, under the Agricultural Marketing Protocol and Fats and Oils Protocol, imports of certain vegetables, pork and pork products, poultry products, fresh oranges and pineapple and fats and oils from non-CARIFTA countries are prohibited until regional supplies are depleted.
4e. Licensing	Due to balance-of-payments difficulties Jamaica has extensive licensing arrangements. This functions as an embargo on the following items: many fruits and vegetables, prepared foods, peanut butter, margarine, some tobacco products, chicken and pork. On the following agricultural products, licensing is used to limit imports to covering the shortfall in domestic production: canned vegetables and fruits, fruit juices, fats and oils, some oilseeds, some milk products, and live poultry Licenses are required for many industrial products.

JAPAN

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Procurement of certain goods may be made without open bidding: Electronic computers and peripheral equipment must be procured from domestic sources, when available.
1e. State trading in market-economy countries	Tobacco products, alcohol of a strength of 90° or higher. The Japan Monopoly Corporation imports all tobacco. Wheat, barley and rice are also state traded.
2. Customs and administrative entry procedures	
2a. Valuation	Value uplift for customs purposes. All imported goods; particularly parent/subsidiary transactions. Uplift valuations are sometimes arbitrary and excessive.
3. Standards	
3a. Standards	Japan is very restrictive about the use of certain preservatives on some imported prepared foods. Items of importance are poultry, peanuts and seeds. Ban of foods containing unapproved additives. Automobiles--Complex inspection procedures for new models result in suspension of sale of imports during peak buying season.

JAPAN (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restriction	Agricultural quotas -- fresh oranges, citrus juice, canned pineapple, and some pulses, tomato juice, beef, roasted peanuts, and certain fish.
	Industrial quotas--coal, certain vaccines and serum (embargo), certain leather and leather products, aircraft engines and engine parts, certain computers and parts.
4e. Licensing	Aircraft parts, gold slag and paint, powder and explosives, certain electrical measuring instruments.
4f. Motion picture restrictions	Screen-time quotas.
5. Charges on imports	
5c. Variable levy	Japan has VL's on live swine, ham and bacon, and pork (temporarily suspended).
5e. Restrictions on foreign wines and spirits	Progressive internal tax on whiskies and brandies represents de facto discrimination against high-priced imports.
5f. Discriminatory taxes on motor cars	Taxes levied according to cylinder capacity and wheel base, thereby subjecting most U.S. cars to higher rates. Margin of discrimination was, however, significantly reduced in April 1973.

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KENYA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	All overseas procurement for Kenya Government is handled through Crown Agents in London, giving British suppliers a strong advantage.
1e. State trading in market-economy countries	Many products, including coffee, pyrethrum flowers, cotton lint and seed, nuts, maize, many vegetables, rice, certain seeds, live animals, salt, alcoholic beverages, sugar, meats, soap, dye-in-the piece fabrics, second-hand clothing, detergents, and developed 35 mm cinematographic films.
4. Specific limitations on trade	
4a. Quantitative restrictions	Certain clothing items.
4e. Licensing	Many products require specific import licenses.

KOREA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1f. Other restrictive practices	Over 570 trade classification categories--imports are subject to guidelines of appropriate Korean Ministry.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargos--73 trade classification categories, mainly oilseeds, soybean meal, live animals, textiles, apparel, and certain paper wares. Imports prohibited except where items used as raw material for export production.
	Quotas--About 44 trade classification categories, including plastics, iron and steel structures, glass, manufactures of metal, certain paper ware, certain auto parts, and leather.
4e. Licensing	All imports, but automatic approval for about half.
4f. Motion picture restrictions	Screen quotas and quotas on cinematographic film.
5. Charges on imports	
5a. Prior deposits	Most imports--The commercial importer must surrender, at the time the import license is issued, foreign exchange certificates covering up to 200% of import value.
5d. Fiscal adjustments at the border or otherwise	Many items are restricted due to government priority on the allocation of foreign exchange reserves.
5h. Special duties on imports	Special Customs Duty on most imports--Levied at 70% of the "excess" profit on items normally dutiable at 40% or less, and 90% on those over 40% duty.
	Extraordinary 1% charge on most imports--Levied by the Korean Traders Association on all authorized traders importing goods with Korean Government-owned foreign exchange and Japanese Property and Claims Settlement funds.

KUWAIT

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Wheat
1f. Other restrictive practices	Asbestos pipe--Monopoly on imports granted to local producers.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	All imports--Certificates of origin which must disclose the name of the manufacturer.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo--Alcoholic beverages, used trucks and buses, spiral weld steel pipe, medicines containing cobalt salts, and a few other items.
4c. Export restraints	Sheep, poultry, fats are prohibited.
4e. Licensing	Insecticides. Imports from Rhodesia, Portugal, South Africa and Israel are prohibited.

LEBANON

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Government operates a tobacco monopoly. To export cigarettes to Lebanon, the exporter must buy an equivalent amount of Lebanese tobacco.
4. Specific limitations on trade	
4a. Quantitative restrictions	All imports from Israel or partly produced in Israel are prohibited. All goods and services from companies maintaining business relations with Israeli firms are boycotted. Artificial sweeteners and saccharine to be used in processing foods and beverages in Lebanon are prohibited. The use of diesel vehicles in Lebanon is prohibited by law.
4b. Discriminatory bilateral agreements	Lebanon bilateral trade agreements with Czechoslovakia, Romania, USSR, Poland, East Germany and Guinea.
4c. Export restraints	Export licensing--animals, meats, food grains, and flour.
4e Licensing	Import licenses are required for the importation of goods competitive with a number of domestically produced commodities (including: foodgrains; flour; fats; orange, lemon, and apple juice; canned apples; milk; sugar; etc.) and for all machinery for the establishment or expansion of industrial plants.
5. Charges on imports	
5g. Statistical and administrative duties	A municipality tax of 3.5% is levied on all imports entering Lebanon.
5h. Special duties on imports	All imports are subject to: landing charges, wharf dues, handling dues, and storage fees.

LIBYAN ARAB REPUBLIC

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Gold, sugar, salt, tobacco, cigars, cigarettes and cigarette paper, some foodstuffs and petroleum products are government monopoly.
1f. Other restrictive practices	U.S. firms with Israeli interests or connections are blacklisted and their goods may not be imported into Libya nor their services utilized.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	All U.S. exports to Libya must be "legalized" by a Libyan or other Arab country consulate.
3. Standards	
3a. Standards	All shipments of slaughtered animal meat must be certified by the Libyan Embassy or other Arab country consulate as having been slaughtered in accordance with Islamic law.
4. Specific limitations on trade	
4e. Licensing	A wide variety of imported goods consisting of, *inter alia*, most foodstuffs, shoes, hides, some building materials, tools, soap, seeds, live animals and clothes.
5. Charges on imports	
5h. Special duties on imports	A municipality surtax and a Libyan Charity Society surtax, each of which are 5% of the amount of duties paid, are assessed on all dutiable imports.

MALAYSIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Government departments are directed to procure locally manufactured goods at a differential up to 5% above foreign-produced goods.
4. Specific limitations on trade	
4a. Quantitative restrictions	A few products (including embargo of live poultry). Application of quotas varies.
4e. Licensing	Most imports are permitted freely under open general license. At any given time, however, as many as 100 commodities may be subject to specific licensing.
4f. Motion picture restrictions	Screen-time quotas.
5. Charges on imports	
5f. Discriminatory taxes on motor cars	No registration fee for trucks and buses of Commonwealth origin; 15% for others.
5h. Special duties on imports	Import surcharge of 2%, except on crude petroleum and on trade agreement concession items.

MEXICO

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Mexican State Trading Corporation CONASUPO permits imports of grains, fats and oils, oilseeds, and dairy products when domestic supplies are not adequate. CONASUPO also sets domestic market prices.
2. Customs and administrative entry procedures	
2a. Valuation	On certain agricultural imports Mexico uses unrealistic official prices rather than actual invoice prices for calculation of customs value. Items of interest to the U.S. include horses, fruits and vegetables, mixed feeds, and animal fats.
4. Specific limitations on trade	
4e. Licensing	Approximately two-thirds of the items in the Mexican tariff schedule require an import license and 64% of all imports in 1971 entered under license. The licensing procedure is cumbersome and is used to exclude imports of many agricultural products which are produced in Mexico. Items of U.S. interest are tobacco, lemon oil, canned and fresh deciduous fruits, livestock, and livestock products, quality meats, and tallow.
4f. Motion picture restrictions	There are quotas limiting the number of foreign films which can be shown; production of movies by Mexican companies is subsidized; all dubbing and printing (copying) of films must be done locally; there is a price control on the rental of films.
5. Charges on imports	
5h. Special duties on imports	Mexico levies a supplemental duty of 10% of c.i.f. value on a wide variety of goods, including luxury items, consumer goods, and footstuffs.

MOROCCO

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restrictions	A number of items, including goods similar to goods produced in Morocco, are on the "Prohibited Import List."
4e. Licensing	A large number of Morrocan imports require licenses issued under quotas.
4f. Motion picture restrictions	There are restrictions on the remittance of profits abroad on foreign films. There are restrictions on the distribution of foreign films in Morocco.
5. Charges on imports	
5h. Special duties on imports	There is a special ad valorem tax of 5% on all dutiable goods.

NETHERLANDS 1/

TYPE OF NONTARIFF BARRIER	REMARKS
3. Standards	
3a. Standards	Marketing regulations prohibit corn syrup as an additive. These regulations apply to both imports and domestically processed goods and effectively prohibit the sale of food products such as chocolate and similar food preparations, fruit purees, pastes, most jams, jellies, marmalades, other prepared or preserved fruits, and fruit juices if they contain corn syrup. Ban on a large number of other additives, such as artificial colors, preservatives, vitamins, etc., in foods and drinks effectively curbing imports.
4. Specific limitations on trade	
4e. Licensing	Coal, coke, and briquettes.
4f. Motion picture restrictions	Screen-time quotas, film rental price controls.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	Certain income tax practices.

1/This listing includes national nontariff barriers only. The Netherlands also applies the nontariff barriers listed under the European Community.

NETHERLANDS ANTILLES

TYPE OF NONTARIFF BARRIER	REMARKS
2. Customs and administrative entry procedures	
2b. Antidumping duties	There are no published antidumping laws, but dumping duties are levied if investigation determines unreasonably low pricing of imports.
4. Specific limitations on trade	
4e. Licensing	Discretionary licensing on furniture, second-hand automobiles, tiles, radiators and cooling elements for diesel and gasoline motors, automobile batteries, beer, grains and certain grain products, frozen poultry, eggs, mutton and lamb, certain vegetables and citrus fruit.

NEW ZEALAND

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Eggs, honey, bananas, pineapple, citrus fruits, grapes, wheat and meslin, wheat flour.
3. Standards	
3a. Standards	Health and sanitary embargos on uncooked poultry, livestock products and pork.
4. Specific limitations on trade	
4a. Quantitative restrictions	QRs on canned fish; mixing regulations on unmanufactured tobacco; other QRs tied to licensing system (see 4e.).
4b. Disciminatory bilateral agreements	Licenses for many vegetable products are not required if such vegetables are a product of Australia.
4e. Licensing	The import licensing schedule is issued annually and specifies the degree of restrictiveness for each designated commodity. It covers about 30% of New Zealand's total imports. Generally, the quantity of imports licensed is limited to a percentage of total imports in the previous year; for example in 1973-74, the limit is 110% of the 1972-73 level.
	Licensing, based on historical trade patterns, favors British suppliers. Items subject to discretionary licensing include beer, certain distilled spirits, tobacco, most grains, oilseed meal, and certain fruits and vegetables.
4f. Motion picture restrictions	Screen-time quotas.

NIGERIA

TYPE OF NONTARIFF BARRIER	REMARKS
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	Health and sanitary certificates required for imported vegetables.
4. Specific limitations on trade	
4e. Licensing	A few imports enter under specific licensing, others under open general license.
5. Charges on imports	
5b. Credit restrictions for importers	All goods, with some exceptions, 180-day credit requirement. About 13 commodity groups payable under 90-day terms. A few at sight. Schedule of payments for purchases in excess of 50,000 ₦ negotiated.

NORWAY

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	A preference of up to 15% is given to domestic and EFTA bidders for products for public works.
1e. State trading in market-economy countries	Norway engages in state trading on virtually all grains, animal feeds, and some cereal products.
3. Standards	
3a. Standards	Health and sanitary restrictions apply to poultry, eggs, and pork.
4. Specific limitation on trade	
4a. Quantitative restrictions	There are quotas on live animals, cheese, turkey rolls, some fruits, and a few other items.
4d. Minimum price regulations	The Norwegian minimum price system keeps imports out until domestic wholesale prices reach a preset ceiling; then imports are permitted to keep prices from rising further. Products involved include meats, fresh vegetables, and some fruits.
4e. Licensing	There is a very extensive system of discretionary licensing for agricultural products. There is a virtual embargo on dairy products. Other items restricted include live animals, meat, fruits and vegetables, lard, and preserved fruit. Fishing vessels, more than 10 years old are restricted also.
4f. Motion picture restrictions	Film rental price controls
5. Charges on imports	
5f. Discriminatory taxes on motor cars	Progressive nature of automobile excise tax weighs more heavily on expensive models such as U.S. cars.
5h. Special duties on imports	Traffic tax on all imported products.

PAKISTAN

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	All agricultural imports are controlled by the Government. Imports may be made only through the Trading Corporation of Pakistan: Pig iron; aluminum, lead, zinc and copper ingots; copper rods; coal and coke; sulphur; mercury; and steel billets and strips and sugar from tied (but non-U.S.) sources.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo--many imports including most motor vehicles.
4e. Licensing	Most private sector imports.
4f. Motion picture restrictions	Screen-time quotas, national import monopoly, distribution and remittance restrictions.
5. Charges on imports	
5c. Variable levies	Edible oils.
5d. Fiscal adjustments at the border or otherwise	Most industrial imports--multiple exchange rate practices.
5h. Special duties on imports	Equalization payment (equal to the difference between the highest foreign price and the lowest domestic price--when domestic goods are more expensive):
5h. Special duties on imports (Cont.)	Certain iron and steel products, cement, coal, edible oils, copper rods and ingots, aluminum ingots, synthetic rubber and raw materials for the following industries: steel and non-ferrous casting, steel construction, electrical and pumping equipment and diesel engines. Regulatory duty, 25% to rationalize the cost of industrial products imported under different import lists, free and licenseable list items imported at official exchange rate, all others at depreciated exchange rate.

PERU

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Prior approval for all orders for public sector agencies must be made by the Commission of External Transactions and the Ministry of Economy and Finance.
1e. State trading in market-economy countries	Rice, meat, dairy products, tobacco, flowers, fruits, vegetables, plants, roots, tubers, certain grain and cereals, vegetable oils, and basic industrial products.
3. Standards	
3a. Standards	Veterinary and animal health products--Chemical and analytical procedures must be in Spanish and required registration documents must be filed.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo--Many products, including certain live animals, certain meat and dairy products, certain vegetables and vegetable products, certain fruit and fruit juice, certain wheat flour, sugar, confectionery, bread, soups, cigarettes, soyabean oil, certain food preparations, cars, refrigerators, footwear, textiles, and radios. Applies to non-LAFTA imports only.
4b. Discriminatory bilateral agreements	Foreign exchange earmarked for certain imports of fruit and newsprint from Chile.

PERU (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4e. Licensing	Many agricultural products, including most live animals and animal products, most meats, most vegetables, wheat and meslin, plants, certain fats and oils, certain food preparations, beer, wine, distilled spirits, and tobacco. Prior approval required for pharmaceuticals, biological preparations, chemical-medicinal preparations, cosmetics, toilet articles, and matches. Raw materials for pharmaceutical industry are exempted from duty and prior approval requirements.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	Foreign exchange rationing--Private sector entities granted allowances of foreign exchange for imports based on previous imports and national development priorities.
5g. Statistical and administrative duties	All products--2% statistical tax levied on c.i.f. duty-paid value. (3% tax if goods are duty-free.)
5h. Special duties on imports	4% maritime freight tax levied on ocean freight charges. 10% foreign exchange surcharge levied on c.i.f. value.

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PHILIPPINES[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1f. Other restrictive practices	Philippine firms or Phillipine products are granted preference over non-Philippine (other than U.S.) products by a factor of 15% for all goods supplied to the Philippine Government.
2. Customs and administrative entry procedures	
2a. Valuation	Textile remnants are subject to fixed customs valuations generally far in excess of true market value.
2d. Consular and customs formalities and documentation	The Philippine Customs Bureau is often responsible for arbitrary and excessive valuations, discriminatory classification treatment, long delays, and general shoddy treatment of imports. Philippine Consulates are instructed to verify price of shipment to the Philippines and the consulates frequently require excessive documentation for this purpose. Various consulates may mete out different and inconsistent treatment and the Consular verification formality frequently results in long delays. Some consular officers revalue shipments to their own conception of a fair value, which then is expected to become dutiable value.
4. Specific limitation on trade	
4a. Quantitative restrictions	There are import restrictions on certain vegetables, raw coffee beans, rice, and corn. Virtually all consumer goods are temporarily prohibited. A total embargo on used clothing is in effect.

PHILIPPINES 1/ (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (Cont.)	The importation of leaf tobacco is prohibited except for blending purposes and then only under condition that the importer purchase and export four parts of local leaf for each one part he imports of foreign leaf.
4f. Motion picture restrictions	Foreign films may be exhibited only a certain percentage of the time. There are discriminatory taxes on the income earned by foreign films in the Philippines.
5. Charges on imports	
5a. Prior deposits	Advance deposits ranging from 50% to 100% of the value of the goods are, with few exceptions, required on all imports. The amount of deposit is geared to the "essentiality" of the goods.
5b. Credit restrictions for importers	Central Bank Circular 265 imposed a ceiling on the total value of letters of credit which issuing commercial banks could have outstanding. Since Circular 243 requires virtually all imports to be covered by letters of credit, this effectively limits the amount of foreign exchange available for import purposes.

1/The Philippine Government has just completed an extensive customs and tariff reform. Previously, extensive application of arbitrary customs valuations and burdensome documentation requirements, and other nontariff barriers were used to restrict imports. The new system of controls is too recent to evaluate properly. Preliminary indications are that the Philippines have shifted from NTB restrictions to prohibitive tariff rates on some items.

POLAND

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1f. Other restrictive practices	The Polish economy is centrally controlled and all imports are state traded. Items of interest to U.S. exporters include soybeans, oilcake and meal, cotton, and corn. Foreign businessmen and firms are restricted in market access.
4. Specific limitations on trade	
4b. Discriminatory bilateral agreements	Under bilateral agreements, Poland channels its purchases, to a certain degree, on the basis of country of origin rather than on the basis of price, quality, or credit terms.

PORTUGAL

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	In purchases for public account, preference is given to Portuguese and EFTA products, all other bids being equal.
1e. State trading in market-economy countries	Portugal state trades wheat, potatoes, rice, cereal flour, peanut oil, and tobacco.
3. Standards	
3a. Standards	Soybean oil is classified as inedible.
4. Specific limitation on trade	
4a. Quantitative restrictions	Portugal maintains a mixing regulation on tobacco. There are quotas on some meats, a few dairy products, grains, cereal flours, soybeans, soybean and peanut oil, cotton, certain natural or processed raw materials, some textile fibers, automotive vehicles and apparatus, and miscellaneous manufactured goods. There is an embargo on used clothing.
4e. Licensing	Discriminatory licensing for wheat flour; rice; saccharine and products containing saccharine; all shipments into Portugal, including Madeira and the Azores, valued over 2500 Escudos.
5. Charges on imports	
5c. Variable levy	Rice is subject to a variable levy.
5f. Discriminatory taxes on motor-cars	Sales tax on automobiles is progressive, thereby subjecting U.S. cars to burdensome rates.
5h. Special duties on imports	Most products--Transaction tax of 7% (20% on luxuries) levied on 140% duty-paid c.i.f. value. There is a supplementary levy on rice and offals.

SAUDI ARABIA

TYPE OF NONTARIFF BARRIER	REMARKS
3. Standards	
3a. Standards	Meat imports must officially be certified as having been slaughtered according to Islamic law.
4. Specific limitations on trade	
4a. Quantitative restrictions	Products all or partly produced in Israel and products and services of any firm doing business with Israel is prohibited. Importation of all intoxicants and pork products are prohibited.
4e. Licensing	License required for tobacco imports
4f. Motion picture restrictions	Motion picture apparatus and films are prohibited except for educational purposes.
5. Charges on imports	
5h. Special duties on imports	Imports are subject to a 1-1/2% wharfage fee and 5% customs surtax.

SINGAPORE

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4a. Quantitative restrictions	QRs on wheat flour, steel bars, chicken essences, carbon paper and fluorescent tubes.
4e. Licensing	Licenses are required for the importation of a very limited number of goods into Singapore. Most imports enter freely under open general license.

SOUTH AFRICA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1a. Trade diverting aids	Progressive rebate of excise taxes on certain imported goods, including motor vehicles, when combined with domestic content or assembled locally.
1d. Government procurement	Preference extended to domestic goods.
2. Customs and administration entry procedures	
2b. Antidumping duties	South Africa has not adhered to the GATT Antidumping Code. Antidumping duties of specified amounts are incorporated in the South African tariff schedule for specific products from certain countries, including the U.S., if the commodity price falls below established minimum levels.
3. Standards	
3a. Standards	South African rum definition effectively excludes imports of Puerto Rican rum.
4. Specific limitations on trade	
4a. Quantitative restrictions	Quotas--pharmaceutical products, pesticides, textiles, wines and liquors, paper, and many other items which are determined from time to time.
4e. Licensing	Required on all imports, with varying degree of restrictiveness, including restrictive licensing requirements on some dairy and meat products, grains, some fruits and vegetables, coffee, oilseeds, most fats and oils, prepared foods, cotton, and hides. Imports of certain commodities must have specific import permits on ad hoc basis. Among these are canned fruits, sugar confectionery, and processed tomato products.

SPAIN

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	Procurement from foreign sources prohibited unless requirements cannot be met domestically.
1e. State trading in market-economy countries	Spain engages in state trading on many agricultural items, among which are: wheat and feedgrains, meat, poultry, certain dairy products, tobacco, cotton, lard, fats and oils, and animal feeds. State trading is being terminated for all these items (except cotton) in 1973 in favor of a variable levy system. Coal, petroleum and petroleum derivatives are also state traded. These goods must be carried in Spanish ships.
1f. Other restrictions	Feedgrains must be carried in Spanish bottoms, if available. Soybean oil has a domestic consumption quota.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	Certain synthetic fibers--Origin requirement (must come directly from producing factory).
3. Standards	
3a. Standards	Beef and pork are subject to very restrictive regulations on the temperature of the meat and type of cut that may be imported.

SPAIN (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitation on trade	
4a. Quantitative restrictions	There are import quotas on fruit and vegetable juices, preserved fruits, hops, soup, prepared meat, canned fruits, and a large number of other commodity categories. There is a de facto embargo on all used machinery and equipment and second-quality goods.
4b. Discriminatory bilateral agreements	Spain has bilateral agreements with many countries for clearing bilateral accounts. One of the items frequently cited on the exchanges is cotton.
4e. Licensing	Most imports, licenses usually freely granted.
4f. Motion picture restrictions	Screen-time quotas; local dubbing requirement; import quota; distribution restrictions.
5. Charges on imports	
5c. Variable levies	Apply to a number of basic agricultural commodities (see 1e.).
5d. Fiscal adjustments at the border or otherwise	3-15% Domestic Tax Equalization tax on imports is likely to discriminate in favor of domestic products.

SWEDEN

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Spirits and wines, certain ethyl alcohol used for beverages, pharmaceutical products, and tobacco.
3. Standards	
3a. Standards	Health and sanitary standards apply to hogs, lard, and poultry meat. In addition, imports of meat from cattle fed hormones are prohibited. Electrical equipment--The state testing organization, applying rigid technical standards, requires individual testing in the country prior to certifying imports.
4. Specific limitation on trade	
4e. Licensing	Sweden requires licenses on apples, pears, some dairy products and starches, and a few other items.
5. Charges on imports	
5h. Special duties on imports	There are high supplementary charges on virtually all live animals, meat, dairy products, most grains, most fats and oils, most animal feeds, and many other items.

SWITZERLAND

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1e. State trading in market-economy countries	Butter, ethyl alcohol of a strength of 80% or more, whiskey and gin in casks, brandy and liqueur.
4. Specific limitations on trade	
4a. Quantitative restrictions	Embargo--grape must, white wine in casks; prohibition--fresh and dried grapes. There are quota restrictions on several items, including the following: meat, live animals, some fresh fruits and vegetables, juice and red wine in casks. There is a conditional import system for imports of certain meats and dairy products.
4d. Minimum price regulations	Live bovines, sheep, and swine are subject to this type of restriction.
4e. Licensing	There is discretionary licensing on some live animals, grains, meats, a few flours, and cider of apples and pears.
4f. Motion picture restrictions	Quotas on movies. Film rental controls.
5. Charges on imports	
5f. Discriminatory taxes on motor-cars	Road tax and compulsory insurance rates based on horsepower, thereby burdening U.S. models the most.
5h. Special duties on imports	There is a supplementary charge on live animals, dairy products, meat, some feedgrains and feedstuffs, fats and oils, and oilseeds.

TAIWAN

TYPE OF NONTARIFF BARRIER	REMARKS
2. Customs and administrative entry procedures	
2a. Valuation	Price quotations on imports from Japan and Viet-Nam must be on a f.o.b. basis while goods from all other sources, unless shipped in Chinese bottoms, must be quoted c.i.f.
4. Specific limitations on trade	
4a. Quantitative restrictions	Under new sourcing policies instituted in March of 1973 the ROC will try to reserve to U.S. suppliers minimum percentages of its annual requirements for certain imports. Similar sourcing policies apply to Canada and EEC.
4e. Licensing	Licensing is required for all imports, but licenses have been freely granted for the vast majority of imports since mid-March 1973. Some goods are now limited as to sourcing (mainly to the U.S., Canada, and Western Europe).
4f. Motion picture restrictions	Discriminatory taxes are assessed on admission to foreign films. Remittance of earnings of foreign films is restricted.
5. Charges on imports	
5a. Prior deposits	A small portion of ROC imports requires the prior deposit of 20% of the purchase price of the imports.

THAILAND

TYPE OF NONTARIFF BARRIER	REMARKS
4. Specific limitations on trade	
4e. Licensing	Thailand restricts, by licensing, the importation of a small group of commodities primarily for reasons of health, welfare, security, and protection of local industry.
4f. Motion picture restrictions	Discriminatory taxes are assessed on foreign film income earned in Thailand.
5. Charges on imports	
5d. Fiscal adjustments at the border or otherwise	There is a business tax on imports similar to the tax on domestic business; in most cases it is not a restriction. However, it does offer some protection to selected domestic products in which the United States has some trade interest, such as tobacco.

TRINIDAD AND TOBAGO

TYPE OF NONTARIFF BARRIER	REMARKS
3. Standards	
3a. Standards	Imports of pharmaceuticals require advance approval and registration.
4. Specific limitations on trade	
4a. Quantitative restrictions	There is a prohibition on live poultry, poultry meat, sausages, rice, fresh citrus, most canned fruit and fruit juice, some pulses, and coffee. There are quotas on most meats, dairy products, and canned vegetables.
4b. Discriminatory bilateral agreements	As a member of CARIFTA, under the Agricultural Marketing Protocol and Fats and Oils Protocol, imports of certain vegetables, pork and pork products, poultry products, fresh oranges, pineapples, and fats and oils from non-CARIFTA countries are prohibited until regional supplies are depleted. Under a rice marketing arrangement, Trinidad and Tobago are obligated to buy rice from Guyana and Surinam. This agreement is implemented through a discriminatory licensing quota system.
4e. Licensing	All imports--with various degrees of restrictiveness. Most restrictive requirements apply to fish, fresh, chilled, or frozen meats, preserved meat of swine, sausages, eggs, wheat flour, most vegetables, oilseed cake, several fats and oils, oilseeds, crude and partly refined petroleum, textile goods, chemicals, footwear, household articles, and others.

TURKEY

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1f. Other restrictive practices resulting from government participation in trade	Most agricultural equipment, certain chemicals and pharmaceuticals, and a few other items require prior approval by a government agency.
4. Specific limitations on trade	
4a. Quantitative restrictions	Quotas--Some agricultural items, some chemicals, paints, pharmaceuticals, explosives, some photographic equipment, plastics and certain rubber goods, some wood, paper and textile products, certain tools, tractors, trucks and trailers, planes for spraying, clocks, watches, and other items.
4b. Discriminatory bilateral agreements	See 4e.
4e. Licensing	All imports. Special consideration is given to items imported from bilateral agreement countries.
4f. Motion picture restrictions	Discriminatory film tax. Foreign films--41%; domestic films--25%. Distribution restrictions.
5. Charges on imports	
5a. Prior deposits	All imports. Deposit of 10-50% depending on the import list. 150% for quota list items. 1% on goods imported under certain investment programs.
5f. Discriminatory taxes on motor-cars	Surtax, varies according to automobile weight and age.
5g. Statistical and administrative duties	All imports--10% stamp tax.
5h. Special duties on imports	All imports--surtax of 15% of customs duty.
	All goods imported by sea--port tax of 5% on c.i.f. value plus duty, surtax, and customs clearance costs.
	Most imports--discriminatory production tax ranging from 10-75% of c.i.f. value, customs surcharge, port tax, and customs clearing expenses.

UNITED KINGDOM[1/]

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	While no procedures have been published, administrative practices give preference to U.K., Commonwealth, and EC firms. Timber (Douglas fir) for British Admiralty must come from British Colombia.
3. Standards	
3a. Standards	Health and sanitary requirements govern the importation of a number of agricultural products. Imports of pork and pork products from countries in which hog cholera is present are prohibited. Imports of fat cattle, beef, and veal are subject to rigorous licensing requirements in order to control hoof-and-mouth disease. Red meat imports are also subject to a regulation prohibiting additives which maintain the color. Live horses may not be imported from most non-European sources (including the U.S.) during the summer months and are allowed from these countries during winter months only under very strict quarantine and inspection conditions, which are regulations designed to prevent the introduction of equine encephalomyelitis. Imports of dead poultry and offals, when packaged separately, must be licensed. Licenses are issued only for poultry which can be shown to be free of Newcastle disease. Offals may not be imported inside the dressed carcass of an oven-ready bird, even when packaged separately.

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UNITED KINGDOM[1/] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
3a. Standards (Cont.)	The U.K. is a member of a European Harmonization Scheme to facilitate mutual acceptance of quality certification of electronic components in all EC and EFTA countries.
4. Specific limitations on trade	
4a. Quantitative restrictions	Quotas on butter and cheese from New Zealand. Quotas on certain commodities from dollar area countries: bananas; rum; cigars; fresh, canned, and frozen grapefruit; and single-strength orange and grapefruit juice. Of particular interest to the U.S. are the quotas on citrus juices, fresh grapefruit, cigars, and rum. Sugar is imported under the Commonwealth Sugar Agreement. Imports of fresh apples and pears, prior to EC entry, were subject to seasonal quotas which have been replaced by a special import levy system during the transitional period of entry into the EC. Sterling area suppliers, formerly exempt from the quotas, receive more favorable treatment under the special import levy system during the transitional period. Embargo--sodium glutamate; Global quotas--jute yarn, sacks, bags, and wool packs.
4b. Discriminatory bilateral agreements	Commonwealth preference is granted on numerous products but it is gradually being phased out during the transitional period of entry into the EC. Special arrangements with New Zealand and the UK-Irish Free Trade Agreement also are being altered during the transitional period.

UNITED KINGDOM[1/] (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4d. Minimum price regulations	The U.K. has a minimum import price system which, together with a variable levy, has ensured that the import price does not fall below the established minimum. It applies to fat cattle, beef and veal, milk powders and preserved or condensed milk and cream (including animal feed containing milk solids), poultry meat, eggs, wheat, barley, oats, corn, grain, sorghum, cereal flours and meals, and bran. For the most part, these products are also governed by EC regulations which the U.K. is now phasing in.
4e. Licensing	Clover and grass seeds must be licensed in order to ensure that the types being imported are appropriate for the soil and climate conditions of the U.K. Coal, coke, and solid fuels, manufactures of coal or coke. Licensing requirement has been suspended since 1970 because of coal shortage. Subject to future review.
4f. Motion picture restrictions	Screen-time quotas and TV program quotas.

1/This listing includes only national nontariff barriers. As a member of the European Community, the United Kingdom is required to phase out certain of these national nontariff barriers and adopt the comprehensive requirements of the EC Common Agricultural Policy (CAP).

VENEZUELA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1d. Government procurement	"Buy Venezuela" legislation requires that all government agencies purchase from domestic suppliers if the price is not more than 25% higher than from a foreign source.
1e. State trading in market-economy countries	Live plants, certain fruits and vegetables, corn, coffee and cottonseed.
1f. Other restrictive practices	Venezuela maintains materials content standards for automobiles produced in Venezuela which require that each year a greater percentage of the auto content must be of Venezuela origin. Fruit imports are tied to fruit exports.
2. Customs and administrative entry procedures	
2d. Consular and customs formalities and documentation	A consular invoice, legalized by a Venezuela consul, must accompany all surface shipments to Venezuela; a consular fee of 2% to 3.5% of the f.o.b. value is assessed on all goods requiring a consular invoice.
4. Specific limitations on trade	
4e. Licensing	Import licenses are required for a limited number of imports, primarily for reasons of morality, national security and to minimize competition with locally produced goods (including pedigreed horses, dried cream, wheat, and certain fruits).
4f. Motion picture restrictions	All printing (copies) of films must be done locally.
5. Charges on imports	
5h. Special duties on imports	Goods entering Venezuela via parcel post are assessed a 2% ad valorem surtax.

YUGOSLAVIA

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1a. Trade diverting aids	Raw materials and semi-manufactures used in the shipbuilding, electric, textile, and food industries. Manufacturers in these industries receive foreign exchange for their imports in a fixed ratio to their exports.
1f. Other restrictive practices	The Yugoslavian economy is centrally controlled and all imports are state traded. Commodities of interest to United States include cotton, vegetable oils, feedgrains, and oilseed cake and meal. For a few products end-users must purchase certain amounts from Yugoslavia's bilateral trading partners.
2. Customs and administrative entry	
2b. Antidumping duties	Surcharge imposed on specified agricultural products to protect domestic industry from importation of foreign items at dumping prices.
4. Specific limitation on trade	
4a. Quantitative restrictions	QRs apply to virtually all agricultural imports. Products of interest to U.S. exporters are: grains, livestock, meats, oilseeds, vegetable oil, and tobacco.

YUGOSLAVIA (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (Cont.)	A wide variety of manufactured goods are subject to QRs, including certain iron and steel products and certain chemicals. Also, see 5b below.
4e. Licensing	Some hard cheeses, meat extracts, soups, various kinds of wines, aircraft, tractors, railroad equipment, automobiles, paper, textiles and many other products.
5. Charges on imports	
5b. Credit restrictions for importers	Global exchange quotas--Consumer goods, some raw materials, most machinery and equipment. Allocation made according to past imports. Distinction made between hard currency and clearing currencies. Credit generally unavailable for imports of consumer goods.
5g. Statistical and administrative duties	1% administrative cost on all imports
5h. Special duties on imports	2% surtax on vegetable oil, feedgrains, cotton, oil seeds and meal, hides, wool, and sugar.

ZAIRE

TYPE OF NONTARIFF BARRIER	REMARKS
2. Customs and administrative entry procedures	
2a. Valuation	A number of textile commodities, including used clothing, are assigned arbitrary minimum valuations for duty purposes.
2d. Consular and customs formalities and documentation	For most imports into Zaire, a certificate of quality and quantity supplied by the Societe de Surveillance (in the U.S. the Superintendence Co.) is required or bank payment of foreign exchange will not be allowed.
4. Specific limitations on trade	
4e. Licensing	Licenses are required for the importation of tires, tubes, and wheat flour.
5. Charges on imports	
5h. Special duties on imports	A statistical tax of 3% of the c.i.f. value is assessed on all imports.

ALLEGED UNITED STATES
NONTARIFF BARRIERS

This list includes laws, government regulations and administrative practices that have been the subject of complaints or protests by foreign officials or exporters or by U.S. importers, alleging that they are restrictive of trade. The United States considers many of these complaints to be baseless or of doubtful validity.

TYPE OF NONTARIFF BARRIER	REMARKS
1. Government participation in trade	
1a. Trade diverting aids	SHIP SUBSIDIES--The U.S. requires that all subsidized shipbuilding be performed in U.S. shipyards and that purchases of major equipment components be of domestic origin (with certain exceptions).
	WESTERN HEMISPHERE TRADING CORPORATIONS--Corporations that conduct all their business in the Western Hemisphere and derive 95 percent of their gross income from outside the U.S. and 90 percent of their gross income from active conduct of trade or business, are eligible for certain tax deductions.
	MILITARY EXCHANGES--Military exchanges outside the U.S. may enter duty-free and tax-free into host countries any goods, regardless of country of origin, and sell them tax-free to authorized customers.
1b. Export subsidies	Exports of peanuts are subsidized indirectly.
	DOMESTIC INTERNATIONAL SALES CORPORATION (DISC)--DISC shareholders are treated as receiving one-half of the DISC's earnings currently, whether or not actually

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
1b. Export subsidies (cont.)	distributed. The remaining one-half of DISC earnings may be either retained by the DISC and reinvested in the export business, invested in certain Ex-Im Bank obligations, or loaned to other producers for export purposes, without, in general, liability for federal income tax.
1c. Countervailing duties	The Tariff Act of 1930 provides for the imposition of countervailing duties when it is found that a dutiable import is benefitting from a bounty or grant. There is no injury requirement (as GATT requires) and no room for administrative discretion if a bounty or grant is found to exist.
1d. Government procurement	All Federal Government procurement for use within the U.S. is subject to the provisions of the Buy American Act of 1933, which provides that only domestic materials can be purchased unless (a) the required supplies are not available domestically, (b) their purchase would be inconsistent with public interest, or (c) the cost would be unreasonable. Various Defense Department appropriation acts prohibit the use of funds for the procurement of any article of food, clothing, cotton, wool, silk and spun silk yarn for cartridge cloth, synthetic and coated synthetic fabrics, and strategic materials, which have not been produced or grown in the U.S.

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
1f. Other restrictive practices	The Trade Expansion Act of 1962 authorizes the President to adjust the imports of any article so that they will not threaten to impair the national security.
2. Customs and administrative entry procedures	
2a. Valuation	AMERICAN SELLING PRICE (ASP)--Benzenoid chemicals, certain rubber footwear, canned clams, and certain wool knit gloves are assessed duties on the value of the competitive U.S. product rather than on the value of the imported article.
	FINAL LIST--This valuation applies to certain products, the valuation of which in 1956 would have changed by more than 5 percent if valued under the method established in the Customs Simplification Act of 1956. Appraisement of these products was continued under the old set of valuation provisions applicable prior to 1956. Articles subject to the Final List comprised about 7% of U.S. dutiable imports in 1966.
	The U.S. system of customs valuation provides 9 different methods of establishing values for the assessment of ad valorem duties, the two most common of which are f.o.b. values. Other countries contend that the complexity of U.S. valuation provisions constitutes an NTB.
2b. Antidumping duties	By law, the U.S. Antidumping Act of 1921 takes precedence over the International Antidumping Code to which the U.S. has adhered.

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
2c. Customs classification	Imports are classified and dutiable according to the U.S. Tariff Schedules rather than the BTN which is used by the major trading nations, except Canada. The TSUS provides that parts of products will be classified, wherever possible, on an *eo nomine* basis; many parts are not necessarily classified as the product of which they are part.
2d. Consular and customs formalities and documentation	Customs Invoice Form 5515, besides requiring the usual commercial information on quantity and value of shipments, requests other information considered by some foreign exporters to be unnecessary and burdensome.
3. Standards	
3a. Standards	MARKETING ORDERS--Sec. 8(e) of the Agricultural Marketing Agreements Act of 1937, as amended, prescribes sixteen fruits, vegetables, and nuts which are subject to regulations under domestic marketing orders in respect to quality, grade, size, and maturity standards in order to enter the U.S. market. Currently, 12 of the 16 commodities specified in Sec. 8(e) are being regulated. MEAT--The Wholesome Meat Act is designed to protect the health and welfare of consumers by assuring that meats are wholesome, not adulterated, and properly marked, labeled, and packaged. Some countries with relatively low health and sanitary standards may have difficulty complying with these standards. QUARANTINE AND FOOD AND DRUG LAW AND REGULATIONS--Certain provisions of U.S. sanitary and health laws and regulations are viewed by foreign suppliers as NTBs (e.g., prohibition of meat imports from countries with hoof and mouth disease).

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
3a Standards (Cont.)	SPARKLING CIDER--Under existing law, the IRS classifies sparkling cider as sparkling wine, in accordance with written specifications. The law is non discriminatory and applies equally to domestic and foreign cider. GAS CYLINDERS--A 1922 ICC regulation requires all tests (cylinders) and chemical analysis (materials used) be performed within the limits of the U.S. Imports on a commercial basis are virtually precluded. MOTOR VEHICLE SAFETY STANDARDS--Considered by some to be more appropriate for the large American automobiles than for the smaller imported automobiles. STEEL PROCESSES--The Thomas process, which is used in Europe (and not in the U.S.) has never been the subject of American Society for Testing and Materials (ASTM) committee consideration. COAST GUARD INSPECTION OF SAFETY EQUIPMENT--The Coast Guard is required by statute to inspect (during the manufacturing process) and approve safety equipment for U.S. flag vessels. PLUMBING, HEATING, LUMBER, FIRE-FIGHTING, ELECTRICAL EQUIPMENT--Local governments sometimes pass regulations giving mandatory effect to what were originally voluntary standards. FLAMMABLE FABRICS ACT--Authorizes the FTC to test and investigate merchandise believed to be in violation of established requirements.

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
3b. Packaging, labeling, and marking regulations	FAIR PACKAGING AND LABELING ACT OF 1966--The Act and related regulations prescribe the manner in which certain consumer goods are to be packaged and labeled so as not to mislead the consuming public. MARK OF ORIGIN--The Tariff Act of 1930 requires that imported articles be conspicuously, legibly, and permanently marked so as to indicate the country of origin to the U.S. consumer.
4. Specific limitations on trade	
4a. Quantitative restrictions	EMBARGOS--Certain furskins which are the product of the Soviet Union or Communist China; firearms, except for sporting, museum, or research purposes; foreign-built dredges and hovercraft in coastwise trade; the offering of enrichment services for source or special nuclear materials of foreign origin intended for use in domestic reactors; certain panty hose, and lightweight carry-on luggage sold by "unfair practices," as determined under Sec. 337 of the Tariff Act of 1930. QRs--Certain meat (presently suspended); sugar; items which materially interfere with U.S. Department of Agriculture price support programs, including milk and cream, butter and butter substitutes, certain cheeses, ice cream, other milk products, wheat and wheat products, peanuts, certain chocolate and confectionery, and certain animal feeds; books and periodicals in the English

UNITED STATES (Cont.)

TYPE OF NONTARIFF BARRIER	REMARKS
4a. Quantitative restrictions (cont.)	language (linked to copyright protection); bird feathers; certain cotton and cotton waste; hard fiber cordage from the Philippines.
4c. Export restraints	LONG-TERM COTTON TEXTILE ARRANGEMENT (LTA)--Under the LTA, the U.S. has 31 separate bilateral agreements which cover 90 percent of U.S. cotton textile imports. MANMADE FIBER AND WOOL TEXTILES--The U.S. has bilateral agreements with 6 countries and a multilateral agreement with 3 of these same countries. There are other export restraint arrangements, involving varying degrees of U.S. Government participation (e.g., commercial chinaware, ceramic tile, basic steel mill products).
4e. Licensing	Crude petroleum and its derivatives, and products thereof.
5. Charges on imports	
5e. Restrictions on foreign wines and spirits	DISTILLED SPIRITS--Under the U.S. wine gallon/proof gallon system, import duties and excise taxes are assessed on imported bottled spirits of less than 100 proof as though they were 100 proof. For example, a bottle of 86 proof Scotch is assessed for an additional 14 proof. Spirits imported in bulk at 100 proof or more are treated the same as domestically produced spirits, i.e., they are assessed before the bottling process while they are still 100 proof or greater.
5h. Special duties on imports	ESCAPE CLAUSE ACTIONS--Sec. 351 of the TEA of 1962 permits the President to increase tariffs or impose other restrictions on an imported article following an affirmative finding of injury or threat of injury to a domestic industry due to an increase in imports. Escape clause rate increases are in effect for pianos (except grand pianos) and earthen dinnerware; rate increases are being phased out for sheet glass. The U.S. has duties on non-emergency ship repair services.

RELIEF FROM UNFAIR TRADE COMPETITION

RECENT CHANGES IMPROVING ADMINISTRATION OF THE UNITED STATES ANTIDUMPING ACT

The Treasury Department has attempted over the last several years to improve the administration of the Antidumping Act of 1921. For example, for fiscal years 1970-1972, a total of 75 investigations were initiated as opposed to only 54 in fiscal years 1967-1969. There were 29 findings of dumping in fiscal years 1970-1972 and only 9 during fiscal years 1967-1969.

In 1970 a change was made in Treasury procedures, whereby price assurances are accepted and the case discontinued only if any dumping margins that exist are strictly minimal in relation to the volume of sales. This has tended to make the Act more effective by encouraging foreign manufacturers and exporters to take possible consequences under the Act into account before, rather than after, they make pricing decisions on their exports to the U.S.

The amendments to the Antidumping Regulations which were put into effect in January 1973 are intended to insure that the Antidumping Act is made more effective in defending U.S. industry against unfair international trade practices in the dumping area. The amendments include specific timetables for processing cases; special procedures for accelerated renewal of investigations where there is reasonable cause to believe that price assurances have been violated in discontinued investigations; procedures whereby discontinued investigations can be terminated; and provisions for the verification of periodic reports to be submitted by the foreign producers, manufacturers, or exporters concerned, when an investigation is discontinued on the basis of price assurances.

Under the December 1971 currency realignment and the February 1973 devaluation of the dollar, the changes in the market rate of the dollar in relation to certain foreign currencies effectively increased the home market price of foreign merchandise, as expressed in dollars. Thus, sales at less than fair value could have resulted from the market rate of the dollar unless foreign exporters took appropriate actions to adjust prices.

The Treasury Department recognized that the Antidumping Act was one of the primary vehicles for insuring that the currency realignments had their intended effect, but also realized that immediate price adjustments were not always possible. Accordingly, foreign exporters and U.S. importers were put on notice that failure to make appropriate price adjustments could have adverse consequences under the Antidumping Act, but, at the same time, short periods were granted following the currency realignments in which no price discrepancies resulting solely from the currency realignments would be taken into account in fair value investigations.

PROPOSED AMENDMENTS TO THE COUNTERVAILING DUTY LAW

Except for amendments to insure broadest possible coverage, the U.S. Countervailing Duty Law (19 U.S.C. 1303) has remained virtually unchanged since its enactment in 1897. Today, the law is, in many respects, an anachronism, unresponsive to the international economic situation of the 1970's. The proposed amendments in the Trade Reform Act of 1973 are designed to tailor the Countervailing Duty Law to the realities of 1973, while at the same time making it a more effective instrument in our efforts to combat unfair subsidy practices by foreign countries.

Duty-Free Merchandise

A proposed amendment extends the law to duty-free merchandise but makes the actual assessment of countervailing duties contingent upon a Tariff Commission determination that a U.S. industry is being, or is likely to be, injured. It is believed that application of countervailing duties was restricted to dutiable merchandise under the 1897 law because duty-free merchandise was not competitive with American goods, e.g. bananas, or served a social objective, e.g. duty-free treatment of farm machinery. The exception for duty-free merchandise makes little sense today, especially after the Kennedy Round tariff cuts, when some articles of a competitive nature became duty-free. There are also international considerations. The United States, criticized by its trading partners for resorting to the GATT "grandfather clause" as a means of avoiding an injury requirement in the countervailing duty law, would be in an indefensible position if it were not to incorporate an injury standard in this amendment, which would be outside the umbrella of the grandfather clause.

Discretionary Provision

Another proposed amendment to the present law would give the Secretary of the Treasury authority to refrain from assessing countervailing duties in situations where such actions would result in a "significant detriment" to the economic interests of the United States. In determining whether or not to countervail, the Secretary would consult with other agencies and take into account, among other things, whether an affirmative decision would force the revision of the basic tax structure of a foreign country, undermine the fundamental economic structure on which a foreign government bases its fiscal and trade

policies, or have a significant inflationary effect in the United States without a corresponding benefit to United States industry. This provision is designed to give the Secretary the discretion, in appropriate circumstances, to avoid precipitating a major international trade crisis by not taking action that would otherwise be mandated under the law. The Secretary is authorized to refrain from countervailing those products which are subject to effective quantitative limitations, if he determines that such limitations are an adequate substitute for protection from the harmful effects of subsidies. To countervail on top of quotas would, in many cases, constitute overkill.

The discretionary authority provides a realistic opportunity for the imposition of time limits to complete countervailing duty investigations, which have taken an unreasonable amount of time to resolve in the past. Accordingly the Trade Reform Act of 1973 proposes that a 12-month time limit be placed on the resolution of issues arising under this statute. This would be an adequate period for all the issues to be considered in a countervailing duty investigation.

Judicial Review of Negative Countervailing Duty Decisions

The Administration does not believe that negative decisions in countervailing duty cases should be subject to judicial review. Under present U.S. law, only in limited situations can a party who is other than the importer of merchandise protest to the Customs Court decisions concerning the imposition of customs duties on such merchandise. Such an extraordinary procedure would be somewhat akin to one manufacturer being able to bring suit to challenge what it believed to be an improperly low imposition of corporate income taxes on one of its competitors. Countervailing duty determinations typically involve highly sensitive questions of significance to the foreign policy of the United States. It would damage the credibility of the United States with its trading partners if they were unable to rely upon the decision of the Secretary that no bounty or grant existed.

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UNFAIR FOREIGN IMPORT RESTRICTIONS AND EXPORT SUBSIDIES

Section 301 of the Trade Reform Act would revise and expand the President's authority to deal with unfair foreign import restrictions and add authority to act against countries which damage U.S. exports through export subsidies. Present authority is contained in section 252 of the Trade Expansion Act (TEA), which is repealed.

Section 252 of the TEA (which replaced section 350(a)(5) of the Tariff Act of 1930) provided the President with authority to (1) impose import restrictions or raise tariffs, without limit, in the case of unjustifiable (illegal) import restrictions on U.S. agricultural exports, (2) withdraw tariff concessions (up to the column 2 rates) in the case of nontariff trade restrictions and discriminatory and other acts which are unjustifiable, and (3) withdraw tariff concessions (up to the column 2 rates) in the case of unreasonable (not necessarily illegal) import restrictions, having due regard for the international obligations of the United States.

Section 252 needed revision because of:

1. Inadequate authority to deal with restrictions on nonagricultural products;

2. Statutory ceilings on tariff increases (except in the case of restrictions on agricultural products);

3. Very limited authority to deal with unreasonable (but not necessarily illegal) restrictions; and

4. Lack of authority to deal with subsidies by foreign countries on exports to third countries which have the effect of displacing competitive U.S. exports;

Section 301 eliminates or solves each of these problems. In particular, it eliminates the distinction between import restrictions on agricultural and nonagricultural products, and it provides new authority to retaliate against foreign countries which subsidize exports to third country markets, thereby displacing sales of competitive U.S. products. These two amendments were proposed by the Administration in its 1969 trade bill and were approved by the House of Representatives and by the Senate Finance Committee in 1970.

In addition, section 301 expands the President's authority to deal with unreasonable, but not necessarily illegal, import restrictions which burden or discriminate against U.S. commerce. This is appropriate since an "unreasonable" import restriction may be as trade-distorting as an "unjustifiable" or illegal one. For example, if a country imposed a tariff of 500 percent on an article which was not the subject of a GATT binding; that would be technically "legal" even though highly unreasonable. Under section 252, the President could withdraw tariff concessions in the face of unreasonable import restrictions but "having due regard for the international obligations of the United States ". Section 301 requires the President to consider the relationship of actions thereunder to the international obligations of the United States but this requirement is not a limitation on the President's legal authority.

Except in the case of restrictions on U.S. agricultural exports, the President's retaliatory authority was limited to the withdrawal of tariff concessions, i.e. to increase tariffs to the statutory (column 2) rates. In many cases, these rates are very low. Moreover, situations might arise in which the use of quotas rather than tariff increases would be appropriate. Therefore, section 301 permits the President to impose duties or other import restrictions, without regard to the column 2 rates, whether the import restrictions are "unjustifiable" or "unreasonable" and whether they are imposed on agricultural or on non-agricultural products. However, this authority is discretionary, rather than mandatory.

Finally, section 301 provides that the President's action may be taken on a most-favored-nation basis or only against the offending country. Section 252 is not explicit on this issue and, indeed, the withdrawal of concessions on an MFN basis in the so-called Chicken War resulted in prolonged and complicated litigation. Although Article XXIII of the GATT contemplates that retaliation be taken on a selective basis, cases may arise where it is appropriate to raise tariffs on an MFN basis, as for example under GATT Article XXVIII.

U.S. EFFORTS TO SECURE IMPROVED INTERNATIONAL RULES ON SUBSIDIES

The GATT provides three basic obligations with respect to subsidies. First, a contracting party must notify the GATT of any subsidies (domestic or export) that operate directly or indirectly to increase exports or to reduce imports, and agree to consult on them. Second, contracting parties must not grant export subsidies on primary products that would result in more than an equitable share of world export trade for the subsidizing country. Third, contracting parties must cease export subsidies on any nonprimary product where the subsidies result in export sales at prices lower than those in the domestic market, that is, if they result in dual pricing. The first two obligations apply to all contracting parties; the third applies only to seventeen developed countries, including the United States, that in 1960 signed a declaration relating to this obligation.*

The United States has expressed dissatisfaction with these provisions. In the first place, the United States wants more comparable treatment between primary (mostly agricultural) and nonprimary (mostly industrial) products, particularly since some of the principal subsidy problems relate to agriculture. Secondly, the ban on export subsidies on nonprimary products contains no definition of what constitutes an export subsidy. There is only an illustrative list of practices (attached). Furthermore, this ban applies only when the subsidy results in dual pricing. However, subsidies can stimulate exports through increased advertising, larger sales commissions, and similar means other than lower prices.

In the GATT working group on subsidies and countervailing duties the United States is trying to tighten up the present rules. As a first step the United States has proposed that an attempt be made to define what constitutes an export subsidy and perhaps supplement this definition by a list of banned practices. The key issue is how far the United States and other countries are willing to go in limiting subsidies -- export subsidies, domestic subsidies that stimulate exports, and domestic subsidies that result in import substitution.

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*The seventeen 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.

The problem of foreign subsidies involves both U.S. imports and U.S. exports. Subsidized exports to the U.S. market can be countervailed against. However, there is no adequate remedy under the GATT or under U.S. law to deal with subsidized products competing with U.S. exports in third countries. Under the present GATT rules, an exporting country injured by such subsidization can request the recipient of subsidized products to impose a countervailing duty. However, this country may have no interest in imposing such a duty on its imports. Consequently, the injured exporting country may have to resort to competitive subsidization, as the United States was once forced to do in exporting chickens to Switzerland. Another possible remedy is retaliation under Article XXIII of the GATT. The United States has recently initiated an Article XXIII action against Italy with respect to export subsidies on steel products. Section 301 of the proposed Trade Reform Act of 1973 would, inter alia, explicitly authorize such retaliation.

Practices "Generally" Considered as Subsidies by the Governments Accepting the 1960 Declaration

1. Currency retention schemes or any similar practices which involve a bonus on exports or re-exports;

2. The provision by governments of direct subsidies to exporters;

3. The remission, calculated in relation to exports, of direct taxes or social welfare charges on industrial or commercial enterprises;

4. The exemption, in respect of exported goods, of charges or taxes, other than charges in connection with importation or indirect taxes levied at one or several stages on the same goods if sold for internal consumption; or the payment, in respect of exported goods, of amounts exceeding those effectively levied at one or several stages on these goods in the form of indirect taxes or of charges in connection with importation or in both forms;

5. In respect of deliveries by governments or governmental agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices;

6. In respect of government export credit guarantees, the charging of premiums at rates which are manifestly inadequate to cover the long-term operating costs and losses of the credit insurance institutions;

7. The grant by governments (or special institutions controlled by governments) of export credits at rates below those which they have to pay in order to obtain the funds so employed;

8. The government bearing all or part of the costs incurred by exporters in obtaining credit.

SELECTED CONCEPTS AND PROBLEMS IN THE GATT

THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

I. What Is It?

The GATT is a multilateral trade agreement embodying reciprocal rights and obligations. The principle elements of the Agreement are a code of international trade law, machinery for settling trade disputes, a framework for negotiating the reduction of tariffs and other trade barriers, and a structure for incorporating in a legal instrument the agreements reached.

A key principle of the GATT code is that trade should be conducted on a nondiscriminatory basis. A second basic principle is that protection for domestic industries shall be provided only through customs duties. While quotas may be employed for other specified purposes, mainly related to correcting balance of payments problems, there are strict rules governing their use. The third principle, reflected in many provisions of the Agreement, is the concept of consultation to resolve differences among contracting parties. Annex A contains a brief outline of the provisions of GATT.

II. The Establishment of the GATT

The International Monetary Fund and the International Bank for Reconstruction and Development were established at the Bretton Woods Conference in 1944. At this Conference it was recognized that "complete attainment of...the purposes and objectives...cannot be achieved through the instrumentality of the Fund alone" and the Conference recommended that governments seek to reach agreement on ways and means to "reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations."

The U.S. Government had already been working on a proposal for an "International Trade Organization" (ITO) and, in 1945, it published a draft proposal for such an organization. Early in 1946, at the first meeting of the United Nations Economic and Social Council, the United States introduced a resolution calling for the convening of a "United Nations Conference on Trade and Employment", for the purpose of drafting a charter for an international trade organization and also to pursue negotiations for reductions in worldwide tariffs. The United States then published a "Suggested Charter for an International Trade Organization of the United Nations" and it was this draft that formed the basis for negotiations leading to the "Havana Charter" in 1948.

Four multilateral preparatory conferences were held in 1946 through 1948 to draft the ITO Charter and the GATT. The ITO Charter was to be the basis of a full United Nations conference on trade and employment. The theory of GATT was that it would be a specific trade agreement within the broader

institutional context of the ITO Charter. The United States was concerned to confine GATT within these limitations because it intended to accept GATT under authority of the Trade Agreements Act (which only authorized the President to enter into foreign trade agreements), and then to submit the ITO Charter to the Congress at some appropriate time in the future. Consequently, the GATT was drafted as a trade agreement and was originally designed to include only those clauses that were usually embodied in trade agreements and which were necessary to protect the value of tariff concessions.

Thus, the preparatory conferences consisted of two simultaneous but separate endeavors, namely, the drafting of the ITO Charter, and the multilateral trade negotiations which were to be accomplished by the "General Agreement", much of which would be drawn from the ITO Charter provisions on commercial policy. The provisions of the Charter and of the GATT drew heavily upon the then current principles and objectives of U.S. commercial policy.

There was widespread domestic support for trade negotiations in 1947 since the United States was then in a position to export substantial quantities of goods. It was also recognized that postwar economic difficulties in most of the other countries of the world raised the spectre of an international trading system characterized by high tariffs and nontariff barriers to imports and discriminatory arrangements similar to those which distorted trade in the 1930's. The United States, therefore, took the initiative in promoting the 1947 negotiations.

After six months of negotiations, the results were incorporated in the General Agreement on Tariffs and Trade, which became effective January 1, 1948. The tariff concessions exchanged covered two-thirds of the trade among the participants. In each case the concessions were generalized to apply to imports from all contracting parties, subject to safeguards under certain general provisions designed to prevent their nullification and impairment by other forms of restriction or discrimination.

Many of the GATT provisions, however, were tied to the outcome of the Havana Conference on the ITO Charter. At the First and Second Sessions of the Contracting Parties of GATT (CP's) in 1948, a number of the changes made in the ITO Charter were carried into the GATT. Additional changes in GATT were agreed at the second and third major rounds of tariff negotiations in 1949 (Annecy, France) and in 1950 (Torquay, England).

The Havana Conference ended in the spring of 1948 but it was not until 1950 that Congress began to hold hearings on the ITO Charter. Opponents of the ITO waged a strong campaign with Congress, and in December of 1950 the Executive Branch announced

that it would not resubmit the ITO Charter to Congress for approval.

The failure of the ITO Charter had major implications for GATT, since the GATT was drafted with the assumption that the ITO would materialize. Within the next few years it became apparent to the contracting parties that it would be necessary to revise GATT in the light of its new role.

At the Ninth Session of the Contracting Parties (1954-55) a large number of proposals were made to clarify or strengthen various provisions of the GATT, some of which reflected changes made in the ITO Charter in 1948 but which had not previously been brought into the GATT. Amendments to the Agreement were incorporated in four protocols, only one of which received the acceptances required for its entry into force. In other cases, proposals took the form of explanatory notes added in an annex to the Agreement. Additionally, a charter was drafted for a limited organization to be known as the "Organization for Trade Cooperation (OTC)". The OTC Agreement required Congressional approval and there was major opposition to it when it was submitted to Congress in 1956. The Administration eventually also withdrew the proposal.

Since the GATT was conceived as an interim arrangement pending the establishment of the ITO, it originally entered into force under a Protocol of Provisional Application. This still constitutes the legal underpinning for the application of GATT a quarter of a century later. A key feature of that protocol is a "grandfather" provision allowing contracting parties to maintain trade measures inconsistent with the Agreement if such measures were mandatory under laws in effect when the country became a contracting party. This provision, which was expected to be in force for only a transitional period, still permits countries to maintain many barriers which would otherwise be illegal. It has particularly hampered progress on agricultural problems and industrial nontariff barriers.

III. Background on GATT Operations and Major Current Issues

Relatively few of the problems which the international trading community now faces were not foreseen by the framers of the ITO and GATT, although the relative importance and urgency attached to various issues has changed as conditions in the world economy and relations among the contracting parties have altered during the 24 years GATT has been in force. Thus, the emphasis in GATT operations during the first half of this period was significantly different than that which developed during the 1960's and which is reflected in the current program of GATT activities.

A. GATT Operations Before 1960

The first period, ending about 1959, was characterized by a heavy concentration of effort on the reduction of tariffs

and elimination of quantitative restrictions (QR's). Four of the six general rounds of negotiations that have taken place were completed in this period and plans for the fifth were well underway. Progress in this area was clearly substantial.

Efforts within GATT also resulted by 1960 in the dismantling of most of the extensive network of QR's on industrial products imposed in the wake of World War II. Many of the key member countries in this first decade were in the process of reconstructing their economies from the dislocations of World War II and suffered from serious balance of payments problems which permitted them, under GATT Article XII and XIV, to maintain a number of QR's. While the use of these quotas was kept under detailed review, their elimination on a major scale was not feasible prior to the widespread move toward convertibility of the European currencies in the late 1950's. At this time most European QR's on industrial products were eliminated, although a few were retained illegally into the 1960's. However, progress was more limited on QR's covering agricultural products.

While an economic justification and legal "cover" for QR's existed, relatively little emphasis was given by the Contracting Parties during this period to liberalization of other nontariff barriers. This resulted in part because the latter measures were generally less visible than tariffs or QR's and generally they restricted a relatively smaller portion of trade. Additionally, a number of nontariff barriers were permitted under the grandfather clause in the Protocol of Provisional Application. There were, however, a number of consultations between two or more contracting parties on particular measures or practices.

While many of the rules dealing with nontariff barriers, as well as the permissable exceptions and conditions for their use, were tightened during the Ninth Session in 1954-55, the area of agreement that could be reached was not sufficient to remove a number of the ambiguities and loopholes and, except for subsidies on industrial products, no further concerted attack on most of these problems was launched until they arose during the Kennedy Round.

While agricultural trade problems received some attention in the early period of GATT, it was recognized from the start that for political and social as well as economic reasons in most if not all countries, this sector would require special treatment. Although tariffs were reduced or bound on a number of agricultural products during earlier negotiations, the scope of activity dealing with other measures that restricted or distorted agricultural trade was limited and progress negligible. Part of the explanation lies in the fact that quotas were the most common type of nontariff protection and, as previously noted, many countries could invoke balance of payments justifications to impose such measures during the 1950's. In other

cases, quotas were justified because the country restricted domestic production or marketing of the product.

Some of the agricultural measures of greatest concern to the United States today were less commonly used, e.g., the variable levy, and became major problems with the implementation of the Common Agricultural Policy by the European Economic Community (EEC) 1/. Another factor which significantly discouraged more vigorous efforts toward liberalization in the agricultural sector was the resentment and resistence generated after 1955 when the United States obtained an open-end waiver releasing it from a number of GATT obligations with respect to trade in products covered by Section 22 of the Agricultural Adjustment Act of 1933, as amended. This waiver remains a sore point in our relations with GATT members and severely limited our ability to achieve elimination of agricultural restrictions by others.

B. Operations in the 1960's

The principal elements behind the change in emphasis in GATT operations from the latter 1950's to the present were the formation of several large trading blocs, most importantly the EEC; the expansion of GATT membership from 37 in 1959 to its present 80, largely through the accession of developing countries; and the growing visibility and relative importance of nontariff barriers as tariffs were progressively reduced

While the effects were complex and far reaching, some of the more significant manifestations affecting GATT were (1) agricultural trade problems were intensified by the EEC practices under the Common Agricultural Policy; (2) creation of trade blocs led to an erosion of the most-favored-nation (MFN) principle which was further impaired by a proliferation of special preferential arrangements inconsistent with GATT; (3) issues of particular interest to developing countries -- often invoking proposals for special treatment -- received increasing attention as many such countries acceded; developing countries, in fact, became a majority of the contracting parties during the 1960's; and (4) Kennedy Round negotiations, while largely unsuccessful in liberalizing nontariff barriers, focused attention on the wide range of such barriers, their effect on the value of tariff concessions, and the necessity prior to or during the next round of trade negotiations of developing more adequate GATT rules and new negotiating techniques.

1/ The EEC, established in 1958 under the Treaty of Rome, is that part of the European Communities organization which has competence in the field of trade and commercial policy. Customs duties have been eliminated on trade with member countries and a common external tariff is applied to imports from other sources. In addition to trade, the EEC deals with various other aspects of economic integration.

These factors, reinforced by various others including political objectives, combined to bring into bolder relief the weakness of the GATT powers with respect to compliance and/or enforcement. This weakness was generally recognized from the earliest days but had been obscured during most of the 1950's when it generally proved possible to reach a consensus permitting progress on the most pressing issues, other than agricultural problems, and when contracting parties typically sought waivers to cover important actions breaching their GATT obligations.

C. Major Problems in GATT

1. Agricultural Trade

The major trading nations differ in the degree to which they conduct or regulate the production and distribution of goods. However, all of them intervene in the agricultural sector. State trading, production controls, price supports, QR's, subsidies and other governmental measures are often applied to agriculture, but (in Western market economies) they are less prevalent in the industrial sector.

The Havana Charter contained many provisions relating to primary products, including provisions providing for international commodity agreements. Since the GATT was drawn up mainly to safeguard tariff concessions, it did not strike at the heart of the problem of trade in agricultural products, which has never been primarily a tariff matter. Although the Contracting Parties have tried to overcome the deficiencies stemming from the failure of the ITO to come into existence, major problems still remain to be solved.

Secondly, the GATT Protocol of Provisional Application has hampered progress in agricultural trade. Under the grandfather clause of this protocol, governments have been able to continue a great many restrictions applicable to trade in agriculture in 1947 without violating the GATT.

Thirdly, certain GATT provisions are less vigorous with respect to primary products than those applicable to industrial products. For example, export subsidies on manufactured products are forbidden; contracting parties may apply export subsidies to agricultural commodities, however, so long as this does not result in their taking more than an equitable share of the world market for the commodity. Again, the GATT prohibition on quantitative import restrictions does not apply to restrictions that are necessary to the enforcement of governmental programs of agricultural production or marketing control.

Fourth, rounds of trade negotiations in the GATT have related almost exclusively to the reciprocal exchange of tariff concessions. Even in this area it has been relatively difficult

to obtain from industrialized countries reciprocal commitments for the lowering of tariffs on temperate-zone agricultural products -- and even where tariff commitments apply, they may be frustrated by nontariff measures.

The EEC, for example, has not undertaken tariff commitments on most grains, meats, and dairy products; in 1955, as noted above, the United States obtained a waiver permitting it to apply those restrictions required by Section 22 of the Agricultural Adjustment Act.

In sum, the GATT fails to deal satisfactorily with agricultural problems because:

a. In most countries agriculture is regulated and supported by governmental measures to a greater degree than is industry, and these measures distort agricultural trade;

b. The GATT does not contain the provisions of the ITO Charter related to commodity trade, since the GATT was drawn up primarily to preserve the benefits of reciprocal tariff concessions pending acceptance of the ITO Charter.

c. The GATT is administered provisionally and does not apply to mandatory legislation pre-dating 1947;

d. Certain provisions of GATT (e.g., those relating to export subsidies) allow greater freedom for agricultural than for industrial nontariff measures.

e. Trade negotiations in GATT have related almost entirely to the exchange of tariff concessions;

f. Many countries have refrained from giving tariff concessions on temperate-zone agricultural commodities and have often felt it necessary to apply nontariff measures to trade in such commodities even when these items have been subject to tariff concessions.

The process of world industrialization has tended to draw people from the land to the cities, while at the same time scientific advances have enabled rapid increases in agricultural output per man hour of rural employment. These two developments have not had uniform impacts in all countries. In each country, however, there are strong domestic political positions relating to the best way to cope with the problems of industrialization, land use, and income distribution. Each country has its own program for dealing with these matters -- and each such program has effects on foreign agricultural trade. No country is willing completely to subordinate its domestic agricultural policy to foreign trade considerations. Such considerations, in turn, provide a basic reason why international agreement has not been reached for the suppression of tariff and nontariff obstacles to trade in agricultural products.

Even so, it is worth noting that the GATT has not failed entirely in the agricultural field. For example, in pre-Kennedy Round negotiations the United States obtained valuable tariff concessions and bindings on canned fruits, "variety meats", industrial tallow and tobacco. Also, duty free bindings for cotton, soybeans as well as soybean oil cake and meal, and duty bindings for canned fruits and vegetables were obtained from the EEC in 1960-62. The Kennedy Round brought agreement on a World Grains Arrangement and agricultural concessions covering nearly $870 million of 1964 foreign imports of agricultural products from the United States. Kennedy Round tariff concessions covered 75 percent of dutiable agricultural imports from the United States by Japan, 50 percent by Canada, 49 percent by the EEC and 28 percent by the United Kingdom.

2. Preferential Trading Arrangements

The General Agreement requires that "any advantage, favour, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties." Two articles in the General Agreement allow important exceptions to this MFN principle. These are Article XXIV, providing for the establishment of customs unions or free-trade areas, and Article XXV:5, providing that "In exceptional circumstances not elsewhere provided for in this Agreement, the CONTRACTING PARTIES may waive an obligation imposed upon a contracting party by this Agreement." Exceptions granted under Article XXV require a two-thirds majority vote before the exception can be granted; whereas, Article XXIV agreements require a negative finding before the parties are prohibited from maintaining them or putting them into force.

Prior to the late 1950's, most exceptions were sought under Article XXV. In 1956 the European Free Trade Association (EFTA) was notified to GATT as a free-trade area within the meaning of GATT Article XXIV, and in 1957 the EEC was notified as a customs union under Article XXIV. The GATT Working Parties examining these agreements reached no agreement as to whether or not these associations were in accord with GATT Article XXIV. The absence of a negative vote thus resulted in a de facto acceptance of the associations. The EEC entered into force in 1957 and EFTA in 1960. In the Western Hemisphere the Latin American Free Trade Association was formed and notified under Article XXIV in 1960. GATT again had no recommendations and the Agreement entered into force in 1961.

The majority of the post-1960 agreements notified to GATT have been interim agreements presented under Article XXIV and have been between the EEC and other countries. The first EEC agreement was with Greece and the next two were with countries in the Caribbean and Africa that formerly had been associated

with certain of the EEC countries. The agreement with Greece was justified as an economic necessity as well as a political responsibility for the Community. The other two were justified as evolving from historic ties between some countries and certain EEC member states. However, the completion of these agreements led to others: (1) for the sake of equity in the case of other African countries and Turkey, and (2) to maintain the economic and commercial equilibrium among nations in the Mediterranean Basin. The maintenance of economic and commercial equilibrium also is being put forward as the reason for needing a free trade area with the six EFTA countries not applying for full membership in the Community.

The United States often has made clear its opposition to preferential trading arrangements not meeting the requirements of Article XXIV, but it has thus far stopped short of pressing for a formal GATT finding on the legality of some of the individual agreements in part because of political and military considerations. However, it has sought various changes in the arrangements and in all cases is on record as reserving all U.S. rights under the GATT.

Although legal authorities have noted the extreme ambiguity of the GATT provisions covering customs unions and free trade areas, there is little question that some of the arrangements notified fall short of the requirements of Article XXIV. It is nevertheless unlikely that, if pressed to a decision, the Contracting Parties would make a negative finding on any of the agreements since a majority are parties to one or more regional arrangements involving preferences. Moreover, one provision of Article XXIV would allow approval, by a two-thirds majority, of proposals which do not fully comply provided the proposals lead to the formation of a customs union or free trade area in the sense of the articles; no time limit is specified.

In 1970, the EEC concluded agreements with Spain and Israel and now is negotiating with four EFTA members for the enlargement of the EEC and with the other six members of EFTA for industrial free trade agreements. Faced with a large number of previous agreements and with the prospect of at least six new preferential agreements which could have a substantial effect on third-country trade, the United States notified the EEC, Spain, and Israel in the fall of 1971 that it would seek consultations under the GATT provision for dealing with nullification or impairment of benefits.

The Executive Branch is now examining what steps to take to preserve the rights of its traders. Meanwhile, as a result of a U.S. initiative, GATT recently also undertook a study of trade conducted under MFN and non-MFN tariff rates. The report is due by June 1972. The Council then will examine the results and implications, both for world trade and for the GATT system, of the proliferation of special and preferential trading arrangements.

3. Nontariff Barriers

As already indicated, trade negotiations in the GATT have primarily concerned tariffs. The 1947 GATT agreement did establish international rules on a number of nontariff barriers. Also, nontariff barriers were taken into account in evaluating the benefits to be gained from concessions in tariff negotiations. However, partly because of the height of postwar tariffs, it was not regarded as essential to deal directly with nontariff barriers in trade negotiations. Furthermore, because of their heterogeneous nature, negotiations on nontariff barriers are more complex and, because they are often imbedded in long-standing domestic legislation, it is more difficult to implement any negotiated agreements.

As tariffs were reduced, nontariff measures became relatively more important barriers to trade. During the Kennedy Round some countries conditioned their tariff cuts on other countries' actions on nontariff barriers. For example, the EEC, the United Kingdom, and Switzerland linked their tariff cuts on chemicals to U.S. action on the American selling price basis of customs valuation. After the Kennedy Round, increasing attention was paid to nontariff barriers partly because it was feared that in order to compensate domestic producers for loss of tariff protection new nontariff measures might be introduced or old ones might be rigorously applied.

The elimination or reduction of nontariff barriers is an important part of the GATT Work Program which was initiated at the end of the Kennedy Round. On the basis of countries' notifications, an inventory of more than 800 nontariff barriers was compiled and examined by the Committee on Trade in Industrial Products established in 1968 to handle the nontariff barrier part of the Work Program. The next stage of work was a search for possible solutions for the major barriers. For this purpose five working groups were established to consider the nontariff barrier categories into which the notifications had been grouped: (1) government participation in trade (e.g., state trading and subsidies); (2) customs and administrative procedures; (3) standards (product, health, and safety); (4) specific limitations on imports and exports (e.g. QR's); and (5) restraints by the price mechanism (e.g., import deposits). In these groups various solutions to these heterogeneous problems have been proposed and discussed.

On the basis of GATT work thus far, nontariff barriers can be classified according to the adequacy of GATT rules relating to them. The following four categories are relevant: (1) nontariff barriers where GATT rules are adequate but are violated; (2) nontariff barriers where GATT rules are not adequate; (3) nontariff barriers where no GATT rules exist, and (4) nontariff barriers of a bilateral nature.

Adequate rules. Some nontariff barriers are maintained even though the GATT rules prohibiting them are clear and are generally recognized as equitable. A prime example of such a restriction is import quotas maintained by Japan after their justification for balance of payments reasons no longer exists. However, not all restrictions that conflict with GATT rules are illegal. Although some nontariff barriers violate GATT rules, they are technically legal under the Protocol of Provisional Application or other accession protocols or under waivers of GATT obligations that have been granted by the Contracting Parties. The United States maintains a number of such legal but inconsistent restrictions -- "Final List" customs valuation practices, for example. Other countries also maintain such restrictions but usually not to the same extent.

Inadequate rules. GATT rules on nontariff barriers may be inadequate because countries interpret them differently, because they are not detailed enough to provide for acceptable implementation, or simply because they are not good rules. An example of differing interpretations is the U.S. contention that TV screen quotas are not permitted under Article IV as are motion picture screen quotas. However, the United Kingdom and some other countries have maintained that TV screen quotas are permitted under Article IV and are not specifically mentioned only because recorded TV programs were not of trade importance when the GATT was negotiated in 1947.

The ban on the use of export subsidies for non-primary products is an example of the lack of specificity of GATT rules. Because there is no clear or complete definition of what constitutes an export subsidy, this ban is not effective in some instances.

Some GATT rules are either impracticable or economically unsound. In the case of third country export subsidization, for example, the GATT remedy is for the injured exporting country to ask the importing third country to impose countervailing duties on the products of the export-subsidizing country. In such cases, the importing country is the beneficiary of the subsidization and, therefore, may be very reluctant to impose countervailing duties. In fact, this provision has been inoperative.

No GATT rules. Some nontariff barriers are not subject to GATT rules. This is particularly true of new restrictions that have emerged from changed conditions and technological developments. Recent European efforts toward the international harmonization and certification of product standards is a case in point. However, some restrictions of long standing, such as preferences to domestic producers in government procurement, are subject to few or no GATT rules.

Bilateral nontariff barriers. Some nontariff barriers are exclusively or primarily bilateral matters that are of too limited interest to require new or revised international rules.

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A number of U.S.-Canadian problems fall into this category -- Canadian restrictions on imports of used automobiles, for example, which, while applying to used automobiles from all countries, in effect only restrict U.S. exports.

During the postwar period, QR's were the most important nontariff barriers on industrial products. However, developed countries have eliminated virtually all such restrictions on industrial products except for japan, and the Japanese light of quotas has been reduced to a relatively few items of interest to the United States. Furthermore, the so-called "automatic" licensing systems maintained by Japan and some European countries are the subject of priority attention in the GATT nontariff barrier work program. The most important or potentially important nontariff barriers maintained by foreign countries today relate to subsidies, government procurement, and standards.

a. Subsidies. The original GATT Agreement (1948) had only a very weak provision requiring contracting parties to (1) report any subsidies they maintained which operated directly or indirectly to increase exports or reduce imports and (2) be willing to discuss the possibility of limiting any such subsidies which seriously prejudiced the interests of other contracting parties.

Some of the original GATT countries wanted strong provisions sharply limiting export subsidies. Agreement could not be reached, however, largely because the United States felt it could not agree to such rules in view of the operation of its farm programs and the probable adverse Congressional reaction to export subsidy limitations.

In 1955, with U.S. support, additional GATT provisions dealing explicitly with export subsidies were negotiated. Under these new provisions, each contracting party agreed that if it granted, directly or indirectly, any form of subsidy that operated to increase exports of any primary product from its territory, such subsidy would not be applied in a manner which resulted in that contracting party having more than an "equitable share" of world export trade in that product. The new provisions also required the elimination, as from January 1, 1958 or the earliest practicable date thereafter, of all export subsidies on nonprimary products which resulted in sales for export at prices lower than comparable prices charged for like products to buyers in the domestic market.

The new GATT export subsidy provisions relating to primary products went into effect on October 7, 1957. Those relating to nonprimary products, however, did not become effective until November 14, 1962 and then only for the developed countries in GATT.

Despite this improvement in international trade rules, subsidies continue to represent an important source of trade distortion. The most important export subsidies are in agricultural trade which is not covered by the new GATT export subsidy ban. Major countries continue, however, to apply some measure affecting industrial trade that appear to result in significant indirect export subsidization. In addition, there is growing concern regarding the incidental effects on trade of purely domestic subsidies and other government assistance to industry.

It should be noted that negotiations on rules covering subsidies have until recently been heavily influenced by the situation in the United States. In the early postwar period, the United States was the major export subsidizing country and U.S. resistance prevented effective rules from being adopted. Since U.S. subsidies were concentrated in the agricultural sector, however, it was possible in the mid-1950's to negotiate fairly strong limitations on nonprimary product subsidies, while leaving the primary product area with very weak rules to take care of U.S. and, by then, some other developed countries' problems.

During the 1960's, U.S. subsidies on the export of agricultural goods became relatively less important while those of other developed countries -- particularly the EEC -- increased in importance. New rules will now be very difficult to negotiate because they will require fundamental changes in policies and practices of a number of major countries.

The most detrimental export subsidies to U.S. trade are those employed by the EEC and Denmark on certain agricultural commodities. The EEC spent $1.11 billion in 1970 to support agricultural exports valued at $1.9 billion. The level of EEC expenditure for subsidies has more than doubled since 1966. Those commodities receiving the heaviest subsidization have been wheat and barley, milk and cheese and canned hams. Danish subsidization of agricultural exports is second only to the EEC in its importance to U.S. trade. Subsidies granted on exports of poultry, butter and canned hams are most significant. Subsidization of cheese exports by Switzerland has also disturbed U.S. farm interests.

The degree of current U.S. subsidization of agricultural exports is relatively small. The largest payments are made for the export of wheat grain, in accordance with terms and obligations of the International Wheat Agreement. Subsidies are also granted for exports of rice, unmanufactured tobacco, and lard. The total value of U.S. export payments was $148 million in 1970. More significant from the viewpoint of our trading partners, however, are PL-480 shipments of farm commodities to the less developed countries under the Food for Peace program. PL-480 shipments of wheat, rice, and vegetable

oils were valued at approximately $958 million in 1970. Canada and Australia have been particularly critical of the effect of this program on their exports to the less developed countries.

Since the developed countries (excluding South Africa and Australia) put into effect the GATT provision banning export subsidies on nonprimary goods, government "aid" to exporters of industrial commodities had been largely indirect. Liberal tax deductions for expenditures associated with developing overseas markets and the availability of export financing at concessionary rates through government-controlled financial institutions are the methods most frequently employed to boost export sales. The United States has only recently decided to provide an incentive of its own to exporters through the mechanism of the Domestic International Sales Corporation (DISC). More direct means of export subsidization currently utilized by developed countries include rebates of direct taxes for increased export earnings (Australia) and the rebate of indirect taxes at a rate which usually results in a rebate substantially more than the amount of charges previously paid by the exporter (Italy).

The relationship of domestic subsidization to international trade has not been clearly determined, but instances of public grants for the establishment of export-oriented firms (Michelin Tire Co. in Canada) certainly have the objective of improving a country's balance of trade through government aid.

b. Government procurement. GATT Article III provides that imported products shall not be treated less favorably than domestic products with regard to internal taxation or regulation. This obligation does not apply, however, to purchases of goods by governments for governmental use.

When the GATT was negotiated in 1947, the United States wanted the "national treatment" obligation to apply to government procurement (except for national defense). The Contracting Parties decided, however, that an attempt to reach agreement on such a commitment would lead to exceptions almost as broad as the commitment itself.

The lack of agreed international rules in this field, and the restrictive practices employed by governments, is an important nontariff barrier. Liberalization of government procurement practices is especially important to the United States since public ownership and control of production is far more extensive in other major countries than in the United States.

Several years ago, partly because of the lack of GATT rules, a complaint was made in the Organization for Economic Cooperation and Development (OECD) against U.S. "Buy American" practice. Consideration of this complaint subsequently led to

the current attempt in the OECD to develop an international code on government procurement. A major objective of other countries is to obtain the elimination of margins of preference accorded domestic producers in the United States on government contracts. The major U.S. objective is to obtain agreement on open procedures that would eliminate administrative controls through which most other countries give effect to their buy-national policies. Another problem to be resolved is the extent to which new rules would apply to state and local government purchases and those of quasi-governmental bodies.

c. Standards. The EEC is in the process of harmonizing product standards among the member states. In addition, harmonization and certification agreements are planned for a score of products by the nominally-private standards organizations in EEC and EFTA countries.

The harmonization of product standards in Europe can facilitate trade. It is much easier to export to a single multicountry market than to the present different European markets provided the harmonized standards are not designed to hamper trade. Similarly, certification agreements under which countries agree to accept each other's products without further testing, can also facilitate trade provided they are not exclusive arrangements.

U.S. interest in this question was spurred by the potential trade effects of an exclusive European arrangement for the harmonization and certification of electronic components. This arrangement among the members of the European Electrical Standards Coordinating Committee (CENEL) is the subject of a U.S. complaint in the GATT.

The GATT has no rules that relate specifically to standards. In fact, since the GATT is an agreement among governments, the whole field of voluntary standards and of certification agreements among private national standards bodies is outside the GATT framework. Consequently, the best that could be done with respect to the CENEL agreement on electronic components was to obtain a commitment from the governments of the CENEL countries to use their best efforts to persuade their national standards bodies to permit U.S. industry participation. Such a commitment was obtained at a meeting in London in June 1971.

Legislation has been introduced in the House (H.R. 8111) and the Senate (S. 1798) to facilitate the participation by U.S. industries in the CENEL electronic components agreement and in similar future arrangements in other products. Hearings in both the House and the Senate have been completed but no further action has been taken. If U.S. industry is to

take advantage of the opportunity to participate in international harmonization and certification arrangements, this legislation should be enacted in the near future.

Standards is one of the subjects chosen for priority attention in the GATT nontariff barrier work program, not only because of its importance, but because it appeared that concrete results might be possible here as compared with other areas. All countries have an interest in this question and, in large part, work on standards deals with potential trade barriers rather than with rollbacks of existing restrictions, which are often deeply imbedded in long-standing legislation or regulations.

Since early 1971 GATT work on standards has focused on the drafting of a code that would ensure that standards are used to facilitate, rather than to hamper, international trade. This code would deal with both government and private actions in this field. From the U.S. viewpoint, an essential part of such a code is that regional harmonization and certification agreements should be open to all parties willing and able to participate in them.

Although the EEC has held back in the drafting of a GATT code, it appears that both the EEC and the United Kingdom are interested in the conclusion of a standards agreement. However, they may not want a code concluded in the near future. The EEC product directive program for the harmonization and certification of standards is behind schedule and, therefore, the EEC may prefer that any international agreement be deferred. Furthermore, the activities of the private European standards organizations are just beginning to spread to products other than electronic components.

4. Border Tax Adjustments

GATT rules permit countries to apply to imports taxes equivalent to internal indirect taxes (e.g., excise and other consumption taxes) and to relieve exports of such taxes. The rules do not permit similar "border adjustments" for direct taxes (e.g., income or profits taxes).

These rules were proposed by the United States at the time the GATT was negotiated and reflected long standing practices of the United States and other major trading countries. During the 1960's, however, the United States began to challenge the fairness of these rules. U.S. concern stemmed from its own balance of payments difficulties and the possibility that impending major changes in European tax systems (particularly conversion to and harmonization of taxes-on-value-added) might intensify these difficulties.

In essence, the U.S. argument was that the GATT rules would be trade neutral only on the assumption that indirect

taxes were always fully shifted forward into product prices while direct taxes were never shifted forward. If these assumption did not hold -- and the United States believed they did not -- then, with fixed exchange rates, the application of the GATT rules would give a trade advantage to countries with extensive indirect tax systems. Any increase in indirect taxes or the conversion of direct to indirect taxes in these countries would intensify the advantage.

At the request of the United States, the issue was examined both in the OECD and GATT. Most countries disagreed with the U.S. position, arguing that the implicit tax shifting assumptions of GATT were approximately correct and that in any case it would probably be impossible as a practical matter to devise a better system. No recommendations for rule changes were adopted, but procedures were set up in the OECD and GATT to examine major tax changes as they occurred.

More recently, the matter was examined by President Nixon's Commission on International Trade and Investment Policy. After studying the main options that have been suggested, the Commission expressed its belief that no "realistic alternative to present international trade rules relating to internal taxation can be devised to cope with these problems. Primary reliance must be placed on an improved balance-of-payments adjustment policy". In addition, the Commission recommended that the United States "make maximum use of the reporting and consultation procedures recently established in OECD and GATT in order to explore specific ways of minimizing adverse trade effects of contemplated tax changes."

The recent realignment of exchange rates and reform of the international monetary system should go a long way toward easing the trade problems associated with differences in national tax systems.

IV. "Modernization" of the GATT

Within the past five years the question has often arisen in the United States as to the adequacy of GATT to deal with current trade problems. A comprehensive examination of this subject is currently underway in the Executive Branch.

There is little argument that the Agreement has proven more effective in some areas than others. Nor is there any dispute that some of the rules should be tightened and certain loopholes eliminated. In the case of agricultural trade, particularly, major changes in approach are required. While GATT rules have certainly deterred countries from adopting damaging trade practices in many cases and provide a means of exerting pressure for the early removal of illegal measures in other cases, the increasing number of major infractions in recent years has highlighted the weakness of the provisions dealing with compliance and enforcement.

Even the most severe critics of the GATT have seldom suggested that the Agreement be scrapped; and the stronger supporters recognize the need for some revision. The problem, in realistic terms, is how to obtain the changes the United States considers desirable without losing the benefit of provisions which have proven effective. As the negotiating history confirms, GATT was largely modeled on basic principles of U.S. commercial policy. There is a serious risk that if a completely new agreement were to be negotiated today, some of these principles could be weakened rather than strengthened.

In its present form, most provisions of GATT can be amended by majority vote of the member countries, each of which has one vote. This process proved difficult in the past; it would be even more difficult today, with 80 contracting parties and the majority made up of developing countries. The interest of the latter group is less in strengthening the provisions of concern to the United States than in securing special treatment from developed countries and further exceptions from obligations for developing countries. Moreover, since a large number of the developing countries have or are seeking special trade and aid arrangements with the European Community, they have tended to support the Community in differences with the United States on issues of key importance.

Within GATT, the Work Program now underway is focusing on new approaches to both tariff and nontariff problems. Some progress has already been made and the current monetary and trade discussions among the major powers should give further impetus to both the scope and pace of the work. Not all of the options have yet been fully explored but serious attention is being given to such possibilities as the development of key country agreements, codes covering national practices directly or indirectly affecting foreign trade, clarification of existing rules, and sector negotiations to reduce or eliminate tariffs. As in the past, there has been little progress on new approaches to provide greater access and less distortion of trade patterns in agricultural products. The United States is pressing strongly for a more active program in this area.

While it would be premature to forecast the changes which the Executive Branch may propose in the structure or rules of the GATT, there seems to be widespread support for developing pragmatic new approaches to strengthen and enforce the Agreement rather than for initiating a comprehensive, formal renegotiation of the basic provisions. Problems in this area also involve decisions, still pending, on other basic elements of long term U.S. foreign economic policy, including such non-trade aspects as foreign investment and monetary relations. In solving these interrelated problems, important decisions will also have to be reached with other countries on the appropriate division of responsibility among international bodies and in some cases for closer cooperation among their Secretariats. These matters are all under detailed examination and it is the intention of the Executive Branch to keep the Congress informed as new proposals emerge.

Annex A

The General Agreement in Outline

The General Agreement has 38 Articles. They are briefly described below:

ARTICLE I is the key article guaranteeing most-favored-nation treatment among all members.

ARTICLE II provides for the actual tariff reductions agreed to under GATT: they are listed in annexed Schedules and thus consolidated.

ARTICLE III prohibits internal taxes which discriminate against imports.

ARTICLE IV (cinematograph films), V (freedom of transit), VI (anti-dumping and countervailing duties), VII (customs valuation), VIII (fees and formalities), IX (marks of origin) and X (trade regulations) are the "technical articles", designed to prevent or control possible substitutes for tariffs. (Non-tariff barriers).

ARTICLE XI to XIV deal with quantitative restrictions: XI is the general prohibition of them; XII specifies how they may be used for balance-of-payments reasons; XIII requires that they be used without discrimination, apart from exceptions specified in XIV (see also Article XVIII).

ARTICLE XV concerns GATT co-operation with the International Monetary Fund.

ARTICLE XVI calls for elimination of export subsidies.

ARTICLE XVII requires state-trading enterprises not to discriminate in their foreign trade.

ARTICLE XVIII recognizes that developing countries may need tariff flexibility, and to be able to apply some quantitative restrictions to conserve foreign exchange.

ARTICLE XIX prescribes when emergency action can be taken against imports injuring domestic producers.

ARTICLE XX and XXI specify respectively general and security exceptions to the Agreement (e.g. to protect public health).

ARTICLE XXII deals with consultations, and XXIII with the settlement of disputes.

ARTICLE XXIV regulates how customs unions and free trade areas may constitute exceptions to the most-favored-nation rule.

ARTICLE XXV provides for joint action by the member governments: it is under this Article that waivers are granted.

ARTICLES XXVI to XXXV are rules about the operation of GATT itself. They deal with its acceptance and entry into force (XXVI), withdrawal of tariff concessions from former members (XXVII), rules for tariff negotiations and changes in tariff schedules (XXVIII), the relationship between GATT and the still-born Havana Charter (XXIX), amendment of the Agreement (XXX), withdraw from GATT (XXXI), the definition of "contracting parties" (members) (XXXII), accession to GATT (XXXIII), the annexes to the Agreement (XXXIV), and non-application of the GATT rules between particular members (XXXV).

ARTICLES XXXVI, XXXVII and XXXVIII form Part IV of the Agreement, concerned with the special needs of the developing countries. Article XXXVI sets out GATT's principles and objectives in meeting these needs. Article XXXVII states commitments which members undertake to this end, and Article XXXVIII provides for joint action by them.

SOURCE: Summary by the GATT Secretariat

MOST-FAVORED-NATION TREATMENT

THE MFN PRINCIPLE

The unconditional most-favored-nation (MFN) principle provides that reductions in tariff rates or other trade concessions extended to one country automatically be extended to all other countries entitled to such treatment. It has been the basis for the six rounds of multilateral tariff negotiations that have been conducted under the General Agreement on Tariffs and Trade (GATT).

The MFN principle is the cornerstone of the GATT. It is applied not only to customs duties and other charges, but more broadly to "any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country." MFN provisions in the GATT, for example, apply to movie films, internal mixing requirements, transit of goods, marks of origin, quantitative restrictions, international trade by state enterprises, measures to assist economic development, and measures for goods in short supply.

Traditional acceptance of unconditional MFN stems from several advantages. In principle it promotes economic efficiency by assuring equal market access to foreign suppliers; it eliminates a source of discrimination and contention between governments; it provides a stable basis for trade concessions, reducing export risks; and it aids multilateral trade negotiations by reducing their complexity and by providing assurance that more favorable treatment which might be extended to any country would be extended to all; and it reduces the cost of customs administration by permitting single-duty rates for each tariff donor and eliminates the need for rules of origin determination.

MAJOR EXCEPTIONS TO MFN PRINCIPLE

There are a growing number of preferential trading arrangements that constitute exceptions to the most-favored-nation principle. A recent study has found that the percentage of GATT countries' trade at preferential rates has increased from 10.1 percent in 1955 to 24.3 percent in 1970. Excluding trade in the European Community, the share of trade at preferential rates remained at 8.4 percent, but probably has since increased

as several preferential arrangements between the EC and African and Mediterranean countries have been implemented. Continuation of these trends is in prospect with the EC's enlargement and conclusion of trade agreements with the remaining members of the European Free Trade Association (EFTA).

To the extent that the multilateral trade negotiations lead to reductions in tariff rates and non-tariff barriers they will correspondingly reduce discrimination against third countries in preferential trade arrangements. This would be of particular benefit to the U.S.

U.S. EXCEPTIONS

-- Column 2 Countries: Except for Poland and Yugoslavia, the U.S. levies the generally higher column 2 rates of the tariff schedules rather than MFN rates on imports from certain countries, chiefly Albania, Bulgaria, the People's Republic of China, Czechoslovakia, the German Democratic Republic, Hungary, Romania, Mongolia, and the USSR; the U.S. has placed a virtual embargo on trade with North Viet Nam, North Korea, and Cuba. The Administration is seeking authority for the President to grant MFN authority to these countries on an individual basis when he believes it is in the national interest to do so.

-- U.S.-Canada Auto Agreement: The 1965 U.S.-Canadian Automotive Products Agreement involves elimination of customs duties on trade between the two countries in new vehicles and parts imported for use as original equipment. The U.S. obtained a GATT waiver with respect to this Agreement.

-- Philippines: The Laurel-Langley Agreement between the U.S. and the Philippines, which expires in 1974, provides for reciprocal, periodically declining tariff preferences. It is one of the preferential arrangements in existence when the GATT was framed that are covered in the "grandfather clause" of Article I.

OTHER COUNTRIES' EXCEPTIONS

Customs Unions and Free-Trade Areas:

Article XXIV of the GATT permits customs unions (i.e. with a common external tariff) and free-trade areas that eliminate internal restrictions on trade provided certain conditions are met. The leading customs unions and free trade areas include:

-- The EC, a customs union consisting of the six signatories of the Treaty of Rome in 1957 and now being enlarged with the accession of the UK, Denmark, and Ireland under an interim agreement leading to a customs union. In negotiations on the EC's enlargement that are currently taking place in Geneva, the U.S. is seeking to maintain the benefits obtained in past GATT negotiations for exports of particular products. Where the U.S. cannot maintain these benefits unimpaired, it will seek compensation.

-- EFTA, a free-trade-area arrangement formed in 1960, and now made up of Norway, Sweden, Switzerland, Austria, Portugal, Iceland, and Finland. The UK and Denmark, which are joining the EC, are also still members.

-- The EC-EFTA trade arrangements, i.e. those between the EC and individual EFTA countries that have not applied to join the EC. The U.S. believes they do not conform with GATT requirements, will seek adjustment or compensation where its exports are impaired, and will reserve its GATT rights if this is not forthcoming.

-- Latin American Free Trade Association (LAFTA), an interim agreement leading toward a free-trade area, formed in 1960 and now consisting of eleven South American states.

Other than Customs Unions and Free-Trade Areas:

-- EC Special/Reverse Preferences: The EC has preferential trade agreements which will extend to nearly 80 countries and dependent territories in Europe, Africa, the Near East, and the Caribbean area by 1975. U.S. exports to the EC will face higher import barriers than goods of participating countries. In addition, the reverse preferences obtained by the EC from some of the developing countries participating in such arrangements will disadvantage U.S. exports. The U.S. is endeavoring to eliminate the discriminatory features of special trading arrangements.

-- Preferential Trading Arrangements among Developing Countries: Developing countries have entered into a number of trade arrangements among themselves. The general policy of the U.S. has been that these arrangements should be given careful examination in the GATT to determine in each case whether the potential contribution to economic development in the participating countries so substantially outweighs the possible damage to third countries as to warrant a waiver.

-- Commonwealth Preferences: the British Commonwealth preferences are covered in the "grandfather clause" in the GATT. Those extended by the UK to imports from less developed Commonwealth countries are to be extended by the EC now that the UK has acceded. The UK's preferences for developed countries are to be dropped or, in the case of certain imports from Australia and New Zealand, gradually eliminated. The future status of preferences extended by Commonwealth countries to the UK and to each other has yet to be determined by many of the countries involved.

GENERALIZED PREFERENCES

Sixteen Western industrialized countries are extending preferences to less developed countries. Title VI of the TRA seeks Congressional authorization for the U.S. to implement such a system.

COMPENSATION AUTHORITY

The General Agreement on Tariffs and Trade (GATT) provides that countries entering into tariff commitments with other member countries must maintain the general level of tariff concessions which they have granted in negotiations. Whenever a member country finds it necessary to withdraw a tariff concession it has made, to increase a rate of duty which it has bound against increase, or impose import restrictions, the country taking the action must enter into negotiations with affected member countries to restore the general level of its commitments. This usually requires the granting of new concessions to replace those which are being withdrawn or modified. Generally, such negotiations on compensation are conducted under the provisions of Article XIX regarding emergency actions (the U.S. escape clause falls in this category), or under Article XXVIII which spells out the procedures for the renegotiation of concessions.

If the country withdrawing or modifying a concession fails to offer compensation, or if any of the affected countries consider the compensation offered to be inadequate, the affected country can retaliate by withdrawing concessions of equivalent value from the country taking the initial action. Any disputes on the adequacy of compensation offered are submitted to the membership of the GATT for decision.

Up to June 30, 1967, when the tariff reducing authorities of the Trade Expansion Act expired, the United States always had authority to make compensatory concessions whenever it invoked the escape clause after a Tariff Commission investigation or when it renegotiated concessions under Article XXVIII. From that date until the present, the United States has been unable to make compensatory concessions. However it has been able to avoid retaliation against its exports when it took action under Article XIX and XXVIII for two reasons: (1) A number of escape clause actions taken prior to 1967, for which compensation had been extended, expired and the United States was entitled to be recompensated by the countries it had compensated previously. These credits have been used to offset claims against the United States for the escape clause action taken on pianos and the renegotiation of the U.S. tariff concession on stainless steel flatware; (2) A number of countries have expressed an understanding of the position of the United States and have

indicated their willingness to withhold claims for compensation until the United States obtained compensation authority from the Congress. The escape clause action on certain earthenware and chinaware articles falls in this category.

Because of the necessity of living up to its international obligations and because such obligations continue to exist after a tariff reduction authority expires, the Administration has proposed in section 404 of the trade bill a permanent authority for the President to grant compensatory concessions whenever he finds it necessary to increase duties or impose import restrictions on products subject to international commitments. The authority enables the President to reduce any duty by 50 percent from the existing level and can be used only for the specific purpose of compensation. Duties of 5 percent ad valorem or less (or the ad valorem equivalent thereof) are exempt from the 50 percent limitation. All decreases in duty made under the compensation authority can be staged if it is deemed desirable.

A permanent compensation authority has not been requested before because it was never anticipated that the President would be without tariff reduction authority for a period as long as six years. Hence it was considered unnecessary. Since the authority to compensate is related to any United States action increasing duties or imposing import restrictions, the Administration considers that the orderly conduct of our international trading relations requires that the President have a permanent compensation authority. Such an authority is basically a housekeeping authority to avoid retaliation against U.S. exports when the United States finds it necessary to take trade restrictive actions.

THE GATT APPROPRIATIONS PROBLEM

Problem

The United States adhered to the GATT in 1947 by executive agreement under authority of the Tariff Act of 1930, Section 350, as amended. U.S. participation in the organization has been funded through the Department of State's International Conference and Contingencies Appropriation. Such funding is generally authorized under Title 22, Section 2672, of the U.S. Code, which provides for U.S. participation in international activities for which no provision has been made by treaty, convention or special act of Congress.

How Will the Trade Bill Remedy the Problem?

Section 422 of the Bill authorizes annual appropriations of "such sums as may be necessary for the payment by the U.S. of its share of the expenses of the contracting parties to the Agreement." This provision would place U.S. participation on a normal footing and enable the Department of State to request funds for this purpose under its appropriation for contributions to international organizations.

GATT BUDGET
1969-1973

The GATT budget, which operates on a calendar year basis, is funded by assessed contributions from the contracting parties to the Agreement. These assessments are based on each country's share of world trade.

Year	Total Assessed GATT Budget*	U.S. Assessed Contribution	U.S. Assessment as Percent of Total
1969	$3,375,000	$508,790	15.7%
1970	$3,700,000	$571,440	16.43%
1971	$3,885,000	$632,810	16.33%
1972	$4,738,200	$706,550	15.9%
1973**	$6,601,541	$1,019,938	15.45%

The GATT has a staff of 192 employees, including 85 professional level personnel. Of these, five are American citizens.

*The total assessed budget is slightly less than the total GATT budget. The difference is covered by income from other sources (e.g., sale of GATT publications, etc.).

**In October 1972 the GATT changed the denomination of its budget from U.S. dollars to Swiss francs. The 1973 dollar figures represent the equivalent amount in francs calculated at the official exchange rate prevailing as of March 27, 1973 (one Swiss franc = .3105 dollars).

GATT ARTICLE XXIV NEGOTIATIONS ON EC ENLARGEMENT

On January 1, 1973, the United Kingdom, Denmark, and Ireland acceded to the European Communities. Over a five-year transitional period ending July 1, 1977, these three countries will adopt the Common External Tariff, other trade regulations, and the Common Agricultural Policy of the EC, including the variable levy system.

Article XXIV contains the GATT criteria for the formation (or enlargement) of customs unions. Under Article XXIV:5(a) provisions, an enlarged European customs union would be permitted provided that the duties and other regulations of commerce applicable to third countries are not higher or more restrictive on the whole than the general incidence of these measures in the Six members plus the three acceding countries prior to their accession.

GATT Article XXIV:6 obligates the enlarged EC to negotiate with other contracting parties on all items on which concessions of the United Kingdom, Denmark or Ireland will be modified or withdrawn. Under the applicable Article XXVIII provisions, the United States has the right to negotiate on each concession item being modified or withdrawn which it initially negotiated with one or more of the acceding countries and/or in which it has a principal supplying interest in one or more of the acceding countries. The United States also has the right to consult on concessions which are being modified or withdrawn by the acceding countries in cases where the United States has a substantial trade interest. In addition, the United States retains negotiating rights on grains in the UK schedules and rights which were suspended on certain grains and rice arising from the Dillon Round Article XXIV:6 settlement in 1962 on the schedules of the original Six EC members.

In cases where adoption of the CXT results in the increase of a duty on which the United States has negotiating rights, the United States can claim compensation if the increase in duty of one acceding country is not offset by decreases in the rates of other acceding countries on the same product. While the United States is required to accept "internal compensation," it is not required to accept offers of compensation on other products. If a satisfactory settlement is not reached, the United States can withdraw substantially equivalent concessions.

On March 15, 1973, the United States and the EC began bilateral negotiations in Geneva with respect to U.S. claims for compensation under Article XXIV:6. The EC has taken the position that the concessions they are offering by

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extending the concessions granted by the original Six members to the three acceding countries are greater than any compensation which might result from renegotiations under Article XXIV:6. The United States has stated that it does not agree with this premise, and that it wishes to address in these negotiations the issues of maintaining advantages obtained in past negotiations for exports of particular products and compensation in cases where we cannot retain benefits unimpaired from past negotiations.

Some sectors and individual products in both agriculture and industry clearly will face higher levels of import protection. Grains, tobacco, and citrus fruit on the agricultural side and paper, certain chemicals, business machines, excavating machines and aircraft on the industrial side are examples of products on which the CXT is higher than the rates applying to U.S. exports in one or more of the acceding countries.

EC AGREEMENTS WITH AUSTRIA, ICELAND, PORTUGAL, SWEDEN AND SWITZERLAND

Agreements providing for eventual duty-free trade, primarily in industrial products, between the nine-member European Communities (EC) and Austria, Portugal, Sweden and Switzerland became effective on January 1, 1973. A similar agreement between Iceland and the EC has been signed but not yet fully implemented. Finland and Norway may also implement such arrangements with the EC.

Under the terms of these agreements, tariffs are to be completely eliminated in specified stages on all items traded between these countries and the EC which fall in Chapters 25 to 99 of the Brussels Tariff Nomenclature (mainly industrial products and raw materials). The EC agreements with Austria, Sweden and Switzerland call for the complete removal of all tariff and other barriers on two-way industrial trade by July 1, 1977, except in the case of paper products and several other exceptions, where a longer transition period is specified. Complete duty-free trade in industrial products between the EC and Iceland will not be achieved until 1980, while the Portuguese agreement specifies a transition period extending until 1985.

These agreements do not provide for a common external tariff as in the case of EC enlargement. Instead, the EC and each participating EFTA country will retain their present tariff structures on imports from third countries.

Substantial U.S. trade interests will be affected by these agreements. EC imports of industrial goods from the U.S. totalled $7.7 billion in 1970, while the seven non-applicants imported $1.5 billion in industrial products from the U.S. in that year. Since U.S. exporters will continue to face external tariff rates, while trade between the parties to the agreements will eventually be duty free, an impairment of U.S. exports can be expected, particularly where European products are already competitive with U.S. exports.

In addition to the tariff provisions, the agreements contain a complex system of "rules of origin." These rules are used to determine whether a given product can qualify for "origin" status within the participating countries and is therefore eligible for favorable tariff treatment when exported from one party to the agreements to another. In some cases, these rules could have an inhibiting effect on the export of U.S. parts, components and raw materials, since usage of non-origin components in the manufacturing process of one of the signatories to these agreements could disqualify a finished product from obtaining "origin" status. As a result, the finished product would be subject to the full external tariff on export to another signatory.
The impact of these rules on U.S. commercial interests is presently under study within the U.S. Government and the Trade Information Committee has announced that hearings on the impact of the agreements will be held in mid-May. Industry testimony at these hearings should lead to a more complete understanding of the effects of these complex rules of origin, and assist in determining what future U.S. action may be appropriate.

The EC agreements with Austria, Iceland, Portugal, Sweden and Switzerland will be examined by the GATT beginning in late May of this year. The U.S. has advised the parties to these agreements that it intends to fully protect its commercial interests against impairment, including adverse effects from the new rules of origin.

MOST-FAVORED-NATION TREATMENT FOR NON-MARKET ECONOMY COUNTRIES

· MOST-FAVORED-NATION TARIFF TREATMENT
FOR NON-MARKET ECONOMY COUNTRIES

Objectives of Trade Reform Act

The proposed bill would authorize the President to enter into bilateral commercial arrangements to extend MFN to imports from countries which are now assessed at column 2 rates or to imports from countries which become parties to multilateral trade agreements to which the U.S. is also a party. The authority to extend MFN to non-market economy countries is a fundamental principle involved in the normalization of commercial relationships. The issue of MFN tariff treatment has been and will continue to be directly related to (although not necessarily a quid pro quo) settlement of financial, commercial, and, in some cases, non-commercial issues which would be of direct benefit to the U.S.

Reasonable progress or agreement on settlement of financial issues, such as defaulted dollar bonds or nationalization claims, is often considered a prerequisite to extension of MFN tariff treatment. Commercial issues which have been negotiated simultaneously with MFN include industrial property rights (copyrights, licenses and patents), availability of business facilities for private U.S. firms, market disruption provisions, arbitration procedures for industrial disputes, and an improvement in official commercial representation. Non-commercial issues which may be tied to MFN include consular, cultural and scientific exchanges; improvement in U.S. embassy conditions; visa procedures, etc.

While MFN authority is viewed as a cornerstone of the negotiating process for the normalization of commercial relations and improvement of opportunities for U.S. exporters in Eastern Europe and the USSR, the bill provides for the extension of MFN initially for no more than three years, with renewal permitted provided a satisfactory balance of trade concessions has been maintained. The bill also provides that the President

may for national security or other reasons suspend or withdraw, in whole or in part, the application of MFN treatment.

Present Tariff Treatment of Non-Market Economy Countries

MFN tariff treatment cannot be extended to imports from any of the Communist countries except Poland and Yugoslavia. U.S. imports from Albania, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Romania and the USSR are subject to the high statutory rates of the Smoot-Hawley Act of 1930 and do not benefit from the extensive reductions since negotiated and extended on a non-discriminatory basis to all non-Communist countries. At least among the developed countries, the U.S. is alone in applying this type of differential tariff against Communist countries. The latter generally consider this the outstanding economic issue in their relations with the U.S. Several retaliate by directing their foreign purchases away from U.S. sources or by applying higher duties against U.S. goods.

The effect of denial of MFN varies depending on the nature of the commodities which the particular country ships or could ship to the U.S. The effect on the USSR has been nominal, largely because U.S. imports from there have been primarily raw materials or primary products, on which U.S. tariffs are low or nil and on which MFN concessions have been small or have been limited to bindings. The effect is much greater on countries such as Czechoslovakia, whose traditional exports to the U.S. have had a high component of manufactured goods.

Origins of the Legislative Prohibition on MFN Treatment for Communist Countries

In an exchange of notes with the Soviet Union on July 13, 1935, the United States granted selective tariff reductions to Soviet exports for one year in exchange for a Soviet commitment to increase significantly its purchases in the United States. The agreement was renewed in 1936. In 1937, full MFN was

granted and extended by annual agreements until 1942, when the time restriction was lifted.

Following a heightening of Cold War tensions, Congress directed, in the Trade Agreements Extension Act of 1951, the withdrawal of MFN from countries dominated or controlled by the world Communist movement. All Communist countries to which the U.S. had previously extended MFN were affected, except for Yugoslavia which was held to fall outside the Act. (MFN had never been extended to the People's Republic of China.)

In 1960, in step with other accords reached with Poland, including a settlement of U.S. nationalization claims, the President determined that Poland was not Soviet-dominated within the meaning of the Trade Agreements Extension Act of 1951, and MFN treatment was restored on December 16, 1960.

The Trade Expansion Act of 1962 removed the area of discretion previously available to the President in granting MFN and required denial of non-discriminatory treatment to all Communist countries or areas. In effect, this meant that non-discriminatory treatment would have to be withdrawn from Poland and Yugoslavia, the only two Communist countries then benefiting from MFN. Congress subsequently modified this provision through the Foreign Assistance Act of 1963, Section 402, which allowed the President to retain MFN for countries receiving it at the time of the enactment of the law on the basis of a national interest determination. On March 26, 1964, the President made the determination permitting continuation of non-discriminatory treatment for Poland and Yugoslavia. The 1963 legislation is still in force and prohibits the extension of MFN to any other Communist country.

SECURITY ASPECTS OF EXPANDING EAST-WEST TRADE

The authority requested under this legislation will have no effect on the exercise of security trade controls of the United States, which are provided under separate legislation.

The Export Administration Act of 1969 authorizes the President to control exports of United States commodities and technical data to all foreign destinations, as necessary, for three purposes: protection of national security, furtherance of foreign policy, and protection against excessive drain of scarce materials (short supply). The Equal Export Opportunity and International Economic Policy Act of 1972, which amended the Act of 1969, required review of the then existing unilateral commodity export controls and burdensome procedures, consultation with representatives of United States government agencies and qualified experts from private industry for the purpose of assuring that United States export restrictions, except in specially justified cases for reasons of national security, shall be no more extensive than those imposed by countries with which the United States has defense treaty commitments. The latter countries are most notably those with which the United States cooperates in a system of multilateral security export controls through the Coordinating Committee (COCOM) composed of the NATO countries (except for Iceland) and Japan.

The Mutual Defense Assistance Control (Battle) Act of 1951 provides the legislative basis for U.S. participation in COCOM. That Act sets forth the U.S. policy of applying an embargo on the shipment of arms, atomic energy materials, and other items of primary strategic significance to nations that threaten the security of the U.S., and of seeking the cooperation of other nations in that effort.

The Trading with the Enemy Act (authority for Foreign Assets Controls and Cuban Assets Controls), the Atomic

Energy Act, and the Mutual Security Act of 1954 (authority for Munitions Control) are also relevant to security trade controls. Taken as a whole, this legislation constitutes a system of control over exports of military, nuclear, and advanced industrial goods which can contribute to the development or enhancement of weapons and the means of their delivery.

This system is based on the well-established right in international law of any government to take action for the protection of its security interests -- a right recognized in Article XXI of the General Agreement on Tariffs and Trade. Article 8 of the bilateral Trade Agreement between the United States and the Union of Soviet Socialist Republics is illustrative of similar clauses that are customary in trade agreements to which the United States or one of its allies is party. It assures that the exercise of the authority that would be provided under the proposed trade legislation will not impair the ability of this nation fully to protect its security interests.

The highly selective strategic controls that are maintained by the United States and other cooperating countries for their mutual security needs are sufficiently specialized in their impact that their maintenance is fully consistent with the overall objective of expanding East-West trade relations as a whole. Both U.S. and COCOM controls are reviewed on a continuing basis in order to assure that the export controls maintained by the United States, either alone or in concert with its allies, exert a minimally restrictive effect on exports consistent with the needs of national security.

U.S.-U.S.S.R. COMMERCIAL AGREEMENTS

The U.S.-U.S.S.R. Trade Agreement is designed to normalize U.S.-Soviet commercial relations and to provide a comprehensive and clear framework within which private American firms can do business with the representatives of the non-market, centrally-planned economy of the U.S.S.R.

Provisions of Agreement

The Trade Agreement, and the accompanying series of arrangements signed on October 18, 1972, provide for:

1. reciprocal granting of trade access equal to that granted to the most-favored trade partner;

2. a market disruption provision under which the U.S.S.R. has agreed that, after consultations, it will not ship products to the United States which the U.S. Government has advised will "cause, threaten or contribute to disruption of its domestic market";

3. encouragement and facilitation of bilateral trade with the expectation that the total bilateral trade over the three-year period of the Agreement will at least triple the total bilateral trade experienced during the three years preceding the Agreement;

4. placement of substantial orders by the U.S.S.R. for U.S. machinery, plants and equipment, agricultural products, industrial products and consumer goods;

5. establishment of a U.S. Commercial Office in Moscow and a Soviet Trade Representation in Washington, to be opened simultaneously at a location and on a date to be agreed upon;

6. availability of U.S. business facilities in the U.S.S.R. equivalent to those granted businessmen of other nations, and availability of appropriate facilities in the United States for Soviet foreign trade and other organizations, and

7. encouragement of third country supervised arbitration in the settlement of commercial disputes (in contrast with past U.S.S.R. policy of encouraging arbitration under the auspices of Soviet tribunals).

Status of U.S.-U.S.S.R. Commercial Discussions

Because the U.S.-U.S.S.R. Trade Agreement provides for reciprocal granting of (MFN) most-favored-nation treatment for exports of both countries, it cannot enter into force for the United States until enabling legislation is passed by Congress. If MFN is not granted to the U.S.S.R. by 1975, Soviet payments under the Lend-Lease Agreement, signed on October 18, 1972, will be suspended. EX-IM Bank financing has been made available to the U.S.S.R. independent of the Trade Agreement.

EX-IM Bank. On March 21, 1973, Eximbank signed its first two agreements with the U.S.S.R. for credits totaling approximately $90 million, which will support total U.S. export sales of approximately $200 million. Approximately $190 million will be utilized in connection with purchases for the Kama River truck plant. A third credit, for $11.5 million, was later signed and will be used in connection with the sale to the U.S.S.R. of approximately $26 million in submersible electric pumps.

Industrial Cooperation. The Soviet Union is also discussing/negotiating a wide range of possible transactions with American firms, including natural gas and oil production and the Kama River truck plant. The conclusion of contracts for some of the larger of these projects could have a substantial, positive impact on the U.S. balance of trade and on domestic employment. Some of these transactions would involve eventual U.S. imports of Soviet products in repayment for the equipment and technology provided on credit.

Business Facilitation. The matter of business facilities and of access to end-users in the U.S.S.R. traditionally has posed problems in U.S.-U.S.S.R. commercial relations. Progress in these and related areas has already been made even though the U.S.-U.S.S.R. Trade Agreement has not entered into force.

1. The Soviet Commercial Counselor's Office in Washington has moved into new quarters following U.S. approval of a lease on new property.

2. U.S. Embassy Moscow is currently negotiating with Soviet authorities for comparable office space to expand our Economic-Commercial Counselor's office in Moscow.

3. The U.S.S.R. has recently indicated readiness to begin discussions on the subject of a Trade Representation.

4. Two U.S. industrial concerns, Pullman, Inc. and Occidental Petroleum, received official accreditation to operate offices in Moscow shortly before the signature of the Trade Agreement, while Chase Manhattan obtained authorization to establish a representative office after the signing.

5. Following prompt U.S. Government authorization in December 1972, the U.S.S.R. established a Kama River Purchasing Office in New York to promote Soviet orders of automotive equipment from U.S. firms.

6. United States firms have been discussing possible participation in developing a major new international exhibition area in Moscow, particularly the construction of a large hotel/business office complex and an exposition hall.

7. The U.S.S.R. announced on February 27, 1973 its intention to adhere, as of May 1973, to the Universal Copyright Convention, to which the United States and 62 other countries belong.

Joint Commercial Commission. The Joint U.S.-U.S.S.R. Commercial Commission, established during President Nixon's visit to Moscow in May 1972 has held two formal sessions (July and October 1972), which resulted in the negotiation of a trade agreement; arrangements for reciprocal granting of government credits; and a Lend-Lease settlement. The third meeting, not yet scheduled, is expected to take place in Moscow during the second half of this year.

In addition to the Commission's mandate to monitor the spectrum of U.S.-Soviet commercial relations, its current specific tasks include continuing discussions on a possible double taxation agreement, business facilities, and on U.S.-U.S.S.R. participation in the development of resources and in the manufacture and sale of raw materials and other products. A working group on natural gas was formed last October.

The Joint Commission will also have responsibility for implementing the U.S.-U.S.S.R. Trade Agreement when it enters into force.

TRADE OUTLOOK

US exports to the USSR and Eastern Europe may increase significantly in the future as trade relations are normalized. Estimated 1978 US exports to the USSR and Eastern Europe, under present conditions, are from $.7 to $1.1 billion, excluding grain purchases. This represents an increase of five to seven times the level of US exports in 1972.

Estimated US imports from the USSR and Eastern Europe under present conditions and composition of East-West trade are from $358 to $658 million in 1978. Thus, over the next five years a sizable favorable trade balance to the US is expected.

With normalized commercial conditions, US exports of non-agricultural commodities could reach $1.9 to $2.8 billion by 1978. Specific products which rank as having good export potential include machine tools for metal working, electric measuring and controlling instruments, equipment for lifting and loading, and agricultural and drilling machinery. It is also expected that US exports of agricultural commodities, in particular feed grains, will continue to expand. In addition, a considerable potential exists for sales of complete plants and technology.

Various studies have attempted to quantify the effects of MFN on Soviet products most likely to be imported into the US. The present estimate indicates that for any year MFN treatment would result in additional imports from the USSR of $10 to $25 million above the amount that would otherwise be imported.

MARKET DISRUPTION

Although it is not foreseen that there will be extensive injury to domestic industries due to increased quantities of goods imported from non-market economy countries, some competitive pressures may be incurred from time to time for certain U.S. producers.

At present, complaints of serious injury or threat of serious injury to U.S. industry due to import competition (from whatever source) are investigated by the Tariff Commission under the escape clause provisions of the Trade Expansion Act of 1962, which gives the President authority to restrict trade if the Commission finds serious injury. In addition, complaints of injurious dumping (i.e. discriminatory pricing) are investigated by the Department of the Treasury and the Tariff Commission under the Antidumping Act of 1921, and special dumping duties are mandatory if both find in the affirmative. The countervailing duty provisions of the Tariff Act of 1930 require special duties to be imposed if the Secretary of the Treasury finds that a "bounty or grant" (subsidy) is being conferred on foreign exports to the U.S. (This countervailing duty is to be applied irrespective of whether there is injury resulting from the subsidy.)

Section 505 of the Trade Reform Act of 1973 provides an appropriate statutory basis for dealing with imports from countries with non-market economies. It establishes more easily satisfied criteria for determining whether material injury to a domestic industry has occurred or is likely to occur due to imports from countries granted most-favored-nation treatment under this title, and it gives the President authority to restrict imports from individual countries without taking action on non-injurious imports of like products from market-economy countries.

Special safeguard measures in bilateral trade agreements with non-market economy countries could provide further means of dealing with this problem. This approach could take the form of a reaffirmation of the special GATT obligations entered into by non-market-economy members to hold consultations in order to develop mutually acceptable solutions in the event of actual or threatened market disruption, with provision for immediate restrictive action by the importing nation in critical circumstances. Alternatively, the trade agreement could provide that each government may take appropriate measures to ensure that imports from the other country do not cause or threaten injury to its domestic market.

STATUS OF COMMERCIAL DISCUSSIONS WITH OTHER NON-MARKET ECONOMY COUNTRIES

BULGARIA

The Bulgarian Government has recently expressed a desire to commence negotiations on obstacles to the development of U.S.-Bulgarian trade. Discussions are in progress on a consular convention, but no trade negotiations have begun.

CZECHOSLOVAKIA

In 1961 discussions were begun aimed at resolving mutual financial claims (blocked assets, defaulted dollar bonds, gold, nationalization claims). No agreement was signed at that time. Recently the Czechoslovak government indicated its willingness to reopen discussions on the claims and initiate discussions on trade issues.

GERMAN DEMOCRATIC REPUBLIC

The GDR has indicated a willingness to discuss outstanding commercial issues, but no formal discussions have been held to date.

HUNGARY

A claims agreement, covering government-to-government obligations, was signed March 6, 1973. At that time, the U.S. Government indicated to the Hungarians that it would support MFN for Hungary. In addition, issues were outlined, including the availability of business facilities for American firms and the extension of government export financing, which would have to be resolved in connection with extension of MFN. Prelininary discussions have also been held between the Hungarians and the Foreign Bondholders Protective Council on the settlement of defaulted dollar bonds.

PEOPLE'S REPUBLIC OF CHINA

In June 1971 the embargo on trade with China was lifted, permitting virtually all imports from that country as well as most exports of a non-strategic nature.

Recent steps taken toward improving U.S.-China trade relations include an agreement in principle, announced

on March 2, to settle the frozen assets problem, and the formation on March 22 of the National Council for U.S.-China Trade to promote trade and commercial relations. In February, agreement was reached to establish Liaison Offices in the capital of each country. No formal trade negotiations have been begun.

POLAND

An agreement on nationalization claims was signed in 1960 for payment of $2 million annually over a period of twenty years. Most-favored-nation tariff treatment was restored to Poland by Executive determination on December 16, 1960.

Major progress toward normalization of U.S.-Polish commercial relations has been made over the past twelve months. The joint U.S.-Poland Communique, signed June 1, 1972, established a Joint American-Polish Trade Commission to broaden and facilitate bilateral trade relations. The Second Session, held in Washington on November 4-8, 1972, resulted in agreement on most of the outstanding economic and commercial issues. Working groups were established to work out the details. The following are elements of the trade protocol:

Export-Import Bank Credits. The President made a determination to extend EXIM facilities to Poland on November 8, 1972. The Polish government stated that the appropriate credit facilities of the Bank Handlowy (Trade Bank) in Warsaw would be available to U.S. purchasers of Polish goods and services.

Arbitration of Commercial Disputes. An exchange of letters on November 8, 1972, stipulated agreement to encourage settlement of commercial disputes by arbitration under rules of the International Chamber of Commerce, or of the Economic Commission for Europe.

Market Disruption. The United States and Poland reaffirmed adherence to their obligations under the GATT and agreed to consult in the event imports cause, threaten, or contribute to domestic market disruption.

Trade Offices. The United States has agreed to the establishment of a Polish Chamber of Commerce

office in San Francisco. The United States has established a Trade Development and Technical Information Office in Warsaw and a technical commercial library to disseminate trade information. The Office will provide information services for individual American businessmen including (a) completed market research as available, (b) office and conference space, (c) assistance in obtaining secretarial and translation services, (d) assistance in identifying and meeting appropriate Polish Government and industry leaders, and (e) a small exhibition area.

On February 5, 1973, an agreement was reached to defer for four years the PL-480 installments due in 1973 and 1974. The postponement carries interest of 6 percent per annum on unpaid balances.

The Working Group on Business Facilities of the American-Polish Trade Commission met March 1-7, 1973 and discussed the framework for mutual accreditation of commercial and technical offices. The issues discussed included procedures and criteria for establishment of offices, office and housing facilities, availability of communications equipment, advertising, personnel, tax treatment, license fees, tariff treatment, multiple entry visas, and exchange rates.

Other issues under discussion include a draft maritime agreement concerning port access, consultation procedures, commercial shipping practices, a long-term agricultural agreement, an industrial cooperation agreement, and U.S review of a draft tax treaty submitted by the Polish government in October 1972.

ROMANIA

The United States and Romania signed a claims agreement in 1960, whereby all government-to-government claims were resolved. In 1964 an exchange of notes covered a mutual establishment of government commercial offices in the United States and Romania, as well as coming to an understanding in the treatment of patents and licenses. Remaining issues to be negotiated with Romania include MFN, outstanding Romanian dollar bond debts with private U.S. bondholders, and business facilitation.

Export-Import Bank loans and guarantees were authorized by Congress in 1971 and implemented for Romania in November 1971 by a Presidential determination. In 1972, Overseas Private Investment Corporation (OPIC) programs were authorized; a bilateral agreement on standard procedures for OPIC's programs is currently being negotiated. The United States and Romania have also begun discussions on a double taxation agreement.

JOINT VENTURES IN NON-MARKET ECONOMIES

Possibilities for equity joint ventures exist under the laws of Yugoslavia, Hungary and Romania. Industrial cooperation agreements--a broader concept not necessarily involving equity participation--are possible in most of the non-market economy countries.

Joint ventures and industrial cooperation agrreements with the West are attractive to Eastern European countries as potential sources of:

(1) much-needed hard currency;
(2) Western technology;
(3) Western style managerial skills; and
(4) markets in the west for goods produced in conjunction with a known Western partner.

They also offer the following potential benefits for the Western partner:

(1) the U.S. firm will be able to sell goods, and/or receive royalities for the establishment of the enterprise;
(2) in view of the non-market structure of the state trading organizations, good business relations with Eastern European officials may increase the U.S. firm's market for other products, either within the same country or within Eastern Europe (including the U.S.S.R.); and
(3) in areas where Eastern European industry is more advanced than our own, new technology may be learned.

Three Eastern European countries, Yugoslavia, Romania and Hungary have passed laws specifically encouraging the establishment of joint ventures; in all three cases, these laws provide for no more than 49% foreign ownership, repatriation of profits in hard currency, and eventual repatriation of capital.

Yugoslavia's law has been in force since 1967, and some 76 joint ventures with foreign countries have resulted (only five, however, have been with American companies). A prominent American company, the Control Data Corporation, recently signed an agreement to establish an equity joint venture in Romania. The Hungarian legislation has not been tested.

Poland and Czechoslovakia do not have specific laws regulating joint ventures, but seem receptive to them at the present time. There are currently three quasi-joint ventures involving American firms in Poland, and Czechoslovakia has been in negotiations with another American company.

The U.S.S.R. likewise has no specific law regulating joint ventures but is interested in the concept. The Fiat plant at Togliattigrad involved joint cooperation with Italy, and the Soviets are currently negotiating with both American and Japanese firms with a view toward establishing joint ventures for exploration of Soviet resources, specifically natural gas and petroleum. Currently, however, these ventures do not contemplate any outside ownership of the means of production.

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EXPORT FINANCING

The lack of credit available to finance U. S. exports to Eastern Europe and the USSR has been a significant constraint on the level of such exports. The so-called Fino amendment prohibited Eximbank credits to communist countries until it was modified by the Export Expansion Finance Act of 1971. The modification restored to the President discretionary authority to permit the extension of export credits and/or guarantees to communist countries in those cases where he determined it to be in the national interest. Under this provision, Romania, Poland, and the USSR have been determined to be eligible for Eximbank credits. (Yugoslavia has used Eximbank facilities for a number of years.)

Eximbank financing works in conjunction with commercial financing. The normal configuration for an Eximbank direct credit consists of 10% cash, 45% extended by Eximbank at 6% interest, and 45% extended by a commercial bank at a negotiated interest rate.

As of mid-March, 1973, Eximbank's actual credit exposure in Eastern Europe was as follows: Yugoslavia--$410.1 million; USSR--$101.3 million; Romania--$23.7 million; and Poland $12.3 million.

Commodity Credit Corporation

Commodity Credit Corporation (CCC), provides immediate cash payment to the U. S. exporter of agricultural commodities by purchasing accounts receivable. Exports of wheat, feed grains, cotton, and other commodities (but not soybean products) are eligible for financing for up to three years under this program. CCC interest rates range from 6 1/8 to 7 1/8 percent. In March 1973, the following amounts were owed to CCC: Poland $62.2 million; Romania $33.0 million; Yugoslavia $100.9 million; USSR $258.6 million.

OPIC

The Overseas Private Investment Corporation provides assistance to U. S. enterprises investing in developing countries; it has invested substantial effort in preparing the ground for U. S. equity investment in Romania and Yugoslavia. OPIC is awaiting Yugoslav ratification of a signed agreement and expects to conclude a similar agreement with Romania by the end of March.

While the U. S. portion of East European trade is currently very small--only 5 percent of East European trade with the industrialized West--it is anticipated that with increased normalization of economic relations between the United States and the East, the U. S. will be able to increase its share of the Free World's trade with Eastern Europe. An example of the possible magnitude of such trade can be found in U. S. trade with Yugoslavia, in which U. S. suppliers have had some trade experience; the U. S. share of Yugoslavian imports from industrialized countries is close to 10 percent.

Johnson Act

The Johnson Act, enacted in 1934, prohibits certain financial transactions by private persons in the United States with foreign governments which are in default in the payment of their obligations to the United States. The prohibited transactions include the making of loans and the purchase or sale of bonds, securities, or other obligations of the foreign government. Congress has virtually repealed the Johnson Act's applicability to Western Europe by exempting any nation which is a member of the International Monetary Fund or the International Bank for Reconstruction and Development. The practical effect is to limit the applicability of the Act to some of the Communist countries.

The intention of the Act was not to regulate East-West trade, but to protect US citizens from the sale of securities issued by governments with a history of default. In spite of opinions of the Attorney General that normal commercial credits are not affected, the existence of the Act discourages commercial transactions involving long or unusual financing methods. It is questionable, for instance, whether the Act applies to loans from foreign branches of US banks; whether foreign branches of US investment banks can underwrite bond issues; whether long-term project loans can be made to these countries; and whether equity investments, made in the form of loans, would be permitted.

The Johnson Act is a competitive disadvantage for American firms because it has the effect of discouraging sales of US plant and equipment which might otherwise be exported. At a time when the US has successfully concluded a lend-lease agreement with the USSR and is negotiating or contemplating debt settlements with other Communist countries, the retention of the Johnson Act is an unnecessary barrier to East-West trade. Accordingly, the bill provides for its repeal.

TARIFF PREFERENCES FOR DEVELOPING COUNTRIES

THE CASE FOR GENERALIZED TARIFF PREFERENCES

It is a basic objective of US international economic policy to help developing countries build self-reliant and productive societies in order to create a more stable world community. Since the bulk of the foreign exchange required by developing countries for development comes from export earnings, export expansion is clearly urgent. The developing countries have not shared in the rapid growth of world trade over the past decade because of their heavy dependence on the export of agricultural and primary industrial products which face declining markets in the developed countries. Import substitution policies, based on high import duties and exchange controls, have generally been unsuccessful. Providing increased opportunities for the developing countries to sell their manufactured goods abroad encourages their industrial growth and diversification and discourages autarkic trade policies by permitting developing countries to earn more of the funds necessary to finance their purchase of consumer goods and capital equipment from the US and other developed countries.

In recent years discriminatory trading arrangements have proliferated and they threaten to divide the world into special trading blocs. Special trading arrangements violate the principle of non-discrimination and adversely affect the trade interests of the US and other third countries. The granting of generalized preferences by all developed countries should remove much of the rationale for these special arrangements and hopefully encourage their elimination. Generalized preferences may reduce the present discrimination against the exports of those developing countries like the Latin American countries, which do not benefit from trade preferences in any developed country market. Under the proposed US legislation, developing countries which grant special preferential tariff treatment to other developed countries would have to terminate these so-called "reverse preferences" in order to participate in the US system of generalized preferences.

Generalized preferences would make developing country suppliers of certain manufactured goods more competitive. The volume of developing country exports of manufactured goods, is relatively small, however, and the increase in US imports due to generalized preferences, though important to the developing countries, is estimated at only about 1 percent of total US imports of manufactured goods. Since the increase will be spread among many types of goods, it is unlikely that generalized preferences would be disruptive to the US economy. Should imports of any product become so large as to cause or threaten serious injury to a domestic industry, escape clause and adjustment assistance provisions will be applicable. In addition the proposed legislation includes a provision to suspend preferences whenever a beneficiary country would be clearly competitive in a particular product even without the preference.

Anticipated Product Coverage and Impact on US Balance of Trade

Under proposed legislation on generalized preferences the President will consult the Tariff Commission and receive its recommendations before designating any product as an article eligible for preferences. For illustrative purposes and in order to estimate the potential trade effects of generalized preferences, a list of products was prepared which includes most manufactured and semi-manufactured products but omits textiles and clothing, footwear, petroleum and petroleum products, watches and watch movements and certain steel products. A small number of agricultural and fisheries products and primary industrial products were included.

The value of US total imports and US imports from developing countries in 1971 along lines of their potential eligibility for generalized preferences is presented in the attached table. In 1971 US imports from developing countries of those dutiable articles considered for preferences would have amounted to 3.3 percent of total US imports from all sources, 5.0 percent of dutiable imports from all sources. These figures include, as imports from developing countries, goods from countries which could become eligible for US preferential treatment by eliminating their reverse preferences to other developed countries; they do not include countries to which the US does not extend most-favored-nation treatment.

A hypothetical projection, subject to the limitations of short-run static analysis, was made of the trade impact of the proposed US system of generalized preferences had it been in effect in 1971. The projection, based on the illustrative product list discussed above, assumes that some developing countries will not eliminate their reverse preferences.1/ According to this projection, US imports from the developing countries would have been approximately $430 million greater than they were in the absence of such preferences.2/ Of this amount it was calculated that $240 million or 55 percent of the increase, would be new trade, i.e., an actual increase in total US imports. The remaining 45 percent would represent trade diverted from other developed countries. In addition, the increased foreign exchange earned by the developing countries from their increased exports can be expected to generate an increase in their imports from all sources, including the United States. The net impact of generalized preferences on the US balance of trade would be further reduced by this reverse flow.

1/ Spain, Portugal, Israel, Greece, and Turkey

2/ If it is assumed that all developing countries will meet our condition on reverse preferences, then the projected figure would have been approximately 15 percent higher.

Value of U.S. Imports in 1971
Arrayed According to Illustrative
US Preference System

($ million)1/

	Total	From LDCs
Agricultural and fisheries products, total	6,884	4,141
Duty free	2,829	2,249
Dutiable2/		
Not considered for preferences	3,578	1,727
Considered for preferences	477	163
Allowing for competitive need3/		110
Primary industrial products, total	7,396	3,352
Duty free	3,384	994
Dutiable2/		
Not considered for preferences	3,550	2,156
Considered for preferences	462	202
Allowing for competitive need3/		78
Manufactures and semi-manufactures, total	31,267	4,908
Duty free	9,023	731
Dutiable		
Not considered for preferences	6,738	1,867
Textiles	2,498	1,114
Footwear	753	282
Petroleum products	698	337
Watches	119	2
Steel	2,670	132
Considered for preferences	15,506	2,310
Allowing for competitive need3/		1,313
Grand total	45,476	12,401
Duty free	15,236	3,974
Dutiable		
Not considered for preferences	13,796	5,752
Considered for preferences	16,444	2,675
Allowing for competitive need3/		1,501

1/ Due to rounding figures may not add to the totals shown.

2/ Dutiable items include items such as copper which by temporary legislative authority are admitted duty-free.

3/ The figure on this line is arrived at by subtracting from the value of items considered for preferences imports from any developing country of any product considered for preferences which exceed $25 million or 50 percent of total US imports of that product by value. The calculations assumed that competitive need provisions would not apply to items where developing countries supplied less than $250,000 of US imports.

POTENTIAL BENEFICIARIES

The 18 developed countries, including the U.S., which agreed to participate as donors in a generalized preference system decided in 1967 to use a "self-election" formula to determine beneficiary countries. Under this formula, preferences would generally be extended--subject to exceptions for compelling reasons--to any country, territory or area which made a bona fide claim to LDC status. The so-called Group of 77 (now consisting of 96 developing countries) is informally considered to be the basic list of beneficiary countries by the developed countries. Other countries, including Spain, Israel, Portugal, Greece, Turkey, the Republic of China, Bulgaria and Romania, and dependent territories, including Hong Kong and the Commonwealth Caribbean, also claim beneficiary status.

The proposed legislation embodies the self-election principle with some qualifications. When designating a beneficiary country, the President is instructed to consider the level of economic development of the country in question, whether other donor countries are extending preferences to the country, and whether or not the country has expropriated U.S. property in violation of international law. In addition, the proposed legislation contains two qualifications to the self-election principle:

--Beneficiary status will not be granted to countries or areas which do not receive most-favored-nation (MFN) treatment from the U.S.; and

--Beneficiary status will not be granted to any country or area which grants reverse preferences to another developed country unless the U.S. receives assurances that such preferential treatment will be eliminated before January 1, 1976.

The MFN condition would currently eliminate all non-market countries except Yugoslavia, which has requested beneficiary status, and Poland, which has not. The other non-market countries which have requested beneficiary status, Cuba, Bulgaria, and Romania, do not now receive MFN treatment from the U.S.

The U.S. condition on reverse preferences could potentially deny beneficiary status to at least 35 countries and as many territories (and possibly more should preferential arrangements continue to proliferate). The Mediterranean countries which now grant reverse preferences to the European Community, including Spain, Greece, Israel, and Turkey, as well as Commonwealth countries and territories, including Hong Kong, India, Singapore and Malaysia, would potentially be affected by our reverse preference condition. Most African countries and dependent territories are also affected.

A list is attached of all countries and territories claiming beneficiary status for the purpose of generalized preferences. Those countries or territories which would be excluded or potentially excluded under our MFN and reverse preference conditions are so designated.

Countries Requesting Beneficiary Status

Afghanistan
Algeria
Argentina
Bahrain
Bangeladesh*
Barbados*
Bhutan
Bolivia
Botswana*
Brazil
Bulgaria#
Burma
Burundi*
Khmer Republic (Cambodia)
Cameroon*
Central African Republic*
Sri Lanka (Ceylon)*
Chad*
Chile
Colombia
Congo (Braz)*
Costa Rica
Cuba#
Cyprus*
Dahomey*
Dominican Republic
Ecuador
El Salvador
Egypt*
Equatorial Guinea
Ethiopia
Fiji*
Gabon*
Gambia*
Ghana
Greece*
Guatemala
Guinea
Guyana*
Haiti
Honduras
India*
Indonesia
Iran
Iraq
Israel*
Ivory Coast*
Jamaica*
Jordan
Kenya*
Korea (South)
Kuwait
Laos
Lebanon*
Lesotho*
Liberia
Libya
Malagasy Republic*
Malawi*
Malaysia*
Maldive Islands
Mali*
Malta*
Mauritania*
Mauritius*
Mexico
Morocco
Nepal
Nicaragua
Niger*
Nigeria
Pakistan*
Panama
Paraguay
Peru
Philippines
Qatar
Romania#
Ruanda*
Saudi Arabia
Senegal*
Sierra Leone
Singapore*
Somalia*
South Yemen
Spain*
Sudan
Swaziland*
Syria
Tanzania*
Thailand
Togo
Tonga*
Trinidad & Tobago*
Tunisia*
Turkey*
Uganda*
United Arab Emirates
Upper Volta*
Uruguay
Venezuela
Vietnam (South)
Western Samoa*
Yemen
Yugoslavia
Zaire
Zambia

* Countries potentially affected by reverse preference condition

\# Countries which do not receive MFN treatment from the U.S.

Territories for whose external relations another country is responsible

Afars and Issas (Territory of the)*
American Samoa, including Swain's Island
Angola (including Cabinda)
Bahamas*
Bermuda*
British Honduras*
British Indian Ocean Territory (Chagos Archipelago, Des Roches)
British Oceania (Territories under the jurisdiction of the Western Pacific High Commission, namely - Gilbert and Ellice Islands*, British Solomon Islands*, New Hebrides Condominium, Canton, Enderbury and Pitcairn Islands)
Brunei*
Cape Verde Islands
Cayman Islands and Dependencies
Comoro Archipelago*
Cook Islands
Falkland Islands (Malvinas) and Dependencies*
French Polynesia*
French Southern and Antarctic Territories*
Gibraltar*
Guam
Hong Kong*
Macao
Mozambique
Netherland Antilles*
New Caledonia and Dependencies*
New Guinea (Australian) and Papua
Portuguese Guinea
Portuguese Timor
St. Helena (including Ascension, Gough Island and Tristan da Cunha)
Saint-Pierre and Miquelon*
Sao Tome and Principe
Seychelles (including Amirantes)*
Spanish North Africa: Sahara (Rio de Oro)
Saghiet-el-Hamra
Surinam*
Territories for which New Zealand is responsible (Niuwe Island, Tokelau Islands)
Turks and Caicos Islands
United States trust territories of the Pacific Islands: include - Midway Islands, Johnston and Sand Islands, Wake Island and the Trust Territory of the Pacific Islands: the Caroline, Mariana Islands
Virgin Islands of the United States (St. Croix, St. Thomas, St. John, etc.)
Wallis and Futuna Islands*
West Indies* - Leeward Islands, Antigua, Montserrat, St. Kitts-Nevis-Anguilla, British Virgin Islands, Windward Islands, Dominica, Grenada; St. Lucia; St. Vincent

* Countries and territories potentially affected by reverse preference condition.

Comparison with Other Generalized Preference Systems

The European Community system of generalized preferences, (GSP), in effect since July 1, 1971, grants duty-free treatment to imports from LDCs of virtually all manufactured and semi-manufactured goods and to selected agricultural commodities. Most of these preferences, however, are subject to a complex set of quantitative limitations or tariff quotas. In theory all eligible products are subject to the quotas. In fact, quotas are only applied to about 58 percent of EC imports of manufactured products which are designated as sensitive. Imports of non-sensitive commodities are not monitored unless a complaint is raised. The tariff quota is calculated according to the following formula: value of imports of the product in question from beneficiary countries in the base year (1968) plus five percent of the value of the imports of that product from industrialized countries during the most recent year for which the data are available. Imports from beneficiary countries up to the ceiling enter duty-free and most-favored-nation tariff rates normally apply to imports in excess of the ceiling. In addition, under the EC system, preferential imports from a single beneficiary are limited to 50 percent of the ceiling for each product.

Japan's GSP is in many ways even more complex than the EC system. Japan extends duty-free preferential treatment to most manufactured goods, except petroleum, leather, textiles, plywood, gelatins and glues. In addition, industrial raw materials and selected agricultural commodities receive preferential treatment (generally 50 percent of normal duty for agricultural products). Japan employs quantitative and single beneficiary limitations similar to those of the EC. In general, other donor countries, including the UK (whose preferences are expected to be merged with those of the EC in 1974), do not employ quantitative ceilings but rely on a list of exceptions and standard escape clause provisions.

All of the other major donor countries impose minimum transformation requirements to ensure that resources in the beneficiary country are being employed to produce the good receiving preference. Most other developed countries, including the EC and Japan, employ a process rather than a value-added criterion. Under this system goods exported by a beneficiary must be classified under a different Brussels Tariff Nomenclature heading than any of the constituent imported materials or

components. A list of exceptions is specified, for which a simple change in tariff heading does not allow the product to qualify for preferential treatment. All donor countries require that goods be directly consigned to the preference-granting country.

Because of the complexity of the various GSP systems and uncertainty over how GSP systems will be administered it is impossible to determine with any precision the actual trade effects of the differing systems and their comparative impacts in advance. For this reason the U.S. has agreed with other developed countries in the OECD to keep the systems under review and reassess them periodically in light of actual experience with them in operation.

A comparison of the major generalized preference systems, using as a standard imports receiving preference as a percent of GNP and as a percent of dutiable imports from beneficiary countries, and assuming that the EC and Japanese systems continue to be administered as they now are, indicates that the proposed U.S. system will not result in a disproportionate burden in relation to the EC and Japanese systems.

EXEMPTION OF PUERTO RICAN COFFEE IMPORTS

The title on Generalized Preferences in the TRA provides:

> No action pursuant to this title may affect any tariff duty imposed by the Legislature of Puerto Rico pursuant to section 319 of the Tariff Act of 1930, as amended (46 Stat. 696) upon coffee imported into Puerto Rico.

Section 319 of the Tariff Act of 1930, as amended, empowers the Puerto Rican Legislature to impose tariff duties upon coffee imported into Puerto Rico, including coffee grown in a foreign country coming into Puerto Rico from the United States.

Coffee currently enters all other parts of the United States customs territory duty free. Depending on the way a list of articles eligible for generalized preferences in delineated, coffee could be considered an eligible article. Without a special provision, the proposed generalized preference legislation could be interpreted as authorizing preferential treatment for coffee imports from developing countries into Puerto Rico. Since virtually all coffee is grown in developing countries, this would in effect negate the authority of the Puerto Rican Legislature to levy duties on coffee imports.

MONETARY NEGOTIATIONS AND INTERNATIONAL INVESTMENT

MONETARY NEGOTIATIONS 1971-1973

I The New Economic Policy and The Smithsonian Agreement

The announcement on August 15, 1971 of President Nixon's New Economic Policy marked a turning point in U.S. foreign economic policy and heralded the need for fundamental international economic reform. In the 25 years since the basic rules were established after World War II, major structural changes in the world economy had occurred, as Europe and Japan greatly improved their economic strength and became strong competitors with the U.S. A system which was able to function smoothly, when the U.S. was in a pre-eminent economic and financial position, and could afford the costs entailed became increasingly outmoded and inequitable. As a result the system became increasingly subjected to recurrent crises, resort to controls, and rising protectionist sentiment.

An important first step in the reform process was a realignment of exchange rates to reflect the changes in economic strength that had occurred and permit the U.S. to restore a sustainable balance of payments equilibrium. After several months of intensive negotiations, agreement was reached on December 18, 1971, at the Smithsonian Institution in Washington, D.C., on a major realignment of exchange rates. As part of this realignment, the United Ststes agreed to reduce the par value of the dollar by 7.9 percent. Actions by other countries to change the value of their currencies in conjunction with the U.S. devaluation resulted in an average depreciation of the dollar against the currencies of the major industrial countries (excluding Canada which continued to float) of nearly 12 percent. In addition to the realignment, Japan and the European Community agreed to reduce certain trade barriers to improve access of U.S. products to their markets and agreed to work for the initiation of comprehensive multilateral trade negotiations in 1973.

II. The February 1973 Realignment

The Smithsonian agreement was a historic and unprecedented attempt to develop through multi-national negotiations an exchange rate alignment which would restore

international payments equilibrium. The realignment was aimed at providing a strong improvement in the U.S. competitive position and thereby removing imbalances that had developed over an extended period of time. Although the deterioration in the overall U.S. payments position was halted in 1972 and the official settlements deficit cut by two-thirds, to $10 billion, serious imbalances remained, particularly in the trade position. Given the size of the trade deficit in 1972 (exceeding $6 billion), the improvement anticipated in 1973 did not appear vigorous enough to restore overall balance in a reasonable period.

The new and severe exchange market pressures that developed in January 1973, suggested that new and strong action was required. After the U.S. consulted with a number of its trading partners, it was agreed that a further 10 percent reduction in par value of the dollar was warranted, in conjunction with a float of the Japanese yen. The U.K. (which had floated its currency in June, 1972 after a sharp loss of reserves) and Canada continued to float, with Italy joining them, while the United States' other major trading partners agreed to maintain their par values. This realignment represented a further average depreciation of the dollar against the major industrial countries, excluding Canada, of about 11 percent, bringing the total change, including the Smithsonian, to some 23 percent.

In March, continued uncertainty in exchange markets and speculative pressures required new actions to restore orderly markets. On March 12, six members of the EC (Germany, France, Belgium, Netherlands, Denmark, and Luxembourg) announced that they were no longer obligated to intervene at fixed margins of fluctuation against the dollar. They would, however, limit the maximum margin of fluctuation between their currencies to 2-1/4 percent. Germany also announced a further 3 percent revaluation of the mark. Sweden and Norway subsequently associated their currencies with this joint float. U.K., Ireland and Italy floated independently; Japan and Canada also continued to float.

At a meeting of the Group of Ten and the members of the EC, on March 16, it was agreed that the exchange rate structure was broadly appropriate to underlying economic realities and that official intervention in exchange markets may be useful at appropriate times to facilitate the maintenance of orderly conditions. Each nation stated

that it will be prepared to intervene at its initiative in its own market, when necessary and desirable, acting in a flexible manner in light of market conditions and in close consultation with the authorities of the nation whose currency may be bought or sold. By replacing fixed intervention points with more flexible arrangements, it is anticipated that the cost and risks of speculation will be increased and disturbing speculative capital flows reduced.

III. Impact of the Realignment

The February 12 devaluation of the dollar and associated actions, coming in addition to the earlier Smithsonian realignment, constitute a substantial step toward restoration of equilibrium in the U.S. payments position. Combined with fairer access for U.S. exports to foreign markets and the continuation of sound domestic policies to spur productivity and hold prices in check in the U.S., these exchange rate realignments offer the prospect of a viable, sustainable international payments equilibrium.

There appears to be rather widespread agreement among economic experts that these exchange rate changes should have a substantial, favorable impact on the U.S. balance of payments. Some of the impact on the basic non-trade accounts will be negative--for example, a given level of overseas military expenditures will cost more in terms of dollars after the realignment. Other items will be affected positively--for example, foreign currency earnings of U.S. overseas subsidiaries remitted to the United States will show a higher dollar value. Also, investment flows should be affected in a way which strengthens the balance of payments. With a U.S. economy which is much more competitive internationally, the incentives for U.S. individuals and firms to invest abroad rather than in the United States will be substantially reduced, and the profitability and attractiveness of U.S. investment to foreigners increased. Given the complexities of assessing these flows and our lack of experience with major realignments, it is difficult to estimate the total impact on investment flows. But the overall effect on these accounts could be to reinforce in a significant way the improvement in the trade balance resulting from the realignment.

Estimates of the effect on the trade balance vary widely. Several private studies suggest an improvement resulting from the Smithsonian and February 12 realignments combined on the order of $10 to $15 billion.

Many foreign producers and U.S. importers initially reacted to the Smithsonian realignment in 1972 by reducing profits and costs of production. There is also evidence of an intensification of marketing efforts, of shifts in sources of supply to countries whose dollar exchange rates did not change, and of shifts in product composition of imports. Thus in the first year after the Smithsonian realignment the exchange rate changes were by no means fully passed through in higher prices to the final purchaser. Over a longer period, however, foreign producers may be compelled to increase their prices to reflect the exchange rate changes more fully. Logic suggests, furthermore, that the recent exchange rate adjustments should be passed through more fully than the 1971 change. Foreign producers will not have as much leeway to absorb the impact. The new realignment will increase the pressure on distributors and marketing organizations in the United States to shift from imports to domestically produced goods. There is likely to be something of a "threshold effect"--in other words, the total impact of the two realignments, adding up to an approximately 23 percent average appreciation of major industrial countries (excluding Canada) against the dollar, may have more than 23 times the effect of a 1 percent change.

Similarly, the impact of the realignment on many U.S. exports may have been reflected in improved profit margins on U.S. goods. Foreign importers and U.S. exporters may find it more profitable to purchase and sell U.S. goods than heretofore. In addition, there has been a substantial boost to U.S. competitiveness vis-a-vis some of our major competitors. The Japanese yen and German mark have appreciated by about 35% against the dollar. This will improve significantly the attractiveness of U.S. goods in their domestic markets and improve U.S. producers positions in world markets, especially in big international projects.

It would be a mistake to conclude that because the U.S. trade balance deteriorated in 1972 devaluation will not work. Actual trade in any particular period is affected by many diverse factors. Relative cyclical conditions in the U.S. and abroad probably had a favorable effect on the U.S. trade balance in 1971, but changes in these conditions may have been responsible for a substantial portion of the deterioration in the balance between 1971 and 1972. Roughly one-third of U.S. total imports are consumer goods, and demand for such goods tends to rise rapidly as consumer income rises. Many U.S. exports are investment goods and are

sensitive to changes in economic activity abroad. U.S. competitiveness--and the U.S. trade balance--have been deteriorating since at least the mid-60's, and long-term movements of this type are not easily or rapidly reversed. Fuel imports are also increasing substantially. Foreign trade barriers also prevented the beneficial effect on U.S. export competitiveness from operating fully. Furthermore, there is a short-run perverse impact from devaluation because the shifts in flows of goods and services come only in response to changes in relative prices and such changes, in many transactions, lag by some considerable period of time the change in exchange rates. Indeed, recent work confirms that time lags may run well beyond two years or so before the full effects are achieved.

On the other hand, the fact that the deterioration in the U.S. payments position came to a halt during 1972 may indicate that the Smithsonian realignment was already having a greater beneficial impact than appeared on the surface. Most of the studies made both within the U.S. Government and in academic circles suggest that U.S. imports of manufactured products have a price elasticity of demand of more than 2; estimates as high as 5 have been made. These studies thus offer a basis for the expectation that the U.S. should improve its trade balance substantially, to the extent that the exchange rate changes are passed through in the final price. They also suggest that better price performance by the U.S. than by its major trading partners will be effective in strengthening the U.S. trade position.

In summary, both common sense and extensive econometric work undertaken by the Treasury, international institutions and academic and private research institutions clearly suggest that although a considerable period of time will be required, the recent exchange rate adjustments will bring about a major improvement in the U.S. trade position.

IV. International Monetary Reform Negotiations

The realignment of exchange rates was a necessary step on the path to fundamental long-term economic reform. By providing more realistic exchange rates and a better world payments equilibrium, countries will be able to compete on a more equitable basis. However, outmoded and inconsistent rules remain and must be dealt with if international commerce is to be truly fairer to all and free of undesirable controls. This is the basic task of longer term reform.

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In mid-1972, a Committee of Twenty (C-20), under the general auspices of the IMF, was established to carry out monetary reform negotiations, with a mandate encompassing also closely related trade, investment and development finance questions. U.S. reform proposals were outlined by President Nixon and Secretary Shultz at the IMF annual meetings in September 1972. These proposals, and the inputs of other countries, provided the basis for discussions by the Deputies to C-20 Ministers on the adjustment process, including the exchange rate regime; reserve assets and convertibility; capital flows and the interrelationships between monetary, trade, and investment; and development finance issues.

The serious international monetary disturbances in February and March 1973 have highlighted the need for more intensive work on reform. At their March 26-27 meeting, C-20 Ministers considered the implications of the recent developments for reform and concluded:

(a) Better, more timely and effective balance of payments adjustment action by both surplus and deficit countries is needed and would be assisted by improved IMF consultation, including the use of objective indicators; the exchange rate regime should be based on stable but adjustable par values; and floating rates could provide a useful technique in particular situations.

(b) There should be better international management of global liquidity, with the role of reserve currencies reduced and the SDR becoming the principal reserve asset.

(c) Intensive study should be made of effective means to deal with disequilibrating capital flows.

(d) There should be a strong presumption against the use of trade controls for balance of payments purposes.

— To speed the reform process, the Deputies have established two technical working groups to consider the use of indicators in the adjustment process and disequilibrating capital flows, and to report to the Deputies at their next meeting May 21-25. Ministers will meet again at a time to be proposed by the Chairman in light of the Deputies' progress. The U.S. is pressing for agreement on the main outlines of reform by the September 1973 IMF meetings in Nairobi.

RATIONALE FOR THE USE OF DIRECT TRADE MEASURES IN THE ADJUSTMENT PROCESS

The crises which have plagued the international monetary system in recent years reflect a lack of effective and symmetrical incentives for surplus and deficit countries to take action to correct prolonged and excessive payments imbalances. A prime U.S. goal in the monetary reform negotiations, therefore, has been to achieve a more effective adjustment process through the use of quantitative indicators to signal the need for adjustment, supported by appropriate incentives and disciplines to insure that needed action is taken. Direct trade measures would have several roles to play in a reformed international economic system.

In order to promote a liberal trading order, international economic rules should provide definite incentives to trade liberalization by surplus countries. The rules should not, as they tend to now, operate primarily to make countries reluctant to liberalize unilaterally because of possible impairment of their bargaining position in future trade negotiations. Means of providing positive incentives for trade liberalization should be worked out in the international reform negotiations, and the U.S. has stressed this as an integral part of the reform effort.

In exceptional circumstances and for limited periods of time, deficit countries may need to have recourse to commercial policy measures to protect their overall external position. One use of such measures would be to enable a country to get through a period during which more fundamental corrective measures would take effect. Although a goal of monetary reform is a system which does not lead to the large and persistent payments imbalances which have been experienced in the past, and it is to be hoped that reform of the international economic system will reduce the need for direct trade restrictive measures, it is nevertheless prudent and necessary for countries to be in a position to take such measures should the need arise.

When short-term restraints are to be used by countries, such price-based measures as taxes or surcharges are to be preferred over quantitative limitations, such as quotas. Past trading rules, as reflected for example in GATT Article XII, in envisaging the use of quantitative restrictions only to meet balance of payments needs, have not kept pace with national preferences, or with the change in trading practices toward less reliance on quantitative restrictions. The GATT rules should be modified to reflect these preferences.

U.S. proposals for international monetary reform envisage that in the absence of truly effective corrective adjustment measures by a chronic surplus country, other countries which are disadvantaged by the actions of that chronic surplus country should be able to protect their interests, ultimately by imposing a general import tax or surcharge on imports from that surplus country. While surplus countries would not under the U.S. proposals be expected to delay adjustment until they had reached a point where such protective action was considered necessary by their trading partners, past experience strongly suggests the need for provisions ensuring adequate discipline and inducements to action.

TRADE LIBERALIZING MEASURES
TAKEN BY SURPLUS COUNTRIES

GERMANY

Date	Action
1956-1957	Unilateral reduction of import duties and partial elimination of quantitative restrictions.
1964	Acceleration of Common External Tariff
1968-1969	Export tax and import subsidy

CANADA

1969	Acceleration of Kennedy Round tariff cuts (all items except shoeboard)
1973	Temporary unilateral tariff cuts on selected consumer goods and food stuffs

JAPAN

1968-1972	Reduction of its GATT-illegal import quotas and expansion of size of remaining quotas.
1970	Suspension of 1% import deposit requirement.
1971	Acceleration by nine months of final stage Kennedy Round tariff cuts.
1972	Unilateral 20% tariff reduction on 1,865 items (out of 2,708 items in Japanese tariff schedule) in October; tariff cut on 238 items in April.
	Rescinded "Buy Japan" Cabinet Decree for Government procurement.
	Abolished AIQ (Automatic Import Quota) and AA (Automatic Approval) import licensing procedures.
	Expanded scope of Japan Export-Import Bank import financing and reduced interest rate on such financing by 1%.
	Pledged special purchases of U.S. goods and services totaling $1.1 billion.
	Eased restrictions on establishment by foreigners of facilities for importing, warehousing, packaging and processing, wholesaling and retailing.

SWITZERLAND

1970	Accelerated Kennedy Round tariff cuts on all items, except watches.

TRADE RESTRICTIVE MEASURES TAKEN BY DEVELOPED COUNTRIES (Since 1962)

Country	Date	Action
Canada	June 1962 - April 1963	Import Surcharge
United Kingdom	October 1964 - November 1966	Import Surcharge
Ireland	November 1965 - September 1966	Import Levy
U.K.	November 1968 - December 1970	Import Deposit
Israel	January 1970 - present	Import Deposit
Israel	August 1970 - present	Import Surcharge
Spain	December 1969 - June 1971	Import Deposit
U.K.	October 1964 - April 1968	Export Rebate
France	July 1968 - January 1969	Export Incentive & Selective Import Quotas
Denmark	October 1971 - April 1973	Import Surcharge
U.S.	August 1971 - December 1971	Import Surcharge

SHORT-TERM CAPITAL TRANSFERS

Short-term capital flows can be a very disturbing element in international exchange markets--as recent experience has shown. This is certainly one of the elements to be considered in designing a new monetary system. An international economic structure which would facilitate basic adjustments would avoid the development of large and persistent disequilibria which feed speculative activity. Also, a monetary system can help to limit the incentives for short-term capital flows by built-in stabilizers, such as wider margins of fluctuation around declared exchange parities.

The communique which was issued by the Finance Ministers and Central Bank Governors of the Group of 10 and of the European Economic Community in Paris on March 16 "noted the importance of dampening speculative capital movements" and stated the intention "to seek more complete understanding of the sources and nature of the large capital flows which have recently taken place." As a follow up to this, the Committee of 20 on international monetary reform and related issues announced on March 27 in Washington an intensive study of effective means to deal with disequilibrating capital flows. The Deputies of the Committee of 20 have established a technical working group for this purpose.

Internally, the Executive Branch is examining how the existing U.S. reporting system on the balance of payments, particularly the short-term sector, can be improved both in terms of content and analysis. This is a complex problem and decisions on changes that may be administratively feasible and statistically meaningful can be made only after very careful planning and study. The Executive has adequate legislative authority in this field.

Table 3.—International Investment Position of the United States at Yearend‡

[Millions of dollars]

Line	Type of investment	Total				Western Europe		Canada		Japan		Latin American countries and other western hemisphere		Other foreign countries		International organizations and unallocated‡	
		1960	1965	1970 r	1971 p	1970 r	1971 p	1970 r	1971 p	1970 r	1971 p	1970 r	1971 p	1970 r	1971 p	1970 r	1971 p
1	**Net international investment position of the United States**	44,730	r 41,636	69,185	57,851	−19,056	−29,034	22,807	26,423	1,177	−7,799	19,655	21,471	26,096	30,633	17,475	16,169
2	**U.S. assets abroad**	85,589	r 120,434	166,850	180,626	41,459	45,630	37,106	39,882	7,226	8,365	28,710	30,770	31,899	36,373	20,450	19,606
3	Nonliquid assets	66,230	r 103,216	149,951	164,432	40,051	43,944	36,094	38,346	7,057	8,048	28,420	30,194	31,737	36,185	6,592	7,715
4	U.S. Government	16,920	23,306	32,166	34,194	7,993	7,850	24	49	572	606	6,220	6,660	15,804	17,610	1,353	1,419
	Long-term credits:																
5	Repayable in dollars [1]	14,028	14,966	23,518	25,614	6,827	6,798	19	47	547	482	5,596	5,943	9,181	10,931	1,348	1,414
6	Other [1]		5,234	6,185	6,178	951	872			98	95	689	675	4,447	4,535		
7	Foreign currencies and other short-term assets	2,892	3,196	2,463	2,402	215	180	5	2	27	29	35	42	2,176	2,144	5	5
8	Private, long term	44,497	r 71,435	104,959	115,554	29,634	33,202	35,221	37,342	2,339	3,050	18,234	19,469	14,292	16,195	5,239	6,296
9	Direct investments abroad	31,865	49,474	78,177	86,001	24,816	27,621	22,790	24,030	1,483	1,818	14,760	15,763	11,042	12,450	[3] 3,586	[3] 4,319
	Foreign securities:																
10	Foreign bonds	5,574	10,165	13,160	14,604	535	508	7,873	8,721	265	269	1,059	1,116	1,775	2,014	1,653	1,977
11	Foreign corporate stocks	2,984	5,048	6,437	7,069	2,563	2,832	3,150	3,262	237	578	141	172	216	225		
12	Other claims, reported by U.S. banks	1,698	r 4,377	3,035	3,620	471	706	272	208	115	245	1,326	1,440	851	1,020		
13	Other claims, reported by U.S. nonbanking concerns [4]	1,376	2,371	4,150	4,259	1,549	1,535	1,106	1,121	129	139	948	978	408	486		
14	Private, short-term nonliquid	[4] 8,819	8,355	12,826	14,684	2,424	2,892	849	955	4,046	4,392	3,866	4,065	1,641	2,380	(*)	(*)
15	Claims reported by U.S. banks	[3] 3,594	6,846	9,592	10,894	1,094	1,345	453	576	3,782	4,059	3,113	3,219	1,120	1,693	(*)	(*)
16	Claims reported by U.S. nonbanking concerns	[5] 1,219	1,539	3,234	3,790	1,330	1,547	356	377	264	333	753	846	521	687		
17	Liquid assets	19,259	17,218	16,899	16,194	1,408	1,686	1,012	1,536	169	317	290	576	162	188	13,858	11,891
18	Private	(1)	1,768	2,412	4,027	780	1,411	1,012	1,536	168	316	290	576	162	188		
19	Claims reported by U.S. banks	(1)	889	1,210	2,220	310	716	560	951	108	237	128	285	104	131		
20	Claims reported by U.S. nonbanking concerns	(1)	879	1,202	1,707	[6] 470	[6] 695	452	585	60	79	[6] 162	[6] 291	[6] 58	[6] 57		
21	U.S. monetary reserve assets	19,259	15,450	14,487	12,167	628	275	(*)	(*)	1	1					13,858	11,891
22	Gold	17,804	13,806	11,072	10,206											11,072	10,206
23	SDR			831	1,100											831	1,100
24	Convertible currencies		781	629	276	628	275	(*)	(*)	1	1						
25	Gold tranche position in IMF	1,455	863	1,935	585											1,935	585
26	**U.S. liabilities to foreigners [7]**	45,859	58,798	97,665	122,775	60,515	74,664	13,299	13,459	6,049	15,164	9,025	9,299	5,803	5,740	2,975	3,447
27	Nonliquid liabilities to other than foreign official agencies	19,830	29,224	50,659	54,917	36,304	39,920	6,776	7,197	843	152	3,911	4,256	1,689	1,696	1,832	1,850
28	U.S. Government [8]	793	1,944	2,005	1,523	1,806	1,385	52	17	32	28	22	15	95	77		
29	Private, long-term	18,418	26,315	44,785	49,583	31,745	35,994	6,467	6,943	666	−54	3,520	3,770	1,249	1,235	1,832	1,850
30	Direct investments in the United States	6,910	8,797	12,270	13,704	9,554	10,077	3,117	3,339	229	−174	248	315	121	146		
	U.S. securities:																
31	Corporate and other bonds	649	916	6,878	8,626	5,214	6,825	237	285	2	8	174	200	90	62	1,161	1,245
32	Corporate stocks	9,302	14,599	18,689	21,321	12,756	14,681	2,912	3,112	20	70	2,244	2,561	576	644	181	253
33	Other liabilities, reported by U.S. banks	7	393	1,006	759	[9] 178	[9] 256	[9] 3	[9] 4	[9] 385	[9] 3	[9] 415	[9] 168	[9] 232	[9] 133	[9] 490	[9] 351
34	Other liabilities, reported by U.S. nonbanking concerns [4]	1,550	1,610	4,940	5,173	4,043	4,155	198	203	30	39	439	526	230	250		
35	Private, short-term nonliquid, reported by U.S. nonbanking concerns	619	965	3,869	3,811	2,753	2,541	257	237	145	178	369	471	345	384		
36	Liquid liabilities to private foreigners and liquid and nonliquid liabilities to foreign official agencies	21,029	29,574	47,006	67,858	24,211	34,744	6,523	6,262	5,206	15,012	5,114	5,043	4,114	4,044	1,143	1,597
37	To private foreigners	9,139	12,909	22,619	16,614	10,550	4,573	3,572	2,282	n.a.s.	n.a.s.	3,541	3,664	n.a.s.	n.a.s.	577	1,053
38	To foreign commercial banks [10]	4,818	7,419	17,169	10,950	9,076	3,375	3,078	1,898	n.a.s.	n.a.s.	1,210	1,265	n.a.s.	n.a.s.		
39	To international and regional organizations	1,541	1,431	846	1,523	17	8			n.a.s.	n.a.s.	154	328	n.a.s.	n.a.s.	577	1,053
40	To other foreigners	2,780	4,059	4,604	4,141	1,457	1,190	494	384	n.a.s.	n.a.s.	2,177	2,071	n.a.s.	n.a.s.		
41	To foreign official agencies	11,890	16,665	24,387	51,244	13,661	30,171	2,951	3,980	n.a.s.	n.a.s.	1,573	1,379	n.a.s.	n.a.s.	566	544
42	Nonliquid	2	499	3,764	3,636	645	705	2,289	2,640					135	135		
43	Report by U.S. Government [8]	2	329	3,069	3,480	645	705	2,289	2,640					135	135		
44	Reported by U.S. banks		120	695	156	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
45	Liquid	11,888	16,206	20,623	47,608	13,016	29,466	662	1,340	n.a.s.	n.a.s.	1,573	1,379	n.a.s.	n.a.s.	566	544

r Revised. p Preliminary. *Less than $500,000 (±). ‡Includes U.S. gold stock. N.a.s. Not shown separately.

1. Also includes paid-in capital subscription to international financial institutions (other than IMF) and outstanding amounts of miscellaneous claims which have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.

2. Includes indebtedness which the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.

3. For the most part represents the estimated investment in shipping companies registered primarily in Panama and Liberia.

4. The long-term position data given here include estimates for real estate, insurance, estates, and trusts.

5. Liquid claims are not available separately and are included with nonliquid claims.

6. Beginning in 1970 country detail for Western Europe includes the European Economic Community, United Kingdom, and Switzerland only, and for Latin America and O.W.H. includes only Bahamas and Bermuda. Remaining countries are not separately identified due to insignificant amounts and are included in other foreign countries.

7. The regional breakdown for liability lines may not add to the world total since certain items cannot be shown separately and because of the assumptions made regarding lines 33 and 44 (see footnote 9).

8. U.S. Government liabilities are broken down into those to foreign official reserve agencies in line 43 and those to others in line 28, including foreign official agencies other than reserve agencies. U.S. Government notes held by the Canadian Government in connection with the 1964 Columbia River power rights arrangements are included in the entries for foreign official reserve agencies.

9. In the regional breakdown, nonliquid liabilities to foreign official agencies reported by U.S. banks are included with private long-term liabilities reported by U.S. banks, and, for summation purposes in the regional presentation, line 44 is assumed to be zero and any entries that would appear there are considered part of line 33.

10. As reported by U.S. banks; ultimate ownership is not identified.

NOTE.—Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

TAX TREATMENT OF FOREIGN INVESTMENT

Taxation can play a significant role in either stimulating or discouraging international investment. U.S. tax laws are intended both to neutralize taxes as a factor in deciding whether to invest at home or abroad and to prevent differing foreign tax structures from placing U.S.-owned firms overseas at a disadvantage with respect to their foreign competitors. However, these goals can be only partly achieved because there is usually a degree of incompatibility between these twin ideals of domestic comparability and foreign comparability.

Many countries follow the territorial approach and do not tax income from their citizens' and corporations' foreign direct investments. On the other hand, the United States and several other countries tax their citizens and corporations' worldwide income, granting credits, when necessary, to avoid double taxation. The latter system aims at maximizing domestic comparability by granting a corporation equal income tax treatment on earnings, whether from a foreign or domestic subsidiary.

In line with the basic principle of U.S. tax law that income is not taxed until received and to provide foreign comparability as well as domestic comparability, U.S. taxation on income from U.S. investments in foreign subsidiaries is generally not taxed until this income is remitted to the United States. There is one important exception to this rule: tax haven income of a U.S.-controlled foreign corporation is generally deemed distributed to U.S. investors in the year earned even though no distribution has yet taken place. This anticipatory taxation prevents tax avoidance in cases where foreign corporations accumulate tax haven income in low-tax countries.

While the U.S. tax system is generally successful in neutralizing taxes as a factor in deciding whether to invest at home or abroad, there are certain instances where artificial incentives for investment exist, distorting the flow of capital. Recognizing this, the Administration has recommended the following changes in the rules relating to the taxation of foreign source income: (1) United States shareholders would be taxed on future undistributed earnings of a controlled foreign corporation engaged in manufacturing or processing activities where the corporation makes new or additional investment and is allowed a foreign "tax holiday" or similar tax incentive with respect to such investment. (2) United States shareholders would be taxed on the future undistributed earnings of a controlled foreign corporation where the corporation makes a new or additional foreign investment in the manufacturing or processing of products exported to the United States market, if the income from such investment is subject to foreign corporate tax significantly lower than in the United States. (3) Where a United States taxpayer has deducted foreign losses against United States income, such losses would be taken into account to reduce the amount of foreign tax credit claimed by such a taxpayer on foreign earnings in later years.

MISCELLANEOUS ISSUES

The Common Agricultural Policy (CAP) of the European Communities (EC)

When the Common Market was established in 1958, it was apparent that a single system of farm support and protection would be necessary to create the conditions of competition that would permit trade between the Member States to develop and duties and restrictions between the Member States to be removed. The system which the EC then devised is known as the Common Agricultural Policy.

The first CAP regulations were established in 1962 and covered grains, poultry, pork, eggs, and fruit and vegetables. Regulations for beef, milk, and rice followed in 1964; fats and oils in 1966 and 1967; sugar in 1967; and more recently tobacco, wine, hops, seeds, flax, silk, and fish. The first regulations for grains, rice, beef, and dairy products established a single method of support and protection -- the variable levy system -- but markets for these products remained organized on a national basis until 1967 and 1968 so that the trade in these products did not move freely between the member states until then.

The variable levy system applies to grains, rice, sugar, and the main animal products (and olive oil) --two-thirds of EC production. Under this system the market for the most important products is supported by government purchasing of any amount offered at fixed support or "intervention" prices. Intervention prices are set at different levels according to the producing area so that products of the main producing areas can compete equally with each other in the most deficit consuming centers -- Duisburg, Germany, in the case of grains. The price at which products can be sold at intervention in Duisburg is, therefore, equal to the intervention price in the producing areas plus transportation to Duisburg. The Duisburg intervention price is set a little below the desired wholesale price for Duisburg -- the "target" price. Imports are prevented from selling at less than the target price because imports must meet a minimum import price or "threshold" price, which is equal to the Duisburg price minus transport costs from Rotterdam. The Community observes the world market price quotations for grains each day and adjusts these quotations to what they would be if they were made for grains of a standard EC quality delivered to Rotterdam. The lowest such adjusted price is then subtracted from the threshold price. The difference is a variable levy which is applied to each import of the grain in question regardless of its actual price. In this way, the EC allows third country products to supply only those qualities or quantities which cannot be supplied by the domestic production. The levy on August 1, 1972 (beginning of current season), was 122 percent of the lowest adjusted price for wheat imports, 84 percent for corn, and comparably high for other products.

In addition to levies the EC has imposed since 1971 compensatory charges on imports to offset the effect of floating exchange rates on the levy system. As EC currencies appreciate in value, the levies become insufficient to raise import prices up to the threshold

price; hence, an additional charge is imposed. For example, a German importer of U.S. corn would have paid a levy on March 7, 1973, of about DM132 plus a further monetary adjustment of about DM16, or a total charge of about DM148. If the EC had not made adjustments for changes in the value of the dollar and the deutsche mark since 1971, the German importer would have paid a levy of about DM90 and no monetary adjustment. About $450 million of U.S. exports are affected by these extra charges. In 1972, by resort to GATT procedures, the United States was able to obtain the removal of these monetary charges on about $40 million of U.S. exports on which the charges exceeded GATT bound duty rates.

Production is not controlled and tends to rise rapidly under these incentives. Production in 1972-73 compared to the 1962-63/66-67 average is up 26 percent for wheat, 128 percent for corn, 39 percent for rice, 50 percent or more for poultry. Surpluses are removed with export subsidies. Another consequence of high grain prices has been to shift consumption toward cheaper feeds -- especially soybeans and soybean oilcake, which are admitted duty free.

The effect of the CAP is to squeeze out imports as domestic production rises, and to disrupt markets in third countries by subsidizing exports. U.S. exports subject to EC variable levies averaged $431 million during the last 3 fiscal years (1970-72) -- down 26 percent from FY 1965-67, the last 3 years before complete freedom of intra-EC trade for most variable levy products. Total U.S. agricultural exports to the EC averaged $1.7 billion during FY 1970-72, up 13 percent over 1965-67, and 70 percent higher than from 1956-58 (before the EC was formed). Nearly all of the increase in U.S. agricultural exports to the EC can be accounted for by oilseeds (especially soybeans) and oilcake, which rose from $101 million in 1956-58 to $712 million in 1970-72. This increase has taken place because of the strong European demand for feeds and U.S. insistence that the EC honor its duty-free GATT binding.

The United States has also lost sales in third country markets to EC subsidized exports. In the case of poultry and lard, the United States established competitive export subsidies specifically to regain markets lost to the EC in Switzerland and Greece (chicken) and the U.K. (lard). In January 1973 the United States eliminated all direct export subsidies. The EC, however, has expanded its subsidies since then to include tobacco.

Another large part of our exports to the EC is subject to different but still troublesome import regimes. The most serious problems affect tobacco (U.S. sales to the EC: $163 million in FY 1972), for which there is a fixed tariff. Price supports for tobacco are far above the duty-paid price of imports, but premiums to EC manufacturers bring the cost of domestic tobacco down below that of imports and up to 30 percent cheaper than before the establishment of this policy in 1970.

EC excise tax policies on cigarettes and other manufactured products are being progressively revised in a manner that discourages the use of high-priced tobacco. These policies favor a shift away from higher quality U.S. tobaccos toward cheaper varieties, whether domestic or imported.

Trade distortion caused by the CAP is magnified when some suppliers are given preferential treatment. Since 1969, U.S. exports of oranges to the EC have declined 50 percent to $7 million in 1972. One-fifth of the EC's tobacco imports are duty free compared to duties of 15 - 23 percent paid on U.S. tobaccos. Moreover, this discrimination is increasing as a result of the admission of the U.K., Ireland, and Denmark to the EC. Not only are the preferences granted by the present six EC countries to be extended to the three new members, but the enlarged EC is to grant these same preferences to many British Commonwealth suppliers.

The direct impact of EC enlargement on U.S. exports can be foreseen fairly clearly in that the adoption of higher prices and protection by the new members is certain to lead to the same problems already experienced with the present members. It is expected, for example, that the enlarged community will no longer be a net importer of grains within 10 years.

Efforts by the EC itself to change the CAP have met with many difficulties, even though it is clear that the present policy produces burdensome surpluses and fails to maintain farm income in the face of rising costs. In 1968 the EC Commission made wide ranging recommendations for the modernization of farming over 10 years in the EC by incentives to increase farm size and efficiency (86 percent of EC farms have 50 acres or less), to reduce the number of farmers by 50 percent, and to take land out of production. Uncertainty over costs, feasibility, control and results delayed drafting of specific implementing measures. In April 1972 the EC directed Member States to adopt certain measures such as small retirement annuities, subsidized interest on loans for farm improvements, and modest income payments ($600 or less per year) under specified conditions for some farmers. These measures, however, are not sufficient to maintain income at present prices, let alone permit a reduction of price support or protection. Currently, the EC is studying further measures for regional development, aid to hill farming and reforestation. Ideas for a more basic reform of price and marketing policies have won little support. Difficulties in reaching agreement on 1973-74 support prices, however, led the EC to schedule for October 1973 a review of EC price policies and their alternatives.

PROGRESS TO DATE ON REDUCTION OF TRADE BARRIERS; REMAINING BARRIERS

JAPAN

Sound and viable economic relations between the United States and Japan are a keystone of the overall U.S.-Japan relationship. Japan is the United States' leading export market after Canada, accounting in 1972 for $4.9 billion or 10.1 percent of total U.S. exports. The United States is by far Japan's best customer, importing $9.1 billion worth of goods from Japan last year, 16.4 percent of total U.S. imports. The increasing importance of the Japanese market and the growing U.S. trade deficit with Japan have caused the U.S. Government to exert strenuous efforts to induce Japan to remove its remaining import barriers and to increase its imports from the United States. High-level talks were conducted with the Japanese on several occasions over the past few years, including President Nixon's meeting with Prime Minister Tanaka in Hawaii in August 1972, numerous bilateral consultations conducted by the President's Special Representative for Trade Negotiations, Ambassador William D. Eberle, meetings of the Cabinet-level Joint U.S.-Japan Committee on Trade and Economic Affairs, and meetings in multilateral forums such as the General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD).

While Japan's progress in reducing its trade barriers has been quite substantial and visible, remaining restrictions are still of significance. Achievement of the maximum beneficial trade effects from the recent exchange rate changes will depend on further Japanese Government measures--elimination of import quotas, reduction of tariffs, and easing restrictions on investments by foreigners in sales and service facilities--to improve the access of U.S. goods to the Japanese market.

I. Progress to Date on Reduction of Trade Barriers

Reduction of Import Quotas and Expansion of Quotas

Until 1963 the GATT authorized Japan to maintain quantitative restrictions for balance of payments reasons. Following a

finding of the International Monetary Fund (IMF) that Japan was no longer entitled to maintain import restrictions for balance of payments reasons, Japan notified the GATT in February 1963 that it would no longer claim justification for its import restrictions under the balance-of-payments provision of GATT Article XII. A large number of import quota items were liberalized, i.e., removed from the restriction list, through April 1964, but very few were liberalized during the following four years.

Since 1968 the United States has concentrated on accelerating the reduction and removal of Japan's import restrictions, especially the import quotas maintained in contravention of the GATT's ban on quantitative import restrictions. Between April 1969 and the Spring of 1972 Japan reduced from 120 to 33 the number of four-digit Brussels Tariff Nomenclature (BTN) items all or part[1/] of which are subject to GATT-illegal import quotas. (These are exclusive of some 35 items controlled either as state-traded items or for health and security reasons.)

The chronology of Japan's import quota liberalization since 1969 is outlined in the following table:

Date	Total GATT-illegal Restrictions	Agricultural Products	Manufactured Products
April 1969	120	68	52
January 1971	80	49	31
June 1971	60	40	20
October 1971	40	28	12
April 1972	33	24	9

In addition to the elimination of items subject to quota, Japan has taken steps to ease the impact of most of the remaining

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1/ Several parts may be in the same four-digit category. Part of a category may be liberalized while part remains under quota. For example, fresh limes and fresh grapefruit have been liberalized, while tangerines and oranges remain under quota. All four are in BTN 08.02, which is counted as one unliberalized item since not all of its parts have been liberalized.

import quotas--the enlargement of quotas on items of special trade interest to the United States and a general enlargement of quotas.

As a result of trade negotiations held December 1971-February 1972, the Japanese Government agreed, inter alia, to enlarge global import quotas for the fiscal year 1972 (April 1, 1972-March 31, 1973) on fresh oranges, fruit juices, and high quality beef. The quota for fresh oranges was increased from 7,800 metric tons (MT) to 12,000 MT, and the quota for high quality beef was doubled to 1,000 MT per year. Last summer Japan increased the maximum allowable share of the Japanese computer market which may be gained by foreign firms--including IBM-Japan--to 50 percent (up from 41.2 percent in Japanese fiscal year 1971). On October 20, 1972, the Japanese Government, as part of the third yen-defense program, announced its intention to expand the size of import quotas by 30 percent or more over the preceding fiscal year and to raise the minimum quota from five percent to seven percent of total domestic consumption. Computers were excluded.

Tariff Reductions

Japan made unilateral tariff reductions on 124 items in April 1971 and on 238 items in April 1972. As part of the October 1972 yen-defense program, Japan reduced tariffs by 20 percent on 1,865 items (out of a total of 2,708 items in the Japanese tariff schedule) effective November 22. Major items subject to the 20 percent reduction include canned seafood, textiles, apparel, internal combustion engines, air conditioning machines, integrated circuits, and motor vehicles. Computers, unwrought nickel and aluminum, leather and leather footwear, and fruit and vegetable juices were excluded. In addition, Japan reduced its tariffs on 102 items effective April 1, 1973. Japan's preferential tariff system to expand imports from developing countries was initiated in August 1971. The Japanese average tariff rate for manufactured and semi-manufactured products is about 9.0 percent as compared to the United States' 7.5 percent.

Japanese Government Procurement

Last September, the Japanese Government rescinded a 1963 "Buy Japan" Cabinet Decree, which urged Government agencies "to make due valuation of domestic products in government procurement activities" and which called for voluntary cooperation from local governments and private industries in these efforts. The Decree, in effect, had prescribed a Buy-Japan policy to meet supply requirements for 14 categories of equipment, including automobiles, typewriters, copying machines, generators, construction machinery, and machine tools. Last September's rescission of the Decree specifically excepted computers and related equipment, which will continue to be procured from domestic sources if available.

In addition, the Japanese Government has indicated that selection of foreign and domestically produced nuclear reactors would be made solely on commercial and safety considerations; and that special purchases totaling $1.1 billion would be made in 1972-73 of U.S. agricultural products, aircraft, and uranium enrichment services.

Improvement of Import Financing

As part of the October 1972 economic measures, import financing by the Japan Export-Import Bank was expanded to include manufactured goods and the Bank's interest rate for such financing was reduced by one percent from the previous average of 6.5 percent. (Formerly the Bank had financed only the importation of raw materials and minerals.)

Simplification of Import Procedures

Steps to simplify import procedures have included the elimination of the automatic import quota (AIQ) system for imports in February 1972, the abolition of the automatic approval (AA) system (replacing it with a reporting system) in December 1972, the elimination of the import collateral system in November 1972 (the import deposit rate was reduced from one percent to zero in May 1970), and the decision to raise the duty-free allowance level for goods brought in by travelers entering Japan after November 1972.

Easing of Restrictions on Inward Investment to Facilitate U.S. Exports

In February 1972, the Japanese Government agreed to approve the establishment of wholly foreign-owned subsidiaries and branches which engage in importing, warehousing, and wholesaling. Activities involving computers and petroleum were specifically excepted. As a result of the U.S.-Japan trade talks last summer, Japan agreed to give sympathetic consideration to applications for the establishment of 100% U.S.-owned firms to engage in packaging and minor processing in Japan unless they would disturb Japanese industry in a drastic and abrupt fashion. This action could induce U.S. companies to establish facilities in Japan to import commodities in bulk, to package items for distribution, and to perform minor processing such as adding water to products which are too costly to ship already mixed. The packaging and processing of color film and color photographic paper was excepted from this new policy. The Japanese Government also agreed "in principle" last summer to approve the establishment of 100% U.S.-owned retailing operations, provided that each operation involved no more than 11 stores and the products to be sold were U.S. products or regarded as U.S. products, i.e., manufactured under U.S. license or to U.S. specifications and bearing U.S. brand names of the American manufacturing or distribution firms. The only Japanese products that could be sold in the stores are those "necessary for the sale" of U.S. products.

II. Remaining Barriers to Imports

Despite the progress made by Japan in lifting its restrictions on imports, there remain a number of import barriers which impact with varying degrees of severity on U.S. trade. These barriers include the following:

Import quotas. As indicated in part I above, import quotas in contravention of Japan's GATT obligations remain on all or part of 32 BTN four-digit items, including computers, computer peripheral equipment and parts, integrated circuits, leather, leather footwear, oranges, fruit juices, and other agricultural items. The 32 items are listed in the attachment.

Tariffs. Japan maintains a number of tariffs that are substantially higher--e.g., computers-15%, color film-18%--than the comparable U.S. tariffs.

Government procurement. The lack of openness in Japan's government procurement practices and procedures effectively excludes many potential foreign suppliers from competing for Japanese Government procurement contracts.

Standard method of settlement. The Japanese Government requirement that an importer who wishes to pay for imported goods on terms different from "the standard methods of settlement" must obtain advance government approval limits the freedom of importers in financing imports and therefore could inhibit imports.

Restrictions on sales facilities. Japanese Government controls on the establishment of foreign-owned facilities for the processing and/or sale of imported products hamper the expansion of U.S. exports to Japan.

Attachment

(Number is 4-digit Brussels Tariff Nomenclature)

Meat

1. 0201 Beef
2. 1602 Prepared or preserved pork or beef

Dairy Products

3. 0401 Fresh milk and cream
4. 0402 Milk and cream, processed
5. 0404 Processed cheese
6. 2107 Ice cream powder, bases for beverages, food preparations, etc.

Marine Products

7. 0301 **Herring, cod, yellow tail, mackerel, sardines, horse mackerel, etc.
8. 0302 **Hard roe of cod, cod, herring, etc., salted, dried, or smoked
9. 0303 Scallops and cuttlefish, fresh and salted
10. 1208 Edible seaweeds

Cereals

11. 1101 Flours of wheat, rice, barley and other grains
12. 1102 Groat and meal of grain
13. 1107 *Malt

Fruits and Preparations

14. 0802 Fresh oranges and tangerines
15. 0811 Prepared oranges, tangerines, grapefruit provisionally preserved
16. 2005 Fruit puree and fruit pastes
17. 2006 Pineapple containing added sugar or spirit, fruit pulp and roasted ground nuts
18. 2007 Fruit juice (excluding lemon juice) and tomato juice
19. 2104 Tomato ketchup, tomato sauce and mixed seasonings, chiefly consisting of sodium glutaminate

Starches and Sweets

20. 1108 *Starches and insulin
21. 1702 Grape sugar, milk sugar and malt sugar not containing added sugar. Sugar syrup, caramel and artificial honey.

Other Agricultural Products

22. 0705 Small red beans and miscellaneous beans
23. 1201 Ground nuts (excluding those for oil extracting purposes)
24. 1405 Dates, seaweeds, tubers of konnyaku

Minerals

25. 2701 Coal

94-754 O - 73 - 16

Hides, Skins and Their Products

26.	4102	*Cattle and horse leather
27.	4103	Sheep and lamb skin leather
28.	4104	Goat and kid skin leather
29.	6402	Leather for fur skin footwear

Machinery

30.	8453	Digital type electronic computers and peripheral apparatus
31.	8455	Parts of digital computers and peripherals
32.	8521	Integrated circuits (with 100 elements or more)

Note: * denotes that all items under the tariff number will remain under control. Items without asterisk indicate that only a part of items covered by the tariff number are restricted.

** hard roe of herring, part of 0301 and 0302, was liberalized in May 1972.

JAPANESE INVESTMENT LIBERALIZATION

I. Inward Foreign Investment

The Japanese Government (GOJ) has adopted a new policy, effective May 1, toward inward foreign investment. The outstanding feature of the new policy is the change from the principle of limiting foreign investment to 50 percent in new companies and less than 25 percent (a maximum of 10 percent per foreign investor) in existing companies to the principle of permitting up to 100 percent foreign investment in both new and existing companies, with significant exceptions. The new GOJ action is responsive, in part, to the U.S. policy of seeking better access for U.S. investors to the Japanese market and strong support for the opening of Japan to the world economy.

Under the new policy, the GOJ will "automatically approve" up to 100 percent foreign investment in new companies (direct investment) and in existing companies (investment for participation in management and portfolio investment), with the following exceptions:

(1) Where the proposed investment is in a company in one of five industries -- agriculture (including forestry) and fishing, mining, oil, leather and leather products, and retail trade -- in which case the investment application is subject to "case-by-case screening," which is tantamount to rejection;

(2) Where the proposed investment is in a company in one of the 17 industries with respect to which 100 percent liberalization is postponed from two to three years (see attached list of industries with their liberalization dates); and

(3) Where, with regard to investment in an existing company, the proposed investment is a "'take-over' plotted against the wishes of the company concerned" (quoted from GOJ summary of the new policy).

The new policy represents a significant step forward. However, it is deficient in the following major respects:

-- For two to three more years foreigners will continue to be denied the option of setting up or acquiring majority-or wholly-owned operations in 17 major industries;

-- For an indefinite period foreigners will effectively be barred from significant investment in five major sectors, listed above (except for mining, where a 50 percent interest is subject to "automatic approval," and for retail operations with eleven or fewer stores, where American investment up to 100 percent is subject to approval in principle. With regard to retail operations, however, during U.S.-Japan trade talks last summer, Japan agreed to relax restrictions on the establishment of wholly American-owned packaging and minor processing facilities as well as retail stores with not more than 11 outlets. Montgomery Ward has already taken advantage of this understanding by establishing a number of its retail outlets in Japan.)

-- These 22 excepted industries are ones in which, for the most part, Japanese companies are well-entrenched and capable of withstanding competition, whether from imports or Japan-based operations; and

-- The exceptions to "automatic approval" leave GOJ policy toward incoming U.S. investment far short of reciprocity for the unimpeded access given to Japanese investment in the United States.

Recently, against the background of heavy inflows of foreign exchange, the GOJ moved to curtail capital inflows through portfolio investment by imposing restrictions on the purchase of securities in Japan by non-residents. The United States hopes this is temporary and that the Japanese will move to grant greater freedom for capital investment quickly. (In the short-run, the removal of Japanese restrictions on capital inflows tends to detract from the U.S. objective of reducing the U.S. balance-of-payments deficit with Japan. However, the IET and the other U.S. capital outflow control programs work to mitigate this problem.)

II. Outward Direct Investment and Other Outward Capital Flows

The GOJ's once stringent controls have been almost completely removed. Government approval is required for the outward flow of capital for direct investment, but for all practical purposes this requirement is non-restrictive. Japanese residents are also free to transfer capital abroad for portfolio investments in securities listed on foreign stock exchanges and foreign mutual funds. With the exception of foreign mutual funds, the Japanese do not permit the listing of foreign securities. However, there are indications that foreign companies may be allowed to list their shares some time this year on the Tokyo Stock Exchange. Securities of foreign governments and international agencies, as well as mutual fund securities, may be offered for public sale in the Japanese capital market.

Attachment

Seventeen Industries to be Liberalized after a Set Period

Kind of Business	At Present	Timing of Liberalization
Integrated Circuit Manufacturing Industry	50 Percent liberalized	100 Percent liberalized after 19 months
Meat Products Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Tomato Products Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Feed Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Food Processing Industry for Supplying	50 percent liberalized	100 percent liberalized after 2 years
Manufacturing or Wholesale Trade of Apparel	50 percent liberalized	100 percent liberalized after 2 years
Medicines or Agricultural Chemicals Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Ferro-alloy Production Industry	50 percent liberalized	100 percent liberalized after 2 years
Hydraulic Equipment Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Packaging or Packing Machinery Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Electronic Instrument for Medical Purpose or Electric Measurement Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years

Phonographic Record Manufacturing Industry	50 percent liberalized	100 percent liberalized after 2 years
Real Estate Business	Case-by-case Screening	100 percent liberalized after 2 years
Manufacturing Sales or Leasing of Electronic Computers	Case-by-case Screening	50 percent liberalized after 15 months, 100 percent liberalized after 31 months
Information Processing Industry	Case-by-case Screening	50 percent liberalized after 19 months, 100 percent liberalized after 35 months
Fruit Juice or Fruit Beverage Manufacturing	50 percent liberalized	100 percent liberalized after 3 years
Photo-sensitized Material Manufacturing Industry	50 percent liberalized	100 percent liberalized after 3 years

Note: Processed cheese manufacturing industry is liberalized on condition that domestic natural cheese accounts for more than one-third of the raw materials used in the manufacturing of the product.

COMPARATIVE INTERNATIONAL LABOR COSTS AND PRODUCTIVITY

The cost of producing goods in the United States relative to other countries is an important element in determining the flow of trade. Labor costs, in turn, account for a major portion of total costs. In 1971, for example, employee compensation amounted to 72 percent of the gross product originating from the manufacturing sector. However, there are several non-cost elements which enter into a market decision and influence trade flows.

Examination of trends in unit labor costs provides some insights into the trade competitiveness of the United States in relation to other countries. Indexes covering unit labor costs and related series for all manufacturing are available for the United States and ten other industrial countries and are summarized for the period 1960 to 1972 in the accompanying tables and charts. While these indices do not provide a comparison of the levels of labor cost per unit of output, they do indicate whether the overall U. S. unit labor cost position in manufacturing is improving or worsening in relation to our major trade competitors. They do not, however, necessarily reflect comparative trends for individual manufacturing industries or products.

Trends in Manufacturing Since 1960

Over the entire period from 1960 to 1972, manufacturing unit labor costs, measured in national currencies, rose less in the United States than in any of the ten other countries. To a very large extent the overall good U. S. record is attributable to the first five years of the period plus a relatively favorable trend in the last two years. In the first half of the 1960's, U. S. unit labor costs declined while costs in Japan and Europe were rising. In the last two years, U. S. labor costs rose but at a much lower rate than those abroad. Between 1965 and 1970 U. S. unit labor costs increased at an annual average rate of 4 percent, which was substantially higher than the rates in most of the other countries. Unit labor costs reflect the relationship between hourly labor costs and productivity (output per man-hour). To the extent that increases in compensation are offset by gains in productivity, inflationary cost pressures are reduced.

Over the entire period, hourly compensation rose at a slower annual rate in the United States than in any of the other countries. The 12-year average rate of increase was 5 percent for the United States, 6 1/2 percent for Canada, and 8 to 14 percent in Japan and the European countries. Within the period, the rate of increase for the United States accelerated from a relatively low rise of 3.7 percent per year during 1960-1965 to over 6 percent per year since then. Even with the 6 percent per year rate

of gain in the United States, the other countries still had greater increases since their rates also accelerated markedly, particularly in the last few years.

On the other hand, productivity (output per man-hour) in the United States rose less than in any of the other countries. Over the 12-year period U. S. productivity grew about 3 percent per year whereas the productivity gains for Canada and the European countries ranged from 4 to 7 percent per year. The gain for Japan actually exceeded 10 percent per year. Nevertheless, because the differences between the U. S. and other countries' hourly compensation gains were so much greater than the productivity rate differences, the U. S. unit labor cost increases were smaller than those of other countries. This was not true, however, during the 1965-70 period when the U. S. productivity gains were substantially lower than those abroad. In the last two years, the improvement in U. S. unit labor cost increase relative to those abroad reflects both the marked acceleration in productivity and the stability in hourly compensation increases but because of other factors this competitive advantage was not reflected in an improved export performance.

The cost trends discussed above are based on measures expressed in national currencies of the 11 countries. They do not take account of the numerous changes in currency valuations that have occurred since 1960, including the dollar devaluation of December 1971. When cost changes are measured in U. S. dollars, most of the other countries show a higher rate of increase in unit labor costs than they show on a national currency basis. This is especially true for the last two years, when the 1971 dollar devaluation took effect. The annual rate of increase in unit labor costs from 1970 to 1972 was 1.4 percent for the United States, compared with rates ranging from 6 to 17 percent for the other countries, when calculated on a U. S. dollar basis.

Comparative Levels of Unit Labor Cost and Productivity

Although the trend measures shown here are useful for understanding the movements of labor cost, for international comparisons it is desirable to have measures of the levels of labor costs per unit of output for the economy and for individual industries. However, because of data limitations, these measures for the total economy cannot be derived, and absolute comparisons can be developed for only a few individual industries.

A study of comparative unit labor costs was completed by the Department of Labor covering the primary iron and steel industry in the United States, Japan, and the three largest steel producing countries of Western Europe--France, Germany, and the United Kingdom. Even in this study, comparative data for Japan and the countries of Western Europe could only be presented in terms of ranges with high and low estimates, because of data gaps.

As can be seen in Table 3, the estimated labor cost to produce a comparable ton of steel products in 1971 was approximately 69 to 86 percent of the U. S. level in Germany; about 59 to 64 percent of the U. S. level in France; 61 to 68 percent of the U. S. level in the United Kingdom; and only 28 to 35 percent of the U. S. level in Japan. Relative to the United States, this represents a slight lowering of unit labor costs in Japan and France since 1964, a small increase in the United Kingdom, and a significant increase in Germany. The relative improvement for Japan is attributable to rapid productivity growth, whereas the relative improvement for France is attributable to the 1969 devaluation of the French franc. The large relative increase for Germany reflects primarily the upward revaluations of the German mark in 1969 and 1971. If the British pound had not been devalued in 1967, unit labor costs in the United Kingdom would have risen substantially more relative to the United States.

Hourly labor costs in steel manufacturing have been rising faster in the foreign countries than in the United States and in 1971 ranged from about one-third the U. S. level in Japan and the United Kingdom to nearly 60 percent in Germany. These hourly labor cost levels will be higher, relative to the U. S. level, as a result of the further dollar devaluation of February 1973. Steel productivity has also been rising faster abroad. Between 1964 and 1971, output per man-hour increased by only 8. 6 percent in the United States, and 11 percent in the United Kingdom, compared with increases of around 40 percent in France and Germany and well over 100 percent in Japan. The comparative data for Japan are probably less precise than the data for the other countries. Nevertheless, productivity in the Japanese steel industry is certainly approaching the U. S. level if it has not exceeded it. Preliminary 1971 estimates for the other countries indicate that output per man-hour in the British steel industry was about half the U. S. level and that France had reached about two-thirds and Germany three-fourths of the U. S. level.

The comparative cost figures relate only to industry labor costs, which are a sizable part of total costs in the iron and steel industry--about 40 percent in the United States. The proportion accounted for by material and other costs in other countries varies substantially from country to country, making conclusions difficult with respect to the overall competitiveness of the U. S. in international comparisons. In addition, higher average unit labor costs in the iron and steel industry in the United States, as compared with Japan and Western Europe, by no means imply that this is true for every steel mill product.

Broad conclusions about comparative cost and productivity levels in all manufacturing industry cannot be drawn from the experience of a single industry such as iron and steel. For some industries, no significant import competition has developed and export markets have been expanded. In other cases, it is clear that import penetration has been rising, which is often regarded as an indication of substantially lower costs abroad. The currency realignments of late 1971 and early 1973 have, of course, improved the overall U. S. labor cost position. Whether this is a temporary or long-term gain will depend on future relative movements of labor cost and productivity both here and abroad.

Table 1. Rates of Change in Unit Labor Costs in Manufacturing, 1960-72
(Average annual percent change)

Item and Country	1960-72	1960-65	1965-70	1970-71	1971-72
Unit labor costs in national currency					
United States	1.9	-0.7	4.0	0.8	2.1
Canada	2.0	-0.8	3.2	3.3	3.5
Japan	3.4	4.3	2.0	10.6	4.8
Belgium	3.1	3.3	1.4	8.9	3.8
France	3.5	3.8	3.8	4.5	4.6
Germany	3.3	3.0	2.6	8.9	4.9
Italy	4.8	6.3	3.9	13.8	8.9
Netherlands	4.8	5.6	2.8	10.5	8.0
Sweden	2.7	2.1	2.0	10.1	5.5
Switzerland	3.0	6.3	0.4	7.3	6.9
United Kingdom	3.6	2.3	3.6	7.3	4.1
Unit labor costs in U.S. dollars 1/					
United States	1.9	-0.7	4.0	0.8	2.1
Canada	2.0	-2.8	3.7	6.8	5.4
Japan	4.1	4.2	2.2	14.0	20.2
Belgium	3.6	3.4	1.3	11.5	14.5
France	2.7	3.9	1.5	5.0	14.2
Germany	4.8	3.7	4.1	14.2	14.4
Italy	5.0	6.2	3.8	15.4	15.4
Netherlands	5.4	6.4	2.7	14.4	17.4
Sweden	3.0	2.1	1.9	11.8	13.2
Switzerland	3.6	6.2	0.5	12.4	15.1
United Kingdom	2.1	2.2	-0.4	9.5	5.4

1/ Data in national currency units adjusted for changes in exchange rates.

NOTE: Percent changes computed from the least squares trend of the logarithms of the index numbers. Data relate to all employees in manufacturing (wage earners only in Switzerland, mining and manufacturing in Sweden). All 1972 figures and some of the figures for earlier years are estimates derived from preliminary or partial year data or from current statistical series that are less complete than those used for the longer term trends.

Table 2. Rates of Change in Hourly Compensation and Output Per Man-Hour in Manufacturing, 1960-72
(Average annual percent change)

Item and Country	1960-72	1960-65	1965-70	1970-71	1971-72
Output per man-hour					
United States	3.1	4.3	2.0	5.9	4.0
Canada	4.4	4.3	4.7	6.8	3.4
Japan	10.4	8.5	13.2	4.6	11.0
Belgium	6.6	5.3	7.9	4.6	8.5
France	5.8	4.9	6.0	6.6	7.2
Germany	5.8	6.3	5.7	4.7	5.5
Italy	6.0	6.8	5.3	3.5	3.6
Netherlands	7.2	5.5	8.9	6.2	7.0
Sweden	7.1	7.2	7.7	2.2	7.0
Switzerland	5.1	2.4	6.7	5.3	5.4
United Kingdom	4.2	4.0	3.9	5.6	7.6
Hourly compensation in national currency					
United States	5.1	3.7	6.1	6.7	6.2
Canada	6.5	3.5	8.1	10.5	7.1
Japan	14.2	13.1	15.4	15.6	16.4
Belgium	9.9	8.8	9.4	14.0	12.6
France	9.4	9.0	10.0	11.4	12.1
Germany	9.3	9.5	8.4	13.9	10.7
Italy	11.1	13.6	9.4	17.8	12.8
Netherlands	12.4	11.4	11.9	17.3	15.5
Sweden	10.0	9.5	9.8	12.4	12.9
Switzerland	8.3	8.8	7.1	12.8	12.8
United Kingdom	8.0	6.4	7.7	13.1	12.0

NOTE: Percent changes computed from the least squares trend of the logarithms of the index numbers. Data relate to all employees in manufacturing (wage earners only in Switzerland, mining and manufacturing in Sweden). All 1972 figures and some of the figures for earlier years are estimates derived from preliminary or partial year data or from current statistical series that are less complete than those used for the longer term trends.

Table 3. Relative Unit Labor Costs, Hourly Labor Costs, and Output Per Man-Hour in the Iron and Steel Industries of Five Countries 1964, 1969, 1970, and 1971 1/
(U.S. = 100)

Item and Year	United States	Japan		France		Germany		United Kingdom	
		Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Unit labor cost (U.S. dollars) 2/:									
1964	100	31	40	66	72	58	72	57	64
1969	100	25	32	56	60	51	64	52	58
1970	100	25	32	54	59	62	77	55	62
1971 3/	100	28	35	59	64	69	86	61	68
Hourly labor cost (U.S. dollars) 2/:									
1964	100	17	17	34	35	37	39	29	30
1969	100	26	26	38	39	43	45	28	29
1970	100	30	31	39	40	53	56	30	31
1971 3/	100	32	33	41	42	56	59	31	32
Output per man-hour:									
1964	100	43	54	48	51	54	63	46	50
1969	100	82	102	65	69	71	83	49	53
1970	100	96	119	68	73	72	84	51	55
1971 3/	100	93	116	65	70	68	80	47	51

1/ Excluding wire and wire products in the United Kingdom and wheels and axles in West Germany. The ranges in estimates do not allow for differences between the countries in the degree of vertical integration or the quality of steel produced.

2/ Indexes in national currencies adjusted for changes in prevailing exchange rates. The British pound was devalued by 14 percent in November 1967, the French franc was devalued by 11 percent in August 1969, and the German mark was revalued upward by 9 percent in August 1969. In May, 1971 the German mark was floated and in August 1971 the U.S. dollar convertibility to gold was suspended and the currencies of other nations were allowed to float relative to the dollar. In December 1971, there was a realignment of currencies. The effect of the realignment relative to the U.S. dollar was to increase the values of the French franc and British pound by 8.6 percent, the German mark by 13.6 percent, and the Japanese yen by 16.9 percent. The changes in currency exchange rates since 1971 are, of course, not taken into account.

3/ Preliminary estimates.

SOURCES: Bureau of Labor Statistics, "An International Comparison of Unit Labor Cost in the Iron and Steel Industry, 1964: United States, France, Germany, United Kingdom," Bulletin 1580, 1968. Data for Japan are preliminary estimates from an unpublished study.

Chart 1. Rates of Change in Unit Labor Costs in Manufacturing, National Currency Basis, 1960-72

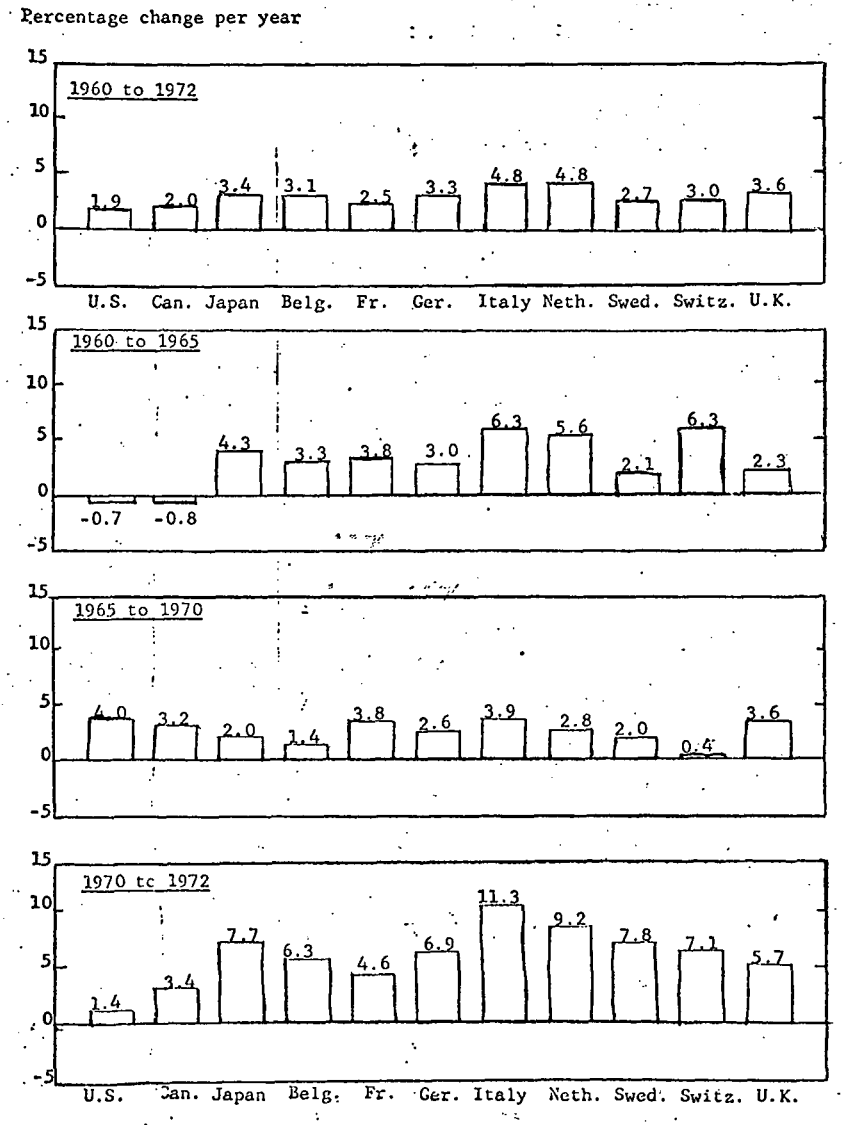


Chart 2. Rates of Change in Unit Labor Costs in Manufacturing, U.S. Dollar Basis, 1960-1972

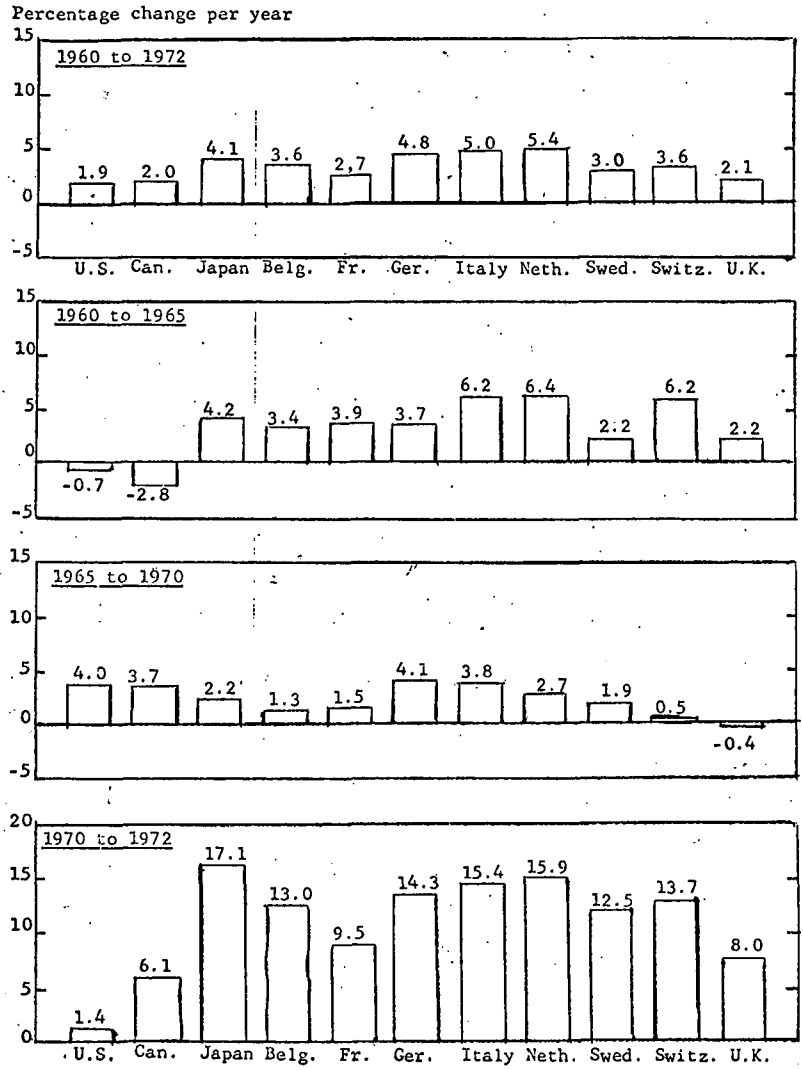


Chart 3. Rates of Change in Output per Man-Hour in Manufacturing, 1960-72

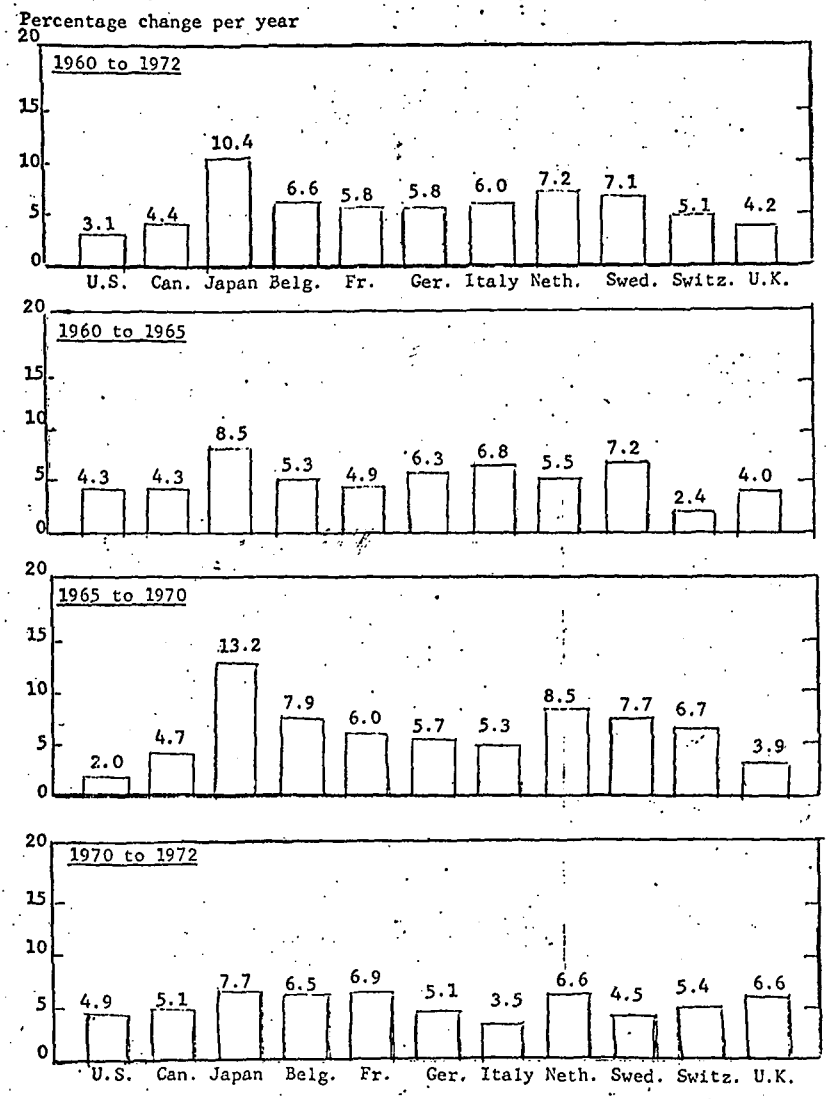
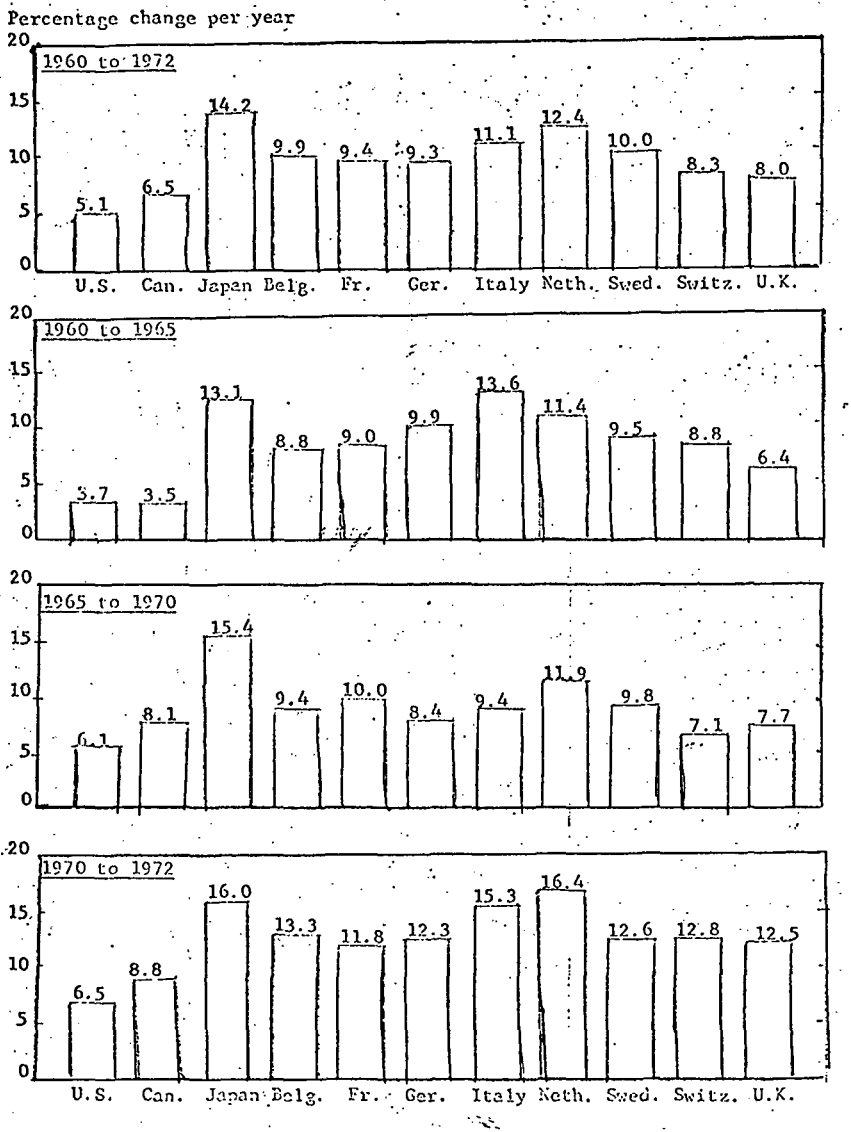


Chart 4. Rates of Change in Hourly Compensation in Manufacturing, National Currency Basis, 1960-72



TEXTILE ARRANGEMENTS

The Administration seeks the negotiation of a multilateral, multifiber textile arrangement under GATT as the solution to the problems of the textile and apparel industry worldwide. Such an arrangement would introduce order and certainty to the world's textile and apparel trade. The U.S. desires that negotiation of such an agreement be completed prior to the initiation of the comprehensive multilateral trade negotiations.

In 1972, the GATT Council established an ad hoc working group to make a factual study of the international textile trade. The working group's report is now serving as a basis for discussions within GATT which the United States hopes will lead to the negotiation of a multilateral, multifiber textile agreement.

While it is premature to comment on the form of a proposed arrangement, the United States believes that an early conclusion of an agreement well in advance of the expiration of the GATT Long Term Arrangement Regarding International Trade in Cotton Textiles (LTA) would be in the best interest of all concerned.

The LTA, which became effective October 1, 1962, will expire on September 30, 1973. Under the LTA, the United States negotiated 31 bilateral agreements, which cover about 90 percent of U.S. cotton textile imports. In the two years preceding the Short Term Arrangement, the one-year arrangement preceding the LTA, U.S. imports of cotton textiles rose at an annual average rate of 46 percent. Since negotiation of the Arrangement in 1962, cotton textile imports have risen an average of 5 percent a year.

Between 1964 and 1971 U.S. manmade fiber textile imports grew almost 1,200 percent from 328 million square yards equivalent (sye) to 4.2 billion sye. To resolve the problem of sharply rising textile and apparel imports, the United States negotiated bilateral agreements with the four leading Far East wool and manmade fiber textile and apparel exporting countries--Japan, Hong Kong, Taiwan, and Korea, as well as with Malaysia and in December 1972 with Portugal for Macao.

These agreements limit growth of manmade fiber textile and apparel imports in quantity terms to 5 - 7.5 percent per year and growth of wool fiber textile and apparel imports to 1 percent per year.

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The agreements have been successful in slowing the rapid growth of wool and manmade fiber textile and apparel imports. In 1972, manmade fiber textile and apparel imports from these four major exporting countries declined by 17 percent in quantity. Wool textile imports declined by 7 percent in quantity. The volume of total U.S. imports of manmade fiber textiles and apparel from all sources rose only 2 percent in 1972, a significant change compared to the 57 percent import growth rate of the previous year. The effectiveness of the textile agreement program is also shown by rising textile industry employment and shipments and declines in inventories. Administration of the agreements in the first year of operation was carried out with a minimum of problems.

The United States has an obligation to the 6 countries whose wool and manmade fiber textile exports are controlled to insure that they will not be put in an inequitable position vis-a-vis third countries as a result of the agreements. In this regard, imports from leading uncontrolled countries are being monitored closely.

In the absence of the agreements, it is estimated that imports of cotton, wool and manmade fiber textiles and apparel in 1972 would have reached approximately $3.3 billion or about $400 million above actual imports, thus causing a trade deficit for these products of $2.4 billion compared with the actual deficit of $2 billion. The unit value of imports rose about 10 percent, which reflected mainly upgrading of imports and realignment of exchange rates.

In 1972 the wholesale prices of textiles and apparel were only 15 percent higher than in 1962, compared with an increase of 26 percent for all commodities.

U.S. Section 22 Import Controls

Imports of certain agricultural commodities are restricted by quotas established under Section 22 of the Agricultural Adjustment Act, as amended, to prevent interference by imports with the price support programs of the Department of Agriculture.

Section 22 quotas are currently 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. The Bureau of Customs, Department of the Treasury, administers the quotas on commodities other than dairy products and also on "aged Cheddar," frozen cream, canned milk, butteroil, butterfat mixtures, ice cream, and animal feeds containing milk or milk derivatives. All quotas administered by Customs are on a first-come-first-served basis. The Department of Agriculture administers, through import licensing, quotas on a number of specified dairy products, including butter, dried milks, malted milk, most cheeses, and chocolate crumb. Casein and lactose, which are derived from milk but are classified as chemicals in the TSUS, also are not subject to quotas.

Section 22 was originally added to the Agricultural Adjustment Act of 1933 by the Act of August 24, 1935. It has been amended several times and was revised in its entirety by Section 3 of the Agricultural Act of 1948, and again by Section 3 of the Act of June 28, 1950. It was further amended by Sections 8(b) and 104 of the Trade Agreements Extension Acts of 1951 and 1953, respectively.

Since Section 22 was enacted, import controls have been imposed with respect to eleven different commodities or groups of commodities. These include (1) wheat and wheat flour; (2) cotton, certain cotton wastes and cotton products; (3) specified dairy products; (4) rye, rye flour, and rye meal; (5) barley, hulled or unhulled, including rolled, ground, and barley malt; (6) oats, hulled or unhulled and unhulled ground oats; (7) shelled almonds; (8) shelled filberts; (9) peanuts and peanut oil; (10) tung nuts and tung oil; and (11) flaxseed and linseed oil. All or part of nine of these commodities or groups of commodities have been removed from import controls.

Nearly all dairy products are under quotas. The principal exceptions are sheep's milk, goat's milk, and cow's milk cheese in the following categories if valued at 7 cents or more per pound (f.o.b. country of origin) above the Commodity Credit Corporation's purchase price for cheddar cheese: Emmenthaler, Gruyere-process and "other" (TSUS 117.75 and 117.85). Effective March 15, 1973, the price-break for these imported cheeses is 69 cents per pound (CCC purchase

price is 62 cents per pound). This increase occurred automatically as a result of an increase in the CCC purchase price for Cheddar cheese, effective May 15, 1973; linking of the pricebreak to the CCC purchase price was established by Presidential Proclamation 4138 of June 3, 1972, in order to keep the control mechanism from becoming outdated because of changes in the general price level.

During the winter and spring of 1972-73, milk production was below normal because of poor weather conditions and a sharp increase in feed prices. The production of manufactured dairy products was adversely affected and in some cases failed to keep pace with market demand. In order to bolster supplies, the import quotas on nonfat dry milk and cheese were temporarily increased by 25 million pounds and 64 million pounds, respectively. (The annual quotas are 1.8 million pounds for nonfat dry milk and 128 million pounds for cheese.) The additional nonfat dry milk imports were permitted between December 30, 1972, and February 15, 1973; shipments were actually completed on January 15, 1973. The additional cheese imports have been authorized for the period April 25 through July 31, 1973, by which time larger domestic supplies are expected to be reaching the market. A restructuring of the dairy price support program to encourage expanding cheese production went into force on March 15, 1973, and should have its full effect after the flush production season. Cheese prices are currently 10 - 15 percent above the CCC purchase price. CCC purchases of dairy products, including cheese, have been very small in recent months.

U.S. Section 204

Section 204 of the Agricultural Act of 1956, as amended, authorizes the President to negotiate with foreign governments to obtain agreements limiting the export from those countries and the importation into the United States of any agricultural commodity or product manufactured therefrom or textiles or textile products. The President is authorized to issue regulations governing the importation of these products to carry out any such agreement. If a multilateral agreement has been concluded under this authority among countries accounting for a significant part of world trade in the articles with respect to which the agreement was concluded, the President may issue regulations governing the importation of the same articles which are the products of countries not parties to the agreement.

Section 204 authority has been used since 1968 to negotiate bilateral agreements with principal suppliers (except the U.K. and Canada) of meats subject to P.L. 88-482. Regulations were issued under Section 204 during 1970 governing meat imports from Honduras and during 1971 governing meat imports from Costa Rica, Honduras, and Mexico to assure that their respective restraint levels for the year were not exceeded. In 1971 and 1972, regulations were issued under Section 204 in order to carry out bilateral agreements with Australia, New Zealand, and Ireland which prohibited the entry into the United States of meat originating in such countries if it had been transshipped. On June 26, 1972, the President suspended voluntary restraint agreements under Section 204 on all U.S. meat imports for the remainder of the year. There is no voluntary restraint agreement in effect under Section 204 limiting imports of meat into the United States during calendar year 1973.

The authority of Section 204 has been used to restrain imports of cotton textiles in connection with the Long Term Arrangement Regarding International Trade in Cotton Textiles and over 30 bilateral agreements which have been entered into pursuant thereto. This authority has also been used to restrain imports of wool and manmade fibers to carry out bilateral agreements, six of which have been entered into pursuant to this authority.

A bilateral agreement between Mexico and the United States providing for voluntary export restraints on frozen strawberries and strawberry paste and pulp by Mexico was in effect for 1972.

U.S. Meat Quotas

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 President has the authority to suspend or increase the quota if he determines such action is required by overriding economic or national security interests, or if supplies of meat covered by the Act will be inadequate to meet domestic demand at reasonable prices. In the interest of combatting inflation and guaranteeing an adequate meat supply, the President directed the suspension of quantitative restrictions in June 1972 for the remaining 1972 period and again in December 1972 for 1973. As required by law, the Secretary of Agriculture will review the situation every 3 months. Should marketing conditions change substantially the suspension will be reconsidered. All meat imports will continue to be subject to U.S. sanitary requirements.

According to the Meat Import Act of 1964, the quota is triggered when the Secretary of Agriculture estimates that annual imports will equal or exceed 110 percent of the adjusted base quota quantity established by the law. This quantity is the average of the estimated commercial production for the year in question and the 2 preceding years, as compared with average commercial production during 1959-63. The quota, when triggered, is imposed at the adjusted base level and is allocated to supplying countries on the basis of a representative historical period.

In 1968, meat imports began running at a level to cause concern that the quota would be triggered. A voluntary restraint program was established in October 1968 whereby meat supplying countries agreed to restrain their shipments of meat to the United States. The program was continued until the President's announcement in June 1972. From mid-1970 on, quotas were proclaimed and suspended with restraint levels authorized above the trigger quantity.

In announcing the suspension of quantitative restrictions for 1973, Secretary Shultz expressed the hope that this would result in a rise of supplies from foreign sources, perhaps on the order of 10 percent. In terms of the overall supply in the United States, this would mean an increase of a little under 1 percent.

U.S. Marketing Orders /Section 8(e)/

The Agricultural Marketing Agreement Act of 1937, as amended, provides for Federal Marketing Orders for the purpose of establishing and maintaining orderly marketing conditions for agricultural commodities. These orders are issued after a hearing, a grower vote, and a handler sign-up. Most of them regulate by grade and size, although some of them have volume restrictions.

Section 8 (e), which was added to the Act in 1954, provides that whenever any specified commodity is regulated by a marketing order, imports of that commodity are prohibited unless they comply with the grade, size, quality, and maturity provisions of such order or comparable restrictions as determined by the Secretary of Agriculture. The commodities subject to Section 8(e) are as follows:

Tomatoes	Grapefruit
Onions	Irish potatoes
Oranges	Cucumbers*
Green peppers*	Eggplant*
Avocados	Walnuts
Mangoes*	Dates (except for processing)
Limes	Olives (other than Spanish-style green olives)
Raisins	
Prunes	

Marketing orders were in effect as of April 1973 for all these commodities except those marked with an asterisk. There is presently a bill before Congress to include papayas under the provisions of Section 8(e).

Specific complaints have been received on several of these products from different countries over the years. For example, restrictions on domestic tomatoes apply to imported tomatoes as well. In 1969, Mexico particularly objected to the tighter minimum size restrictions that were applied to vine ripe tomatoes (the bulk of Mexico's crop) than to mature green tomatoes.

Discussions have been held since 1969 between representatives of the U.S. and Mexican Governments along with industry representatives from both sides to try to work out a mutually satisfactory solution with regard to tomatoes. As a result, the Government of Mexico has carried out a voluntary restraint program on tomato exports to the United States for the past 3 years. The principal features of this program are that the Mexicans presently ship tomatoes at a size no less than 2¼ inches in diameter and use packing holidays (on Sundays and sometimes on Wednesdays) to regulate volume to a certain extent.

U.S. Sugar Quotas

The U.S. sugar program is designed (1) to protect the welfare of the domestic sugar industry, (2) to provide adequate supplies of sugar for consumers at fair prices, and (3) to promote international trade. Legislative authority derives from the Sugar Act of 1948, as last amended in 1971 for the calendar years 1972 through 1974.

The Secretary of Agriculture is required to set in October for the following calendar year: U.S. sugar requirements, domestic and foreign sugar quotas, processor marketing allotments, and farm proportionate acreage shares.

The Secretary considers the relationship between prices for raw sugar and the parity index (index of prices paid by farmers) so that sugar prices will be neither excessive to consumers nor too low to protect the welfare of the domestic sugar industry. The method of determining the price objective for sugar reflects the simple average of the parity index (1967 = 100) and the wholesale price index (1967 = 100).

The Agriculture Department is required to keep the domestic price of raw sugar at or below a target price. If the spot market price exceeds the target during any 7 day period, the Secretary must increase domestic supplies enough to bring it down to the ceiling.

Quotas for domestic producers represent about 62 percent of requirements, while foreign countries have quotas for about 38 percent. The 1973 provisional quota for foreign suppliers is set at 11.7 million tons, which are allotted on a country basis.

Quotas on imports of sweetened chocolate (other than in bars and blocks of 10 pounds or more each), candy, and confectionery went into effect on January 1, 1972, for a 3-year period under the Sugar Act as amended. The overall confectionery quota is calculated as the larger of (1) the average total quantity of sweetened chocolate and confections in specified tariff classifications which entered in the 3 calendar years immediately preceding the year the quota is determined, or (2) a quantity equal to 5 percent of the amount of sweetened chocolate and confections of U.S. manufactured sold in the U.S. in the most recent calendar year with available data.

The total import quota on confectionery for 1973 is 198.7 million pounds, of which about 21.7 million pounds is reserved solely for the importation of "chocolate crumb", which is controlled by licenses issued by the Foreign Agricultural Service. The balance of the quota (177 million pounds) is established as a global quota to be filled on a first-come, first-serve basis, except that only 123.9 million pounds can be imported or or before September 30, 1973. The remaining portion (53.1 million pounds) is reserved for importation in the last quarter of the year. Individual shipments valued at $25 or less are not subject to the quota.

U.S. Agricultural Export Subsidies

In view of market conditions, the United States in late 1972 and early 1973 announced the suspension and termination of agricultural export subsidies. The existing export situation indicates a strong demand for wheat, other grains and oilseeds. The export payment program will continue to be reevaluated and the market monitored daily.

The following records U.S. action on export subsidies since the fall of 1972:

Wheat and Wheat Flour: Export payments were reduced to zero on September 22, 1972 on wheat and on January 10, 1973 on wheat flour.

Lard: Export subsidies on lard were terminated on January 11, 1973. This export payment program began in December 1968 and was designed to enable U.S. exporters to compete in the U.K. market with subsidized lard from the EC.

Chicken: Export payments on whole chickens were terminated on January 11, 1973. Originally started in September 1965, this program had been designed to enable U.S. exporters of chicken to compete with subsidized exports of chicken from foreign suppliers, primarily the EC and Denmark.

Oilseeds and Related Products: Sales of linseed oil, cottonseed meal, and cottonseed oil for export at less than acquisition costs have been terminated since the middle of 1971 in view of the tight supply-high price situation.

Dairy Products: Export sales of nonfat dry milk to foreign governments, charitable organizations and U.S.-owned overseas plants were suspended in October 1972.

Feedgrains: The last sales of U.S. Government-owned barley and oats for export at less than acquisition costs were announced in November 1972.

Tobacco: The export program on tobacco, effective with the 1973 crop, was terminated on November 29, 1972.

Tomato import regulations have been contested in the Federal courts. In March 1971, an Appeals Court decision upheld the legality of marketing order and import regulations, but ordered the Department of Agriculture to hold a hearing on various issues relating to operations of the Florida tomato marketing order. Evidence was presented at the hearing, held in the fall of 1971, to show that the method used to regulate tomato shipments (specifying minimum size) was appropriate and did not discriminate against imports. In August 1972 the Secretary of Agriculture announced that the method was appropriate and nondiscriminatory. Importers subsequently have filed a claim against the Secretary's ruling and the matter is under litigation.

C.I.F. VERSUS F.O.B. VALUES OF IMPORTS FOR STATISTICAL AND CUSTOMS PURPOSES

Much discussion has taken place over the years on the preferable method of valuing imports for duty collection purposes and for reporting statistics on imports. In the last few years, due in part to the publicity accorded the Kennedy Round and the deterioration in the U.S. balance of payments, additional attention has been given to these topics. Superficially, they appear to be a single subject; however, they are entirely different, and not necessarily related, issues in the consideration of which totally different sets of criteria are involved.

Valuation of imports for statistical purposes. The decline in the U.S. trade balance and the U.S. balance of payments in recent years has been chiefly responsible for a focus of attention on the values used for tabulating U.S. imports in official foreign trade statistics. Countries usually employ the same values for reporting statistics on their imports as are used for valuing their imports for duty purposes. The type of value a country uses for customs purposes almost invariably reflects a careful decision reached after substantial consideration of possible alternatives. The use of the same value for statistical reporting purposes, however, is done chiefly for practical administrative reasons, and does not represent a decision as to what would be considered preferable for analytical purposes if the compilation of the statistics were undertaken independent of customs valuation procedures.

The United States historically has used an f.o.b. (free-on-board) type value for assessing ad valorem duties on imports, and also for reporting the value of its imports in official statistics. 1/ Most other countries 2/ use a landed (c.i.f.--for cost, insurance and freight) value for both purposes. It has been alleged that the practice followed by the United States, which excludes ocean freight and insurance costs, understates the value of U.S. imports and consequently presents an erroneous picture of the U.S. trade balance. 3/

1/ The U.S. system of customs valuation is extremely complex. While it is generally described as a "f.o.b. system," some imports are assessed on other bases. The values reported in import statistics are the customs value.

2/ Notable exceptions are Canada, Australia, New Zealand, South Africa, U.S.S.R., and Venezuela plus some small countries.

3/ Additional distortion of the true picture of the U.S. trade balance and the competitive position of the United States in world commerce is alleged to result from inclusion in export statistics of products shipped under government financed programs and articles the production of which has been assisted by government subsidies.

There are three broad areas in which import statistics are used for analytical purposes: in balance-of-payments analysis, in balance-of-trade analysis, and for commodity analysis for the impact of imports on the domestic economy. No single basis of valuation of imports is satisfactory for all analytical purposes for which import statistics are compiled. In balance-of-payments analysis, f.o.b. valuation is generally recognized internationally as correct and c.i.f. countries must presently adjust their merchandise trade data to exclude the value of freight and insurance in preparing their annual balance-of-payments statements and their statistical submissions to the International Monetary Fund. It would be highly inaccurate to include all payments of ocean freight and insurance charges in the balance of payments, because a part of these services may be supplied by the importing country itself, and to that extent such payments do not represent an international financial transaction. Thus, the application of c.i.f. values to all U.S. merchandise imports would overstate the magnitude of foreign payments. Under present U.S. balance-of-payments procedures, merchandise transactions and ocean freight services are carried in separate accounts, with the latter item adjusted to exclude freight payments to domestic carriers. This procedure has the additional advantage of providing correct country allocations of merchandise and freight payments, respectively, recognizing that the country supplying the merchandise is often not the same country supplying the freight and insurance services.

In balance-of-trade analysis--the net balance between U.S. merchandise exports and imports--either c.i.f. or f.o.b. valuation can be used. C.i.f. valuation might be considered preferable for this purpose, because it values imports at the same point as that reflected for exports--the ports and borders of the United States. However, use of c.i.f. for balance-of-trade purposes involves the overvaluation of payments and misallocation by country cited in the balance-of-payments discussion above. In using f.o.b. values for imports, the United States values its imports and exports on exactly the same basis and there is complete comparability in merchandise trade. The balance-of-trade statistics are not designed to measure the balance in services, such as ocean freight and insurance or those included under tourism; they are designed simply to measure the balance of trade in merchandise between the United States and the rest of the world.

For commodity analysis of the impact of imports on the domestic economy, c.i.f. values might be considered preferable to f.o.b., but such values would still understate the true price of an imported commodity in the internal U.S. market because such cost factors as importer's markup, inland U.S. freight, agent's commissions, and payment of U.S. tariffs would still be excluded.

The Congress appropriated money in the FY 1973 budgets of the Departments of Commerce and Treasury to begin collection of detailed c.i.f. statistics on imports, in addition to statistics on a f.o.b. basis and the regularly collected customs value statistics. Preparatory work for this has been underway for several months. The program calls for reporting three values

on imports: 1) the customs value, which is the value currently reported in official U.S. import statistics; 2) the invoice (transaction) value f.o.b. foreign port of export; and 3) a c.i.f. value. This data will be available in full TSUS-A commodity and country detail. The requirement for importers to report this data will be placed in effect within the next few months as soon as work on the implementing program is completed. First publication of the data is scheduled for imports beginning January 1974.

For the past few years the Bureau of Census has regularly published quarterly estimates of the c.i.f. value of total imports, and annual estimates of c.i.f. values for 21 commodity groups, the 10 sections of the SITC, and imports from major geographic areas of the world. (See attachment for the most recent Bureau of Census estimates of these c.i.f. values.)

Valuation of imports for customs purposes. During the Kennedy Round, public attention was focused anew upon the procedures used by the United States for valuing imports for the assessment of ad valorem rates of duty. Aside from the particular publicity received by unusual provisions in U.S. customs valuation, such as the American Selling Price, the general question was raised by some domestic interests as to the desirability and appropriateness of continued use by the United States of f.o.b. value as the general basis for customs valuation. The Kennedy Round argument over tariff disparities among countries undoubtedly stimulated public thought on this matter. It was alleged that in tariff negotiations generally, and particularly in negotiations dealing with harmonization of tariff levels, the United States, in using f.o.b. valuation, negotiated from a disadvantageous position with countries using c.i.f. values for application of their tariff rates. Underlying at least some suggestions that the United States should shift to a c.i.f. value was the thought that additional tariff protection would automatically be provided for U.S. industries.

Under the f.o.b. valuation system, ad valorem rates of duty bear equally upon imports from all countries at all ports of entry. Under a c.i.f. system, the inclusion of ocean freight in the value of imports results in a higher assessment of duty on products from those countries the geographic location of which results in the payment of higher freight rates. A shift from the equality of treatment under the f.o.b. system to the differential treatment under a c.i.f. system would probably be accompanied by some readjustments in the pattern of commerce of the United States.

Inasmuch as virtually all U.S. import duties are bound against increase under international agreements, a shift to a c.i.f. basis of valuation would necessitate some accomodation of foreign interests, such as a downward adjustment of all ad valorem rates of duty and, in addition, possible payment of compensation to countries which nevertheless would undergo discrimination regardless of the general downward adjustment of the rates of duty.

It has been pointed out that the use by the United States of f.o.b. values in customs valuation and statistical reporting has not been considered by officials directly dealing with the matter as in any manner disadvantageous in trade negotiations, and that in all negotiations, when comparing trade data or tariff levels, appropriate adjustments have been made to compensate for differences in valuation practices among countries.

On April 21, 1971, the Senate Committee on Finance and its Subcommittee on International Trade requested the Tariff Commission to undertake a study of the customs valuation procedures of foreign countries and those of the United States with a view to developing and suggesting uniform standards of customs valuation which would operate fairly among all classes of shippers in international trade, and the economic effects which would follow if the United States were to adopt such standards of valuation, based on rates of duty which were to become effective on January 1, 1972.

The Commission reported to the Finance Committee in March 1973 that it was divided on the kind of international standard which should be adopted. Four commissioners suggested that an international customs valuation system incorporate the so-called f.o.b. (port of exportation) concept, while two commissioners suggested that an international customs valuation system incorporate the so-called c.i.f. (port of importation) concept. The report went on to say: "Import statistics are needed on both c.i.f. and f.o.b. bases. The United Nations requests its member countries to report import data on a c.i.f. basis, while the International Monetary Fund (IMF) needs import data on both a c.i.f. and f.o.b basis. For balance of payments analysis, f.o.b. data are needed, with separate data on freight and insurance payments, which would often inure to the benefit of a third country . . . For analysis of the competitive impact of imports of a commodity on the domestic market, c.i.f. data are preferable to f.o.b. because they more closely approximate the value of the imported goods in that market. Thus, whatever type of customs valuation system may ultimately be adopted for international use, it is clear that there is a need for import statistics on both an f.o.b. and a c.i.f. basis."

- ATTACHMENT

Excerpt from U.S. Department of Commerce, FT 990, December, 1972, Highlights of U.S. Export and Import Trade, pp. IV-VIII

Report on the Study of Estimated F.O.B. Foreign Port of Export and C.I.F. U.S. Port of Unlading Values for U.S. General Imports

In the January 1972 issue of Report FT990, estimated value for U.S. general imports on an f.o.b. foreign port of export and c.i.f. U.S. customs port of unlading basis were shown, based on results of a study of 1970 imports. A joint Bureau of Customs-Bureau of Census study for the year 1971 has now been completed. As indicated in the January 1972 issue of Report FT 990 and in previous releases, scientific probability sampling techniques were employed in the study. The f.o.b. foreign port of export and c.i.f. U.S. customs port of unlading[1] values were determined from the sample shipments, using data obtained from customs records, brokers, importers, and carriers. For some shipments it was necessary to estimate the freight and insurance charges.

The c.i.f. values of the sample items in the 1971 study were found to be 6.1 percent (or about $2,779 million) higher than the values published in the regular import statistics. For purposes of the study, c.i.f. value was defined as the cost of the commodities at the port of exportation plus insurance and freight to the U.S. customs port of unlading.[1]

Values for the same sample items in the 1971 study were found to be about 0.6 percent (or about $273 million) lower on an f.o.b. foreign port of export basis than the value published in the regular U.S. import statistics. While the difference between f.o.b. foreign port of export value and the regular U.S. import value on an overall basis was relatively small, differences for some of the broad commodity groupings were more pronounced. Transportation equipment and chemicals accounted for the bulk of the difference between the two overall values.

The regular import statistics reflect values as reported on import entries for tariff purposes. The valuation provisions of the Tariff Act. of 1930, as amended (Sections 402 and 402a), are somewhat complex, but for most imports the value at the principal markets in the foreign country is required to be reported on import entries.

Both the estimated f.o.b. foreign port of export values and c.i.f. U.S. port of unlading values are based on the actual invoice values for the individual transactions. Therefore, freight and insurance charges incurred between the foreign port of export and the U.S. port of unlading represent the basic difference between the two valuations. On the other hand, the values published in the regular import statistics are based on tariff valuations which may or may not reflect the invoice values for the individual transactions involved.

Comparisons of estimated f.o.b. foreign port of export and c.i.f. U.S. port of unlading values as ratios of regularly published U.S. general import values are shown in the following tables.

[1] Beginning with the 1969 study, the estimated c.i.f. values reflect freight and insurance charges from the foreign port of exportation to the U.S. customs port of unlading for merchandise arriving by vessel and by air, or the border port of arrival for merchandise arriving by rail, motor vehicle, or other modes of transport rather than to the U.S. customs port of entry. The U.S. customs port of unlading is defined for statistical purposes as the U.S. port at which the merchandise is unloaded from the importing carrier. The U.S. border port of arrival is the first port through which the merchandise passes upon arrival in the United States. The U.S. customs port of entry is defined as the port at which merchandise is cleared through customs for entry into consumption channels, or entered into customs bonded warehouses. The U.S. customs port of unlading and port of entry are in most cases the same. The 1969, 1970 and 1971 studies show that the exclusion of freight and insurance charges from the U.S. customs port of unlading to the U.S. customs port of entry, whenever these two are not the same, affects the overall c.i.f. ratio only slightly (about one-tenth of one percent).

Table A. Comparison of Estimated F.O.B. Foreign Port of Export and C.I.F. U.S. Port of Unlading Values as Ratios of Regularly Published U.S. General Import Values for Schedule A Sections: Calendar Year 1971

Schedule A section	Value in published statistics (mil. dol.)	Estimated ratio of f.o.b. value to published value	Estimated ratio of c.i.f. value to published value	Estimated sampling variability of f.o.b. value ratio[1]	Estimated sampling variability of c.i.f. value ratio[1]
Total	45,562.7	.994	1.061	.001	.002
0. Food and live animals	5,528.8	.998	1.071	.001	.003
1. Beverages and tobacco	875.5	1.008	1.092	.005	.010
2. Crude materials, inedible, except fuels	3,382.0	1.033	1.136	.005	.008
3. Mineral fuels, lubricants, and related materials	3,714.8	1.013	1.099	.005	.007
4. Animal and vegetable oils and fats	171.6	.995	1.071	.006	.008
5. Chemicals	1,612.3	.953	1.002	.007	.007
6. Manufactured goods classified chiefly by material	9,545.8	1.000	1.075	.002	.003
7. Machinery and transport equipment	13,873.2	.975	1.013	.004	.005
8. Miscellaneous manufactured articles, n.e.c.	5,382.9	1.001	1.088	.001	.004
9. Commodities and transactions not classified according to kind	1,475.6	1.006	1.028	.003	.004

N.e.c. means not elsewhere classified.

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

Table B. Comparison of Estimated F.O.B. Foreign Port of Export and C.I.F. U.S. Port of Unlading Values as Ratios of Regularly Published U.S. General Import Values for 21 TSUSA Commodity Groupings: Calendar Year 1971

Abbreviated commodity description and range of TSUSA commodity numbers	Value in published statistics (mil. dol.)	Estimated ratio of f.o.b. value to published value	Estimated ratio of c.i.f. value to published value	Estimated sampling variability of f.o.b. value ratio[1]	Estimated sampling variability of c.i.f. value ratio[1]
Total	45,562.7	.994	1.061	.001	.002
1. Live animals, meats, fish and shellfish, dairy products, eggs, hides, skins, and leather: 100.0110-124.8000	2,354.6	.997	1.056	.001	.003
2. Live plants, seeds, cereal grains, milled grain products, malt, starches, vegetables, edible nuts and fruits, sugar, cocoa, and confectionery: 125.0100-157.1040	1,864.1	.995	1.092	.004	.008
3. Coffee, tea, mate, spices, beverages, tobacco, and tobacco products: 160.1020-170.8000	2,965.6	1.003	1.071	.002	.005
4. Animal and vegetable oils, fats and greases, and miscellaneous other animal and vegetable products: 179.0300-193.2500	513.4	1.004	1.087	.005	.010
5. Wood and wood products: 200.0300-245.9060	1,312.8	1.073	1.183	.008	.008
6. Paper, paper products, and printed matter: 250.0205-274.9000	1,794.7	1.007	1.033	.005	.005
7. Textile fibers and fabrics: 300.1020-359.6060	1,399.1	.998	1.085	.002	.004
8. Textile furnishings, wearing apparel and accessories, and miscellaneous textile products: 360.0500-390.6000	1,500.3	1.001	1.093	.001	.004
9. Chemical and chemical compounds and mixtures: 401.0200-432.0000	758.3	.898	.966	.011	.020
10. Drugs, synthetic resins, plastics, rubber, essential oils, cosmetics, soaps, synthetic detergents, inks, paints, etc.: 435.0500-474.5200	617.0	.993	1.077	.004	.006
11. Petroleum, petroleum products, natural gas, fertilizers, explosives, fatty substances, camphor, carbons, isotopes, waxes, etc.: 475.0510-495.2000	4,006.2	1.013	1.096	.005	.007
12. Nonmetallic minerals and products, except ceramic products, glass, and glass products: 511.1100-523.9400	920.5	1.014	1.058	.005	.011
13. Ceramic products, glass, and glass products: 531.0100-548.9500	397.7	1.017	1.143	.003	.007
14. Metal-bearing ores and other metal-bearing materials: 601.0300-603.7000	922.9	1.000	1.152	.003	.009
15. Metals, their alloys, their basic shapes and forms, and metal products: 605.0210-658.1000	5,264.2	1.003	1.078	.003	.005
16. Electrical and mechanical machinery and equipment: 660.1000-688.4100	6,161.3	1.001	1.041	.004	.005
17. Transportation equipment: 690.0500-696.6000	7,908.8	.955	.995	.006	.008
18. Footwear, headwear, gloves, luggage, handbags, scientific and professional instruments, timing devices, photographic equipment, etc.: 700.0500-724.5000	1,837.0	.997	1.070	.002	.003
19. Musical instruments, furniture, arms and ammunition: sporting goods, toys, jewelry, fastening devices, ornaments, brooms, pyrotechnics, pens, pencils, etc.: 725.0100-760.6500	1,240.9	1.006	1.096	.003	.007
20. Works of art, antiques, rubber and plastic products, and miscellaneous other products: 765.0300-799.0000	886.2	.983	1.066	.008	.011
21. Articles subject to special classification provisions, temporary legislation, etc.: 800.0000-999.2000	1,237.9	1.007	1.041	.002	.004
-- Shipments valued under $251 (estimated)[2]	398.9	(X)	(X)	(X)	(X)

X Not applicable.

[1]The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.

[2]These shipments were not included in the sample study, but are presented in this table solely for the purpose of arriving at the overall total.

Table C. Comparison of Estimated F.O.B. Foreign Port of Export and C.I.F. U.S. Port of Unlading Values as Ratios of Regularly Published U.S. General Import Values for World Areas: Calendar Year 1971

World area	Value in published statistics (mil. dol.)	Estimated ratio of f.o.b. value to published value	Estimated ratio of c.i.f. value to published value	Estimated sampling variability of f.o.b. value ratio[1]	Estimated sampling variability of c.i.f. value ratio[1]
Total	45,562.7	.994	1.061	.001	.002
Western Hemisphere	18,729.6	.992	1.030	.003	.003
Canada	12,691.5	.989	1.003	.004	.004
20 Latin American Republics	4,881.0	.998	1.081	.002	.005
Central American Common Market	447.3	.978	1.097	.009	.014
Latin American Free Trade Association	4,153.3	.999	1.078	.002	.005
Other Latin American Republics	280.4	1.007	1.097	.008	.021
Other Western Hemisphere	1,157.1	1.001	1.102	.003	.009
Western Europe	12,658.1	.994	1.065	.003	.004
Organization for Economic Cooperation and Development	12,558.9	.994	1.065	.003	.004
European Economic Community	7,522.2	.990	1.061	.004	.004
European Free Trade Association	4,329.7	1.003	1.069	.005	.005
United Kingdom	2,498.5	1.008	1.074	.008	.009
Other EFTA Countries	1,831.2	.996	1.062	.004	.005
Other OECD Countries	707.0	.996	1.082	.001	.008
Other Western Europe	99.2	1.003	1.080	.013	.020
Communist Areas in Europe	223.0	1.006	1.145	.002	.050
Asia	11,779.5	.998	1.100	.002	.004
Japan	7,258.8	.998	1.089	.003	.004
Other Asia	4,520.8	.999	1.118	.002	.007
Near East Asia	574.1	.997	1.161	.002	.024
South Asia	443.0	.987	1.107	.013	.011
Asia, n.e.c., including Communist Areas	3,503.6	1.001	1.114	.001	.005
Australia, New Zealand, and Oceania	894.9	.989	1.082	.004	.007
Africa	1,236.3	.999	1.091	.003	.008
Republic of South Africa	286.5	.998	1.070	.001	.025
Other Africa	949.8	1.000	1.096	.004	.011
Unidentified countries[2]	41.3	(X)	(X)	(X)	(X)

N.e.c. means not elsewhere classified.
X Not applicable.
[1] The chances are about 2 out of 3 that each estimated ratio differs from that which would have been obtained from a survey of all transactions by an amount less than the estimated sampling variability indicated.
[2] These shipments were not included in the sample study, but are presented in this table solely for the purpose of arriving at the overall total.

Table D. Summary of Current Estimates of F.O.B. Foreign Port of Export and C.I.F. U.S. Port of Unlading Values Compared with Published Values for U.S. General Imports: Calendar Years 1970, 1971, and 1972

(Millions of dollars)

Period	Values as published in U.S. import statistics[1]	Estimated f.o.b. foreign port of exports value[2]	Estimated c.i.f. U.S. port of unlading values[3]
Calendar year 1970	39,951.6	39,711.9	42,388.6
Calendar year 1971	45,562.7	45,289.3	48,342.0
Calendar year 1972	55,555.2	55,221.9	58,944.1

Note: The f.o.b. foreign port of export estimates provide U.S. import data in terms of the foreign port of exportation equivalent of the transaction value. The c.i.f. U.S. port of unlading estimates provide U.S. import data on a value basis comparable with the import data of most foreign countries.

[1] Defined as the value required by law for Customs purposes, which in most instances is the value of the commodities at the principal markets in the exporting country.
[2] Defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation.
[3] Defined as the cost (to the U.S. importer) of the commodities at the foreign port of exportation, plus insurance and freight to the U.S. port of unlading, regardless of whether earned by a U.S. or a foreign firm.

BRUSSELS TARIFF NOMENCLATURE (BTN)

Since the beginning of this century, countries have been seeking to standardize customs formalities, including customs tariff classification or nomenclature, in order to eliminate the uncertainties and misunderstandings associated with the customs treatment of goods at their borders. Additional goals have been to facilitate the collection of internationally comparable statistics on trade, to simplify and facilitate customs administration, and in recent years, to standardize and simplify documentation for goods moving in international trade.

Following World War II, the movement for a standard customs nomenclature was related to efforts looking toward the economic unification of Europe. Recognizing that a common customs nomenclature would be one of the first requirements for economic integration, European countries began work on what was to become the present-day BTN.

Developments Leading to the BTN

In 1947 the Committee for European Economic Cooperation agreed to give consideration to the possibility of establishing one or more inter-European customs unions. With this end in view, it was decided to set up in Brussels a study group to examine the problems incidental to the project.

In 1948 this study group set up an economic committee and a customs committee, the latter committee being charged with the task of making a comparative study of customs techniques in the various countries concerned, with a view to their standardization. This committee devoted particular attention to the establishment of a common tariff nomenclature and the adoption of a common definition of value for customs purposes. It also studied other aspects of customs procedures.

In 1949 the study group decided that, regardless of the progress which might be made with the customs union project, the achievements attained in the fields of nomenclature and valuation should be turned to advantage and that similar endeavors should be made in other fields of customs techniques. This decision was the origin of the three conventions signed in Brussels on December 15, 1950. Two of the conventions are concerned with nomenclature (BTN) and valuation, respectively. The purpose of the third convention setting up the Customs Cooperation Council was not only to assemble the executive machinery necessary for interpretation and application of the two specialized conventions in a single international organization but also to entrust to that organization the responsibility "to secure the highest degree of harmony and uniformity in customs systems and especially to study the problems inherent in the development and improvement of customs technique and customs legislation in connection therewith."

The convention establishing a Customs Cooperation Council came into force on November 4, 1952, and the Council held its organizational meeting on January 26, 1953. It set up the two committees on nomenclature and valuation envisaged by the two specialized conventions and set up a permanent technical committee to handle other customs matters and a general secretariat to service the three committees.

The Council is a technical body and its studies and attempts to resolve customs problems are based on a purely technical approach. Its purpose is to improve and harmonize customs operations and thus facilitate the development of international trade, without obliging member countries to adopt provisions incompatible with their individual economic policies.

Sixty-nine nations, including the United States, are members of the Council. Canada became a member in October 1971.

Thirty-five countries have acceded to the nomenclature convention, but more than 70 other countries are using the Brussels nomenclature without formal accession to the convention. At the present time, the only major countries in international trade not using the Brussels nomenclature are the United States and Canada. Of the 81 members of the General Agreement on Tariffs and Trade (GATT), only five have not adopted the BTN. Aside from the United States and Canada, these include Burma, Kuwait and India, which is planning to do so.

Only 29 countries have acceded to the valuation convention but about 50 additional countries are applying the Brussels definition of value, which is basically the CIF price (cost, insurance, and freight).

Of the technical conventions drafted by the permanent technical committee, the United States has acceded to the following:

1. Customs convention on the A.T.A. (Admission Temporaire - Temporary Admission) carnet for the temporary admission of goods.

2. Customs convention on the E.C.S. (Echantillons Commerciaux - Commercial Samples) carnet for commercial samples.

3. Customs convention on the temporary importation of professional equipment.

The Senate approved membership of the United States in the Customs Cooperation Council in 1968. However, lack of an appropriation delayed U.S. participation in the Council until November 1970.

Role of the United States

The United States has not participated in the movement to an international standard customs nomenclature. When a complete revision of the U.S. tariff was begun in 1954, the rapid movement of most countries of the world to the BTN and the future importance of a standard nomenclature apparently was not foreseen or fully appreciated. Consequently, an effort was not made to structure the U.S. nomenclature on the standard then being adopted by almost all of the free-world trading community. The Tariff Schedules of the United States (TSUS), placed in effect in 1963, accomplished the major goals set out by the Congress in the Customs Simplification Act of 1954 and represented an enormous achievement in research, compilation, and improvement over the previous system. Regardless of the virtues it may have, the TSUS is unique in today's trading world. However, because the BTN was drawn upon so heavily in drawing up commodity descriptions, the adoption of the TSUS cleared away many of the technical problems for adopting the BTN.

Recent Developments

Because of the widespread adoption of the BTN, that nomenclature is now being considered as the basis of a detailed commodity description and coding system which will be constructed for use in international transportaion by air, sea, rail, road, and other means, and also for customs purposes and statistics.

The initial work to develop a universal commodity code has already been started in the Customs Cooperation Council. The code, as presently envisaged, will be based on the BTN/SITC 1/ and will contain not more than one million commodity descriptions. The pressure for such a code comes primarily from transportation companies who want to reduce the direct cost of documents and associated procedures which has been estimated by two separate studies in the United Kingdom and the United States to exceed 10 percent of the value of a substantial proportion of export shipments. Such a code will simplify international trade procedures and reduce costs, particularly by enabling the use of computers.

The Commission on International Trade and Investment Policy, in its July 1971 report to the President, referred to these developments and other factors in its recommendation that the United States adopt the BTN. In its report the Commission stated as follows (pages 97-98):

1/ The Standard International Trade Classification developed by the United Nations is coordinated directly with the BTN. The statistical office of the United Nations maintains a close contact and working relationship with authorities responsible for the BTN and is participating financially and otherwise in the development of the new code.

"Recent developments in shipping and transportation appear likely to intensify the burden of using a non-standard system. Containerization and the use of automatic data processing techniques in documentation of freight shipments have led to an urgent movement among shippers, airlines, railways, motor transport companies, and others engaged in the international transport of freight to seek a common commodity classification which will serve for internal accounting, the determination of freight rates, bills of lading, shipping manifests, and customs declarations. The direction of this movement is strongly toward the BTN as the basic structure of such a system.

"Furthermore, work in the international trade and tariff area by governments, private organization, and individuals now requires the translation of United States trade and tariff data into the BTN structure, frequently with technical difficulties and inaccuracies, and usually at considerable inconvenience and expense.

"In summary, adoption of the BTN would be advantageous to both United States business and to the government. Initiation of work in this direction would have a positive influence on current GATT discussions of trade barriers and on future trade negotiations.

"We recommend that the United States move as rapidly as possible toward adoption of the Brussels Tariff Nomenclature (BTN)."

Adoption of the BTN by the United States has been discussed from time to time and most recently arose in our deliberations on the content of the Administration's 1969 trade bill. Secretary Stans proposed inclusion in the bill of a provision about tariff modernization, including adoption of the BTN. The proposal received wide support but the drafting group decided legislation was not needed to pursue these objectives in the initial stage. It was decided the subject could be covered in a paragraph of the President's message of November 18, 1969 on the trade bill which reads as follows:

"We have arrived at a point at which careful review should also be made of our tariff structure itself -- including such traditional aspects as its reliance upon specific duties, the relationships among tariff rates on various products, and adapting our system to conform more closely with that of the rest of the world."

In mid 1971 the Office of the Special Representative undertook a study to determine the magnitude of the changes that would have to be made in tariff nomenclature to shift to the BTN. The study showed the major problems that would have to be dealt with were relatively few. Subsequently the Special Trade Representative, with the unanimous support of the interagency trade organization, recommended to the President that he request the Tariff Commission to (1) prepare a draft translation of the Tariff Schedules of the United States (TSUS) which would conform with the BTN and (2) prepare a report on the probable effects of its adoption on U.S. industries and trade. The President approved the recommendation and in his letter of July 6, 1972, included the following:

> The new schedules should avoid, to the extent practicable and consonant with sound nomenclature principles, changes in rates of duty on individual products. Also the U.S. tariff structure should be simplified to the extent that can be accomplished without rate changes significant for U.S. industry or trade. In preparing the proposed revision of the TSUS, the Commission should, where feasible, convert existing specific and compound rates of duty into equivalent, or approximately equivalent, ad valorem rates of duty.

The Commission's study is expected by September 30, 1973.

Since this work would deal with matters of interest to numerous agencies in the Executive Branch, the Presidential letter instructed the Special Trade Representative to organize a task force consisting of the agencies concerned. This task force was directed to act in an advisory capacity to the Commission so that the views of all government agencies could be taken into account before the Commission began its work. The task force met from August to October 1972 and sent its recommendations to the Commission. In addition, the letter instructed the Special Trade Representative to appoint a task force to review the legal and administrative problems involved in adherence to the Convention on Nomenclature by the United States. The Treasury Department was designated as chairman of the group which began its work in August 1972.

After the Commission's report is received, the issue will be given further consideration to determine whether legislation should be submitted to the Congress.

RECORD OF TRADE ADJUSTMENT ASSISTANCE FOR WORKERS

The Trade Expansion Act of 1962 (TEA) provides that workers may be eligible for adjustment assistance benefits if they demonstrate that their unemployment resulted in major part from increased imports caused by tariff concessions. For the first seven years, from October 1962 through November 1969, every worker petition filed with the Tariff Commission was found not to meet the requirements of the Act and was denied.

There are two ways in which workers may become eligible for adjustment assistance. A group of workers from a firm, or subdivision of a firm, may petition the U. S. Tariff Commission for a determination as to whether the criteria of the Act have been met. If an affirmative finding is made, the Department of Labor then conducts an investigation to determine the date on which the import generated unemployment began and issues a certification stating that the eligible workers may apply to their local Employment Security Office for the benefits provided by the Act. The second route to assistance involves an escape clause finding covering a worker's entire industry. Under the procedures of the TEA, if an industry is found injured or threatened with injury, the President may provide that the workers in the industry can request the Secretary of Labor for certification of eligibility for adjustment assistance.

Industry Cases

Since November 1969, the Tariff Commission has found that four industries were injured or threatened with injury resulting from increased imports, and the President has authorized, as part of the relief to the industries, that the workers may be eligible for adjustment assistance. The industries are earthenware, marble, pianos, and sheet glass.

As a result of these authorizations, 16 petitions for adjustment assistance were filed with the Secretary of Labor. Fifteen of these resulted in certifications of eligibility which covered 3,810 workers. One petition involving 30 workers was denied certification. (Table 1)

Worker Cases

From June 1963 to April 1973, the Tariff Commission completed investigations on 176 worker petitions. The first affirmative finding came in November 1969. The Tariff Commission found that 109 petitions (representing about 44,700 workers) did not meet the criteria of the TEA and that 31 petitions (representing 20,500 workers) did; the Commission was evenly divided and consequently made no finding on 36 petitions representing 18,500 workers. In the latter case the President can accept

either the negative or affirmative views as the finding of the Commission. As of April 1, 1973, he had accepted the affirmative views in 33 cases and the remaining three cases were pending.

Industries Involved in Worker Petitions

The largest concentration of petitions, 82, have been submitted by workers from the non-rubber footwear industry. Of these, 40 were denied, 7 received affirmative findings and 22 resulted in a tie vote in the Commission. Three others involving components for shoes were denied. As of April 1, approximately 7,145 workers from 27 shoe firms had been certified eligible for adjustment assistance.

The second major concentration of petitions (27) involved workers from firms producing electrical equipment, primarily radio and TV receiving sets (13 covering 18,400 workers) and the electronic components (11 petitions involving 3,500 workers). Of the 27 petitions, 17 involving 9,300 workers were denied, 5 cases covering 8,640 workers were approved and 7 resulted in a split decision. Textile mill products accounted for 21 petitions of which 15 were denied, 5 approved and 1 received a tie vote. (Table 2)

Labor Department Certifications and Benefits Paid

During fiscal years 1970-1973 (April), 75 worker petitions representing about 33,661 workers in 27 states have been certified by the Department of Labor. Benefits paid to these workers and reimbursements to the States have totaled $47.1 million. (Table 3)

Fifteen certifications covering 3,810 workers resulted from worker groups who petitioned the Department of Labor pursuant to a Presidential authorization to workers in an industry to apply for adjustment assistance; 29 certifications representing 15,336 workers resulted from affirmative findings of injury by the U. S. Tariff Commission; and 31 certifications covering 15,515 workers resulted from a Presidential decision to accept the views of those Commissioners voting affirmatively in cases where the Commission made no finding.

The New England States account for 39 percent of the certified workers and 43 percent of total expenditures on trade readjustment allowances. Massachusetts accounted for the largest number of petitions. The Mid-Atlantic States account for 15 percent of the certified workers and 14 percent of total trade readjustment allowance expenditures.
As of April 1, 1973 four petitions representing 6,300 workers were under investigation by the Labor Department for possible certification. The three worker petitions representing 2,850 workers where the Tariff Commission vote was evenly divided were awaiting Presidential action.

Table 1

Summary of Petitions
Filed with the Labor Department Pursuant to Presidential Authorization
to Workers in an Industry to Petition for Adjustment Assistance
Fiscal Years 1970-1973 1/

			Denied		Affirmed	
Industry		Petitions	Petitions	Est. Workers	Petitions	Est. Workers
Earthenware		1			1	300
Marble		2			2	430
Piano		8	1	30	7	1,380
Sheet Glass		5			5	1,700
TOTALS	4	16	1	30	15	3,810

1/ April 1973.

Table 2

Summary of U.S. Tariff Commission Determinations on Worker Adjustment Assistance Petitions, by Industry
Fiscal Years 1963-1973 1/

Industry	Denied		Affirmed		Evenly Divided 2/	
	Petitions	Est. Workers	Petitions	Est. Workers	Petitions	Est. Workers
Chemicals and Allied Products						
Synthetic Fibers	1	1,000				
Electrical Equipment						
Radio and TV Receiving Sets	4	4,670	4	8,400	5	5,290
Electronic Components	10	2,930			1	600
Electrical Lighting and Wiring Equipment	2	910				
Electrical Transmission Equip.	1	800	1	240		
Electrical Industrial Apparatus					1	100
Fabricated Metal Products						
Structural Metal Products			4	436		
Leather Products						
Men's Shoes	9	1,795			1	230
Women's Shoes	39	8,430	7	2,270	21	6,835
Shoe Components	3	432				
Leather Tanning	1	400				
Metal Mining						
Iron Ores	1	650				
Miscellaneous Manufacturing Ind.						
Musical Instruments			3	850	1	280
Games and Toys	2	5,830				
Sporting Goods	1	100				
Silverware and Plated Ware			3	1,810		
Nonelectrical Machinery						
Metalworking Machinery	1	1,100				
Office Machines	2	1,700				
Nonmetalworking Machinery	2	400				
Primary Metal Industries						
Ferrous Metal Refining	2	540	1	500		
Nonferrous Metal Refining	2	530				
Rubber Products						
Tires	1	100				
Rubber Footwear	1	90	2	840	4	3,980
Misc. Rubber Products	1	250				

Table 2 (continued)

Industry	Denied		Affirmed		Evenly Divided	
	Petitions	Est. Workers	Petitions	Est. Workers	Petitions	Est. Workers
Stone, Clay, & Glass Products						
Structural Clay Products	3	985				
Pottery Products	1	260				
Glass Products	2	175				
Textile Mill Products						
Cotton Fabrics	5	2,370	5	2,890	1	1,000
Wool Fabrics	1	300				
Manmade Fabrics	4	3,700				
Knitted Fabrics	3	3,100				
Spun Yarn	1	280				
Misc. Textile Products	1	200				
Transportation Equipment						
Motor Vehicles	1	200	1	2,300		
Motor Vehicle Parts	1	500			1	150
TOTALS	109	44,727	31	20,536	36	18,465

1/ April 1973.

2/ 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 take no action or may accept the views of either set of Commissioners as the finding of the Commission. As of April 1, 1972 the President had accepted the views of the Commissioners finding in the affirmative in 33 evenly-divided petitions representing 16,615 workers. The remaining three, representing 2850 workers, were pending.

Table 3

State Summary of Department of Labor Certifications of Workers Eligible to Apply for Adjustment Assistance and Trade Readjustment Allowances, Fiscal Years, 1970-1973 1/

State	Petitions	Estimated Certified Workers	TRA Expenditures 2/
Alabama	1	350	$ 862,702
Arkansas			1,105 3/
California	3	2,620	339,143
Connecticut	2	1,710	1,572,140
Florida	1	350	1,057,188
Georgia	2	1,840	1,173,251
Illinois	7	1,600	2,713,668
Indiana	6	2,460	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	16	6,669	13,058,471
Michigan	3	860	839,804
Missouri	1	130	4/
New Hampshire	7	1,986	422,697
New Jersey	1	800	1,568,818
New York	5	3,630	2,182,211
North Carolina	1	300	237,263
Ohio	2	126	281,068
Oklahoma	1	300	374,764
Pennsylvania	5	1,600	2,779,476
Rhode Island	2	840	4,807,415
Tennessee	1	2,700	3,928,072
Texas	1	400	881 3/
Vermont	1	300	90,756
West Virginia	2	680	616,324
Totals	27	75 33,661	$47,101,195

1/ April, 1973.
2/ Expenditures through December, 1972.
3/ Expenditures on Oklahoma Petition Number I. 15.3.
4/ No expenditures on this certification as of December, 1972.

REVISION OF ADJUSTMENT ASSISTANCE PROGRAM FOR WORKERS

Adjustment assistance for workers in the Trade Reform Act of 1973 is part of a three point legislative proposal which would also improve unemployment compensation programs for all unemployed workers by setting Federal standards and provide greater assurance that workers will not lose accrued pension entitlements. During the transition, workers displaced by import competition would receive weekly cash allowances equal to the proposed unemployment insurance payment, job search and relocation allowances, and training. Access to these benefits would be made easier and the petitioning process shortened.

The Trade Reform Act would ease the eligibility criteria for groups of workers by dropping the requirement that increased imports were the result of trade agreement concessions and by requiring that increased imports need only have "contributed substantially" to the unemployment of the petitioning workers. A requirement that sales or production or both of the firm involved have declined on an absolute basis has been added to the eligibility criteria.

There is an obvious need to accelerate the petitioning and injury determination processes if workers are to receive the intended benefit from the adjustment assistance program.

Presently the Tariff Commission takes sixty days to investigate worker petitions to determine whether tariff concessions were the major cause of increasing imports and whether increasing imports were the major factor causing or threatening to cause injury to a group of workers; if the Tariff Commission finds affirmatively, the Department of Labor initiates a 20-day investigation to determine the date of adverse impact and to identify the group of workers to be covered by a certification. Following the issuance of a certification by the Department of Labor, the State employment security agencies normally use a month or more to gather data on individual workers and determine their eligibility for benefits. This procedure does not take into account possible delays in processing petitions by the Tariff Commission and problems most State agencies have in gearing up to administer the program properly.

The Trade Reform Act would vest in the Secretary of Labor the responsibility for conducting investigations for determining the adjustment assistance eligibility of groups of workers. This will assure the delivery of adjustment assistance benefits to qualified workers as soon as possible following

their separation from adversely affected employment, in that it would integrate into one 60-day investigation the three fact-finding processes which under present statutory and administrative arrangements require at least three and one-half months to complete.

It is proposed that the Labor Department rather than the Tariff Commission conduct the investigation and make the required determinations. This is appropriate because the Department is directly linked to the manpower delivery system and has the expertise and resources to deal with the specialized State Employment Security agencies as well as with group or individual worker needs, complaints, etc., relating to the petitioning/delivery process. Equally important is the fact that in the case of petitions filed directly with the Secretary of Labor in connection with industry escape clause actions the Department currently performs investigations and makes determinations of injury essentially the same as those that would be required under the proposed liberalized criteria.

Since foreign trade displaced workers are just one of many groups of workers who suffer employment displacement because of national policies, a more rational way to deal with adjustment problems of all workers is to improve existing comprehensive programs of worker assistance, such as unemployment insurance benefits, and at the same time increase pension reform to help protect workers who lose their jobs against loss of accured pension benefits.

The Administration has proposed legislation on pensions and unemployment insurance that will obviate the need for a special program of trade adjustment assistance. For this reason the Trade Reform Act of 1973 proposes a transitional adjustment assistance program, to end when the proposed unemployment insurance payment standards become effective for all workers on July 1, 1975. Under the transitional program the States will bear the costs of unemployment insurance which workers normally would receive under existing State standards. The Federal Government would pay any difference between the amount of benefits workers are entitled to under the standards in the transitional program and what they receive under existing State standards.

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