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PREFACE

This pamphlet has been prepared by the staff of the Committee on Finance to assist the committee in its oversight of U.S. foreign trade policy. Its purpose is to provide a summary of current events relating to U.S. international economic policy, the administration of the Trade Act of 1974, and the progress of the multilateral trade negotiations.

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UNITED STATES INTERNATIONAL TRADE POLICY AND THE TRADE ACT OF 1974

I. RECENT EVENTS AFFECTING THE WORLD ECONOMY

A. State of the World Economy

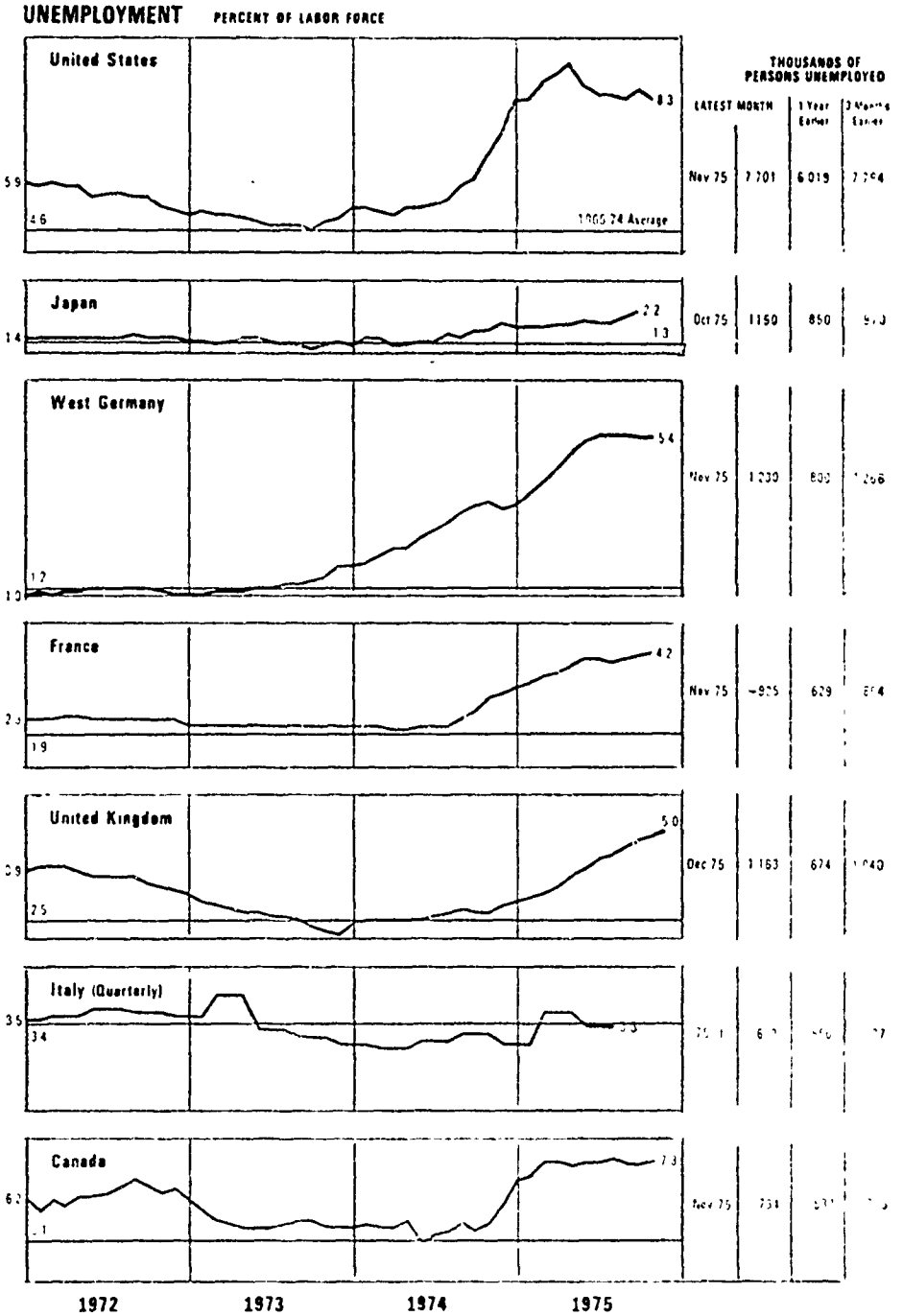
The economies of the United States and other industrialized countries are slowly recovering from the first synchronous world recession since 1957 and the most severe economic conditions since the 1930's. For two years the developed world has been plagued by an unprecedented coincidence of recession and inflation complicated by wide fluctuations in prices for commodities and the oil embargo and price increases of the Organization of Petroleum Exporting Countries (OPEC).

For the United States, the recession has been especially severe. Unemployment in the United States during 1975 reached 8.6 percent, a level not experienced since 1941. The gross national product declined in real terms both in 1974 and 1975. Industrial production declined through most of 1974 and the first half of 1975. Declining inventories and rising retail sales suggest that a modest recovery is underway in the United States. However, unemployment continues at 8.3 percent with 7.7 million persons on the unemployment rolls; and a return to full employment levels—4 to 5 percent unemployment—is not expected before 1980.

Other industrial countries also experienced higher unemployment rates in 1975 but, in both relative and absolute terms, those rates remain considerably below the rate of employment in the United States. For example, in Japan the unemployment rate rose to 2.2 percent in October 1975 (from an average of 1.3 percent between 1965–1974) directly affecting 1.2 million persons; in West Germany the rate increased to 5.4 percent (from an average of 1.2 percent in the 1965–1974 period) affecting 1.2 million persons. (See chart on page 2 for comparative unemployment rates among industrial countries.)

The governments of most industrial countries have adopted expansionary economic policies intended to encourage the recovery of their economies, although fears of exacerbating inflation remain. The leaders of these countries, particularly the European countries where the recession arrived later and where recovery is lagging, look to the United States to lead the world economic recovery. The Organization for Economic Cooperation and Development (OECD) forecasts for 1976 a four percent increase in the aggregate gross national products

of the industrialized nations. This compares with a two percent overall decline in output experienced by OECD countries in 1975.[1]



NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. The rates for France and the United Kingdom should be increased by about 25% and 15% respectively, and those for West Germany decreased by 25% to be roughly comparable with US rates.

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[1] Between 1959 and 1973, the growth of the real gross national products of the seven largest industrial countries (United States, Canada, Japan, France, West Germany, Italy, and Great Britain) averaged 6 percent per year. In 1974, the economies of Japan and the United States each declined about 2 percent, while the economies of the other five maintained marginal growth. In 1975, however, the effects of the recession on gross national products was more generally felt: United States, minus 2 percent; Canada, minus 1 percent; France, minus 5 percent; Germany, minus 5 percent; Italy, minus 7 percent; and Britain, minus 2 percent. Japan alone among industrialized countries experienced marginal economic growth during 1975.

Although many countries sustained trade deficits in 1975, West Germany maintained a huge trade surplus ($17.8 billion through November) and the United States and Japan had more moderate trade surpluses. During eleven months of 1975, U.S. exports (excluding foreign aid and "Public Law 480" agricultural exports) totalled more than $96.4 billion (f.a.s.) while imports for the same period totalled $94.3 billion (c.i.f.), yielding a positive United States balance for the eleven month period of about $2.0 billion. The following table presents the latest available data on the balances of trade for seven industrial countries. U.S. trade data have been adjusted to exclude foreign aid exports and to place imports on a c.i.f. basis.

COMPARATIVE BALANCES OF TRADE FOR MAJOR INDUSTRIAL COUNTRIES, 1975

(Billions of dollars)

	Exports	Imports	Balance
United States	96.4	94.1	+2.3
Japan	50.2	45.1	+5.1
West Germany	82.9	65.1	+17.8
France	48.9	47.4	+1.5
United Kingdom	38.1	44.4	−6.3
Italy	28.8	28.8	.....
Canada	26.5	28.3	−1.8

Source: Economic Indicators, Office of Economic Research, Central Intelligence Agency, Jan. 7, 1976.

The improvement in the U.S. balance of trade is attributable to a number of factors including the devaluation of the dollar. Ironically, the world recession during 1975 was an important factor in the U.S. trade surplus. The normal flow of consumer goods imports into the U.S. market was arrested by the decline in consumer demand and the severity of the recession in the U.S. economy. At the same time, because the recession arrived later in other countries, U.S. exports continued to increase in value. Agricultural exports grew briskly both to developed countries and to the Soviet Union, which once again had an unexpectedly poor harvest.

The recession brought about a decline in world trade both in absolute and relative terms. For the first time in the postwar period, there was an absolute decline in the volume of world trade during 1975. According to the International Monetary Fund, the exports of industrialized countries reached a value of $124.1 billion during the third quarter of 1975, compared to $125.1 billion in the third quarter of 1974. Imports of industrialized countries during the same quarter of 1975 were $128.9 billion, compared to $137.6 billion in 1974. Because these dollar figures are not adjusted for inflation, the decline in trade in terms of volume was even greater.

The decline in world export markets introduced serious new pressures in the world trading system as major trading nations sought to

maintain positive trade and payments balances. Among industrialized nations, Japan, West Germany, France, Great Britain, Italy, and Canada all contended with balance of payments deficits during 1975. Despite the declaration of Western leaders at the Rambouillet Summit Conference, the British imposed restrictions on selected imports, as did several other countries. To date the United States has not taken any action under the "escape clause" provision (section 201) of the Trade Act of 1974 and has exercised the "unfair trade practices" authority a very few times, for example, in the cases of dumped golf carts from Poland and subsidized footwear from Taiwan and Korea.[1]

For developing countries, higher oil prices and the world recession pose a far more serious problem. One recent estimate is that while the quadrupling of world oil prices brought about a 2 percent reduction in the gross national products of the major industrial countries, it brought about a 3 percent reduction in the GNP's of the non-OPEC developing world and a doubling of the GNP's of OPEC countries.[2]

While some non-OPEC developing countries have been able to finance their higher oil bills most have suffered from a decline in commodity prices and a reduced ability to borrow. Even the wealthiest of the developing countries without petroleum reserves have found it increasingly difficult to borrow funds as their international credit lines have begun to wither. International food shortages have further compounded the problems of developing countries, particularly the most impoverished. Higher food prices are forcing developing countries to spend a greater proportion of their export earnings to feed their populations. Without a reduction in oil prices and increased financial and food assistance, a number of non-oil producing developing countries, so-called "fourth world" countries, will be in severe straits. The sale of exports is by far the most important means by which fourth world countries can earn the foreign exchange necessary to purchase oil and food and to invest in their capital bases. The export earnings of developing countries, moreover, are closely linked to the economics of the developed countries. However, as world income and trade grow, world market demand for exports of developing countries increases less rapidly than it does for the exports of developed countries. For example, in 1969 the value of total world trade grew by 14 percent, but the exports of developing nations grew by only about 9 percent. Accordingly the developing countries' share of world trade has been steadily declining relative to the share of the developed countries. It is this economic syndrome which the Generalized System of Preferences of the Trade Act is intended to remedy.

Trade, aid, and monetary matters are interrelated in the world economy and cannot be validly separated. The oil embargo and price increases of the OPEC countries were essentially political acts, yet they have had profound implications for the world economy, including

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[1] On January 16, 1976, the International Trade Commission notified the President that increased imports of stainless and alloy tool steel are a substantial cause of serious injury to certain industries and recommended that a quota be imposed. Under the Trade Act, the President has sixty days to decide what form of import relief, if any, he will provide. If he declines to provide relief or if he provides relief other than that recommended by the Commission, the Congress may by adoption of a concurrent resolution implement the relief originally recommended by the Commission.

[2] Hansen, Roger D., in "The U.S. & World Development: Agenda for Action," Overseas Development Council, 1975, p. 157.

a recession, stunted development, and the risk of widespread import restrictions.

If there is one conclusion which can be drawn from the current state of the world economy it is that no country or group of countries can achieve economic security by pursuing policies which are injurious to other countries and detrimental to world economic order. The process of international economic interdependence compels international cooperation.

B. The New International Economic Order

For many years, and particularly since the first meeting of the United Nations Conference on Trade and Development (UNCTAD) in 1964, the developing countries have sought a new international order in which the developed countries would transfer resources to the developing countries. Through UNCTAD and other international forums the developing countries have pressed with some success for greater multilateral aid and preferential trade agreements. But developing countries' dissatisfaction with their economic lot, once popularly referred to as their "crisis of rising expectations", has now become a new economic militance reflected in the events of the past two years.

The oil embargo and subsequent quadrupling of oil prices by the OPEC has given the developing world a new weapon in its quest for wealth—resource monopoly. Since the OPEC embargo, developing countries have several times attempted to repeat the pattern of OPEC from increasing the taxes on bauxite, for example, to forming a cartel to export bananas. However, the poorest of the developing countries were unable to ride the commodity boom of 1973–1975 and continue to suffer severe economic distress. Yet, these countries most seriously affected by the cartel pricing policies of OPEC countries apparently believe that their road to economic salvation lies in unilateral price and supply actions against developed countries. Their hopes buoyed, the developing countries have formed more than ten producer associations since the OPEC embargo; none has yet been able to imitate OPEC with success.

1. *Evolution.*—While organizing among themselves in the past two years, third world countries have also used international forums to convey how they feel world economic relationships should be changed to better suit their development goals. In May of 1974, as a result of a special session of the General Assembly which studied raw materials and development, the United Nations adopted a resolution titled "Declaration of the Establishment of a New International Economic Order". The developing countries state through the resolution that the existing world economic order is in conflict with their development goals, and that new principles must be respected in the formulation of a new order. Among the new principles enumerated are countries' rights to "preferential and non-reciprocal" trade treatment for developing countries, the improvement of the "competitiveness of national materials facing competition from synthetic substitutes," the linking of prices of raw material exports with prices of manufactured imports, the unconditional extension of foreign aid, and the facilitation of technology transfer to developing countries.

In December of 1974, the General Assembly of the United Nations adopted a resolution entitled "Charter of Economic Rights and Duties of States". The fundamental purpose of this resolution is "to promote the establishment of the new international economic order" referred to above. The charter states that every nation has the right to associate in primary commodity producer associations and that other nations must not apply economic and political measures to limit such associations; and that nations should take steps "aimed at securing additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings." Also included is the suggestion that developed nations should help the development process by promoting "increased net flows of real resources to the developing countries from all sources."

During the same month of the approval of the UN Charter of Rights and Duties of States, the Secretary General of the UNCTAD issued a report on a proposed integrated program for commodity trade. The UNCTAD proposals include the creation of a common fund for the financing of large international buffer stocks which would become a part of a system of international commodity agreements. As a backup mechanism, the report recommends compensatory schemes be used to make up losses in export earnings where commodity agreements fail to maintain prices and supplies at projected levels.

In February of 1975, a group of developing countries met in Dakar to confer on policy matters affecting raw materials. They issued a resolution which finds that the framework and organization for world commodity trade are outdated and inadequate as instruments of economic change and development. The resolution calls for the full implementation of the Charter of Rights and Duties of States and for the developed countries to compensate developing countries for the exploitation and depletion of third world natural resources.

In March of 1975, a conference of the United Nations Industrial Development Organization adopted a resolution entitled "The Lima Declaration on Industrial Development and Cooperation." The Lima Declaration not only reiterates many of the findings and exhortations of earlier resolutions mentioned above, but it also introduces concrete economic goals for the developing world. The developing world now accounts for approximately 7 percent of world industrial production; the declaration calls for that share to increase to at least 25 percent of total world industrial production by the year 2000. As the declaration points out, "this implies that the developing countries should increase their industrial growth at a rate considerably higher than the 8 percent recommended" previously by a United Nations development group.

In all of the above resolutions and declarations, international commodity agreements, earnings stabilization programs, and preferential trade treatment play important, albeit not exclusive, roles. The basic objectives sought by the developing countries through these programs are the stabilization of their export earnings, a real transfer of wealth from the developed to the developing world, and a heightened degree of economic self-determination.

2. *Implications for U.S. Trade Policy.*—There are several schools of thought within the Executive Branch on the most appropriate U.S. response to the international clamor for a new economic order. The

United States has historically pursued a policy of bilateral and multilateral financial and agricultural aid to developing countries. The U.S. has not encouraged the formation of commodity agreements, although there have been exceptions, such as sugar and coffee.

Several agencies in the Executive Branch (most notably the Treasury Department) hold the view that the free market mechanisms will lead to the most efficient distribution of resources. Advocates of the free-market policy do not quarrel with the basic concepts of a world economy which transfers resources to the developing world but object to the cartelization of the world economy. They argue that economic issues should not be discussed and worked out together in essentially political arenas, but rather should be addressed on a case-by-case basis and should provide for the ultimate decisions on price and supply to be decided by parties trading in a free market.

Another viewpoint is that the present is not the time to establish mechanisms for the resource transfers of the next decade and that the United States should adopt a "wait and see" attitude. This view is based on the proposition that the OPEC cartel is now at the peak of its strength and will come under increasing pressures in the next few years. To use the apparent success of the OPEC cartel as the backdrop against which to negotiate, it is argued, is to insure that the United States will be locked into a decade-long foreign economic policy of weakness merely because it suffered a few years of economic distress. Thus, the proponents of this alternative policy prefer caution in the participation of the United States in international commodity and financial agreements until the long-term viability of the OPEC cartel can be more clearly assessed.

However, the "free market" and "wait and see" viewpoints may already have gone by the boards in the formulation of U.S. foreign economic policy, at least so far as the Executive Branch is concerned. In a speech delivered last September before the United Nations on behalf of the Secretary of State, a new foreign economic policy was outlined by the United States. Secretary Kissinger announced that the United States will press for new international economic initiatives to meet the challenge of resource transfer which the developing countries have articulated. Although such a policy will not commit the United States to enter into an international agreement in the case of every commodity nor bind the United States to unconditional financial assistance, the announcement reflects the attitude that we should not "stonewall" the demands of developing countries but rather make some concrete concessions in the hope that the drive for radical change in the world economy will be at least temporarily diverted.

(*a*) *Commodity Agreements.*—In his September United Nations speech, Secretary Kissinger proposed that "a consumer-producer forum be established for every key commodity to discuss how to promote the efficiency, growth, and stability of its market." A commodity agreement is an intergovernmental contract which regulates production, exports, or trade of basic commodities to prevent an excess of supply or demand in order to maintain or stabilize prices and stocks. Commodity agreements define the activities of major trading partners in rapidly changing economic conditions so as to smooth out the usual boom-bust fluctuations in commodity prices and supplies.

Historically, several primary commodities produced in a limited number of countries were controlled by closely-linked private international corporations. The corporations would form a cartel to ensure that even the most inefficient of member corporations could operate on a profitable and stable basis. The cartel would designate a cartel manager who would use cash and a buffer stock to maintain prices and supplies in the market on a day-to-day basis. If the market and buffer stock transactions were inadequate to maintain market conditions according to plan, the cartel would agree to production cutbacks by member corporations. However, with the exception of the tin cartel, the major corporate international arrangements were unable to endure the vagaries of the market for many years and became ineffective.

After World War II, the United States attempted to establish an International Trade Organization (ITO) which would, among other things, determine the form, duration, and general terms of commodity agreements. While the ITO never came into existence, the principles laid out in Chapter VI of the ITO draft charter survive as the basis for many of today's international commodity agreements. In general, the ITO Charter permitted commodity agreements for primary products where exchange earnings were important to producers and where the stability of such earnings was important to economic development planning. New agreements would be intergovernmental rather than intercorporate. The objective of the agreements was to moderate price fluctuations and to establish stable prices fair to both producers and consumers.

A 1947 UNESCO resolution recommended to the ITO commodity agreement provisions to United Nations member states. Because the ITO never took effect, the UNESCO resolution is the only legal basis for international commodity agreements. Although the General Agreement on Tariffs and Trade (GATT) contains a provision prohibiting quotas and other quantitative restrictive measures (GATT Article XI), Article XX(h) of the GATT exempts intergovernmental commodity agreements which are consistent with the UNESCO resolution.

Commodity agreements are tailored to the nature of the parties and the trade in each particular commodity. While each agreement may contain variations, the major devices are: 1) collective contracts; 2) quota contracts; and 3) buffer stocks.

The collective contract device has been employed by the United States during its participation in the International Wheat Agreement. It is an agreement to offer contracts for the sale of a basic commodity at a specific minimum and maximum price for certain years. The collective contract involves those countries who anticipate having a surplus agreeing to offer for sale a certain amount of the commodity at prices within an agreed-upon range. When collective contracts have involved the supply of grains to developing countries, they have recently included agreed-upon amounts of grain aid.

Quota controls include quantitative restrictions on imports or exports by member countries. The agreement may discourage export and production subsidies by awarding larger quotas to efficient producers. A price range may be set, and membership may

be induced by providing preference for sales to consuming members when prices are high and restriction on purchases from nonmembers when prices are low.

A buffer stock is a quantity of the commodity which may be varied in size by purchase or sale on the open market. The commodity council may project the long-term supply and demand estimates and thereby derive a desired price range for the commodity. The council will then sell out of the buffer stock when prices are in the high end of the range and buy in the open market when prices fall into the low end of the range. An agreement may have a provision for the financing of buffer stocks with marketing levies or with the profits which may result from buffer stock trade. It is not unusual for a commodity agreement to include both a buffer stock and quotas. Buffer stocks must be large enough to maintain the desired range of prices; they are expensive to maintain and the sharing of costs can be a contentious issue between producer and consumer nations. Producer countries are more interested in "floors" than "ceilings", while consumers have the opposite interest. Generally the ceiling aspect of a commodity agreement is more ephemeral than real.

Major international commodity agreements have recently been in effect for tin, cocoa, coffee, wheat, and sugar. The Food and Agriculture Organization of the United Nations is sponsoring ten study groups on agricultural goods. These commodities include rice, grains, citrus fruit, jute/kenaf and allied fibers, oilseeds/oils and fats, bananas, hard fibers, wines and vine products, tea, and meat. Associations of producer countries are in effect for bauxite, copper, petroleum, rubber, iron ore, mercury, and tungsten. Commodities covered by producer associations are candidates for possible international agreements, particularly if access to supplies becomes of greater concern to consuming countries.

(*b*) *Earnings Stabilization.*—In his September United Nations speech, Secretary Kissinger proposed the creation "of a new development security facility to stabilize overall export earnings." The facility would replace the International Monetary Fund's (IMF) existing compensatory financing facility and would give loans to developing countries which need to finance shortfalls in their export earnings.

In December of 1975, members of the IMF did agree to modify, rather than to replace, the compensatory finance facility. The facility is designed to assist countries with shortfalls in their balance of payments which result from factors beyond their control, notably from lower prices or production levels of their export commodities. Assistance is in the form of medium-term loans (3 to 5 years) at low interest rates (4 to 6 percent). Borrowings for this purpose were previously limited to 50 percent of a country's membership quota in the IMF, with no more than half of that (25 percent of quota) in any single year. Under the December change, a country will now be able to borrow up to 75 percent of its quota, with no more than 50 percent of its quota in any single year.

To obtain a compensatory loan, a country applies to the IMF. A calculation is made on the country's average balance of pay-

ment deficit for the two preceding years, the year of the loan, and a projection of the two succeeding years. The December change in compensatory finance rules removed the restriction that a country could borrow less for this purpose if it had already borrowed to finance a commodity buffer stock; there is no more link between export stabilization borrowing and the buffer stock facility.

In February of 1975, the European Community signed a trade agreement, the Lome Convention, further opening its markets to a group of 46 African, Carribean, and Pacific (ACP) countries. Part of the Lome Convention was an agreement to make available to ACP countries a commodity export stabilization finance system. The system is applicable to 12 primary product groups. Where an ACP country's earnings from the export of one of the twelve products represent at least 7.5% of its total export earnings, that country is entitled to request a financial transfer if its earnings from the export of the product to the Community are at least 7.5% below an average level of the four preceding years. For the 34 least developed, landlocked, or island ACP countries the dependence and trigger thresholds are 2.5%. The European Community is allocating 375 million units of account ($440 million) for the stabilization system. The Convention includes the principle that the 42 better-off ACP countries should repay the export stabilization transfers they receive if they have made sufficient earnings progress in the ensuing five years.

(*c*) *Preferential Trade Treatment.*—Developing countries have long complained that the major industrialized countries discriminate against them by maintaining high tariffs on semi-manufactured and manufactured goods and low or no duties on primary products. Their theory is that this "tariff escalation" (i.e., the greater the degree of processing in a good, the higher its duties) discourages them from industrializing. At the 1964 UNCTAD meeting, the developing countries formally proposed that the developed countries grant the former tariff preferences on their exports to the developed countries. Over the following years, the developed countries ratified the tariff preference concept by agreeing to extend their individual preference programs to "beneficiary developing countries."

The tariff preference systems currently in effect in the European Community (EC), Japan, and the United States all recognize approximately 100 beneficiary developing countries. However, there are differences among the systems. The EC and Japan permit imports of some manufactured goods on a duty-free basis, subject to tariff quotas. Quantitative import ceilings (quotas) exist for each product group. Imports of eligible products above these ceiling levels are subject to normal most-favored-nation duty rates. In addition, imports from any one beneficiary developing country are subject to maximum amount limitations. In the case of "sensitive" manufactured and semi-manufactured products, the EC also regulates the amount of each product which can enter each of the separate member States. Both the EC and Japan restrict the number of agricultural imports receiving preferential treatment to a few selected items. Eligible agricultural products are admitted at margins of preference averaging

4 percent of the MFN rate in the case of the EC and 50 percent of the MFN rate for Japan. Agricultural products are not subject to quantitative restrictions, but in some cases must still face a variable levy which operates like a quota.

In contrast to the preference systems of Japan and the EC, the U.S. system is not based on tariff quotas. The U.S. system applies a "competitive need" rule, limiting imports of a particular product from a particular country to $25 million in value or 50% of total U.S. imports of the product. The U.S. generalized system of preferences is discussed in greater detail on p. 37.

C. International Economic Negotiations

Attempts by the nations of the world to manage the world economy and to coordinate their foreign economic policies are characterized by complexity and apparent confusion. This is because the issues which must be resolved among the nations are technically complex and because those issues are directly related to politically sensitive domestic interests. In addition, discussion of these issues necessarily raises fundamental questions about the nature of national sovereignty.

Despite these difficulties, the rapid expansion of world trade and increasing awareness of the interdependence of national economies have resulted in renewed efforts to achieve international agreement on the management of the world economy and coordination of international economic activities. These efforts take place in a variety of organizations, *ad hoc* multilateral negotiations, and bilateral diplomatic discussions. This part of the briefing document will briefly describe the major negotiations and consultations which are currently important to the international economic system.

1. *Rambouillet.*—From November 15 to November 17, 1975, the heads of state and of the governments of France, the Federal Republic of Germany, Italy, Japan, the United Kingdom, and the United States met at the Chateau de Rambouillet outside of Paris for an economic summit meeting. The scope of the meeting included energy, trade, and "North-South" economic relations. The meeting at Rambouillt resulted in a joint declaration of the participants.

The most important statements in this declaration include a reaffirmation of the participants' commitment to the principles of the Organization for Economic Cooperation and Development (OECD) pledge to avoid protectionist measures and to a 1977 goal for the completion of the Multilateral Trade Negotiations in progress in Geneva under the Tokyo Declaration. The declaration also contains a compromise between the United States and France under which international exchange rates will continue to be set by means of the free market with the understanding that national monetary authorities may act to counter disorderly market conditions or erratic fluctuations in exchange rates. This compromise laid the foundation for the new International Monetary Fund (IMF) agreements reached in Jamaica in January 1976. In addition, the declaration commits the participants to make improvements in the international arragements for the stabilization of export earnings of developing countries and in measures to assist the developing countries in financing their deficits through the IMF and other appro-

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priate international organizations. Finally, the declaration commits the participants to future cooperation in order to reduce their dependence on imported energy through conservation and development of alternative sources of energy.

2. *Conference on International Economic Cooperation.*—Until September 1975, the United States opposed any international negotiations between the developed countries and less developed countries dealing with the broad range of economic issues which divide those two groups. Instead of a general negotiation, the United States hoped to begin negotiations between the energy consuming nations and the energy producing nations. Largely as the result of opposition from the Organization of Petroleum Exporting Countries (OPEC), attempts to establish an international energy conference failed. In his speech in September, 1975, to the Seventh Special Session of the United Nations General Assembly, Secretary of State Kissinger announced the willingness of the United States to participate in a general negotiation between the developed and less developed countries and specified 41 proposals for action.

As the result of this change in the position of the United States, the Conference on International Economic Cooperation (CIEC) convened in Paris on December 16, 1975. Twenty-seven delegations are attending the conference representing eight developed countries, including the European Community, and 19 developing countries, including several members of OPEC. The conference is chaired by Canada and Venezuela. The initial meeting resulted in the creation of four commissions covering specific subject matters. The United States is co-chairman of the energy commission along with Saudi Arabia. The European Community and Iran co-chair the commission on finance, Japan and Peru co-chair the commission on raw materials, and the European Community and Algeria co-chair the commission on development. The commissions will begin their working meetings on February 11, 1976.

The developed countries are coordinating their policies in the CIEC through the Executive Committee in Special Session of the OECD. It is apparently the intention of the United States to seek creation of a new institution with a small permanent secretariat based in Paris to administer the activities of the four commissions. Other than opposition to tying commodity prices to the rate of inflation in the prices for manufactured goods, "indexation", and apparent agreement on the use of Secretary Kissinger's U.N. speech as a basic framework, little is known of the policy position of the United States and the other developed countries in the CIEC. The 19 less developed countries met beginning on January 5, 1975, to attempt to coordinate their positions. To date this strategy session appears to be moving slowly as a result of differences between the oil producing and non-oil producing less developed countries. The less developed countries have, however, announced that they intend to seek "firm guarantees" from the developed countries that the CIEC will not be a mere diplomatic exercise but will lead to positive decisions.

3. *World Food Negotiations.*—International trade in agricultural products has been a persistent problem which is being dealt with in many different organizations and negotiations. This is because of the

increasing demand for agricultural products as the world's population grows, severe fluctuations in the supply of agricultural products due to variations in crop yield as a result of both weather conditions and fluctuations in the supply of fertilizer, and domestic agricultural policies intended to maintain agricultural sector income and minimum levels of agricultural production. Many of the problems raised by domestic agricultural policies are being addressed in the Multilateral Trade Negotiations underway in Geneva which is discussed in the next part of this document. Other significant international negotiations relating to international trade and food include the International Wheat Council (IWC) which is currently meeting in London. The focus of the IWC discussions is currently on the establishment of an international grain reserve which will be used to stabilize the amount of grain available to the international market.

As the result of the World Food Conference which met in Rome in 1974, a World Food Council, a Consultative Group on Food Production and Investment, and an International Fund for Agricultural Development have been established. The World Food Council is intended to provide overall coordination of implementation of the resolutions and objectives of the World Food Conference particularly through various United Nations agencies such as the Food and Agricultural Organization. The Consultative Group for Food Production and Investment is intended to encourage a larger flow of resources to developing countries for food production and to coordinate assistance from the developed countries to the less developed countries to assure a more effective use of food resources. The International Fund for Agricultural Development is intended to provide additional financial assistance on a concessional basis for agricultural development purposes in developing countries. The United States has made it clear that any contribution by it to the Fund will depend upon contributions by all nations in the amount of at least $1 billion and negotiation of acceptable articles of agreement. Finally, the Consultative Group for International Agricultural Research (CGIAR) is facilitating the transfer of agricultural technology to the less developed countries. Currently, the CGIAR is focusing on means by which post-harvest food grains losses may be reduced.

It should be noted that, in addition to the international organizations discussed above, virtually all the developed nations are carrying bilateral food assistance programs for selected less developed countries. The developed countries are consulting with each other about their activities in the bilateral food assistance area through the Development Assistance and Agriculture Committees of the OECD.

4. *The International Monetary System.*—The international monetary system is managed primarily through the International Monetary Fund (IMF). Other institutions which play a role are the Bank for International Settlements, the Group of Ten, and Working Party 3 of the Economic Policy Committee of the OECD. The recent meeting of the Interim Committee of the Board of Governors of the IMF in Jamaica resulted in agreement upon rules which will partially replace the Britton Woods Agreement. That Agreement essentially collapsed in 1971 when the United States unilaterally removed itself from the gold standard thereby permitting the value of the dollar to be determined by the international currency market. The Interim

Committee agreed that floating exchange rates will be recognized as the norm while the IMF will act to influence any country which lets its floating exchange rate get so far out of line that it achieves an unfair trade advantage over its competitors. The IMF must still work out the details of the compromise between the United States and France reached at Rambouillet and Jamaica on the "managed float".

The Jamaica meeting also ratified plans to sell one-sixth of the IMF's gold holdings, approximately 25 million ounces, at world market prices with the profits resulting from the difference between the official price of $42.22 an ounce and the world price of approximately $130 an ounce being used to establish a trust fund for the benefit of less developed countries. Conditions on loans from the trust fund to less developed countries will be less stringent than those applying to loans from the regular IMF funds. An additional 25 million ounces of gold will be returned from the IMF to member countries on the basis of their quotas. Finally, the IMF members agreed to increase the amount of loans each member nation can receive from each of the three categories of normal loan funds in the IMF, "credit tranches", by 45 percent.

The importance of the international monetary system to international trade cannot be underestimated. This is because a flexible international monetary system is essential to the process of adjustment between the economies of the trading nations which results in currency valuations that accurately reflect the rates of inflation, productivity, and government economic policies of those nations.

5. *The Organization for Economic Cooperation and Development and the Customs Cooperation Council.*—The OECD, which is headquartered in Paris, is primarily a consultative body made up of the major industrial democracies. The developed countries use the OECD and its various committees and working groups to conduct both studies and negotiations on particular problems which they jointly must resolve and to coordinate their policies for purposes of other international negotiations such as the Multilateral Trade Negotiations and the Conference on International Economic Cooperation. Of the many activities currently underway in the OECD, one of the most important is the discussion in the Committee on Trade on an international code on government procurement policies which the United States hopes will require foreign governments, particularly the members of the European Community, to open their government procurement to foreign suppliers. It is the intention of the members of the OECD to use the government procurement code they decide upon as the basis for negotiations in the Multilateral Trade Negotiations. The OECD Committee on International Investment and Multinational Enterprises is working on a draft code of conduct for multinational enterprises. This draft is an attempt to codify the rights and duties of both multinational corporations and their host countries in the conduct of international business. The Executive Branch intends the draft code to be one of the mechanisms by which the principles expressed in the Ribicoff Anticorrupt Practices Resolution, S. Res. 265, 94th Congress, can be implemented.

The Customs Cooperation Council (CCC) provides a forum for the exchange of information and harmonization of customs requirements for member countries. The most important work of the Council

is currently being carried in the Harmonized System Committee and involves the development of an internationally agreed upon commodities code containing a tariff classification system and a harmonized system for valuing imports for purposes of levying duties which will be adhered to by all major trading countries. The work on the new commodity code is well underway and approximately 20% of the products traded internationally have been tentatively classified. In addition to the work of the Harmonized System Committee, the CCC Permanent Technical Committee is currently involved in negotiations on harmonizing and simplifying customs procedures and documentation requirements. The results of the work of the CCC in both the commodity code and the customs procedures areas will undoubtedly become involved in the Multilateral Trade Negotiations if it is completed before the end of the negotiations.

6. *The General Agreement on Tariffs and Trade.*—The major international agreement dealing with international trade is the General Agreement on Tariffs and Trade (GATT). The GATT is an executive agreement which has never been approved as a treaty or through implementing legislation by the U.S. Congress. Over 80 nations are now signatories to the Agreement. In addition to being an agreement which sets forth rights and duties of nations involved in international trade, the GATT is also an institution with a permanent Secretariat in Geneva. The GATT Secretariat, in addition to providing an institutional framework for Multilateral Trade Negotiations, carries on studies of particular problems of concern to the contracting parties. The GATT has sponsored six major rounds of multilateral trade negotiations since it was established in 1947, the most recent until now being the "Kennedy Round" from 1962 to 1967. All of these past negotiations concentrated on tariff reductions with the exception of the Kennedy Round which, in addition to substantial tariff reductions, resulted in the negotiation of an International Antidumping Code.

In 1973 the ministers with responsibilities for international trade of the contracting parties to the GATT met in Tokyo to initiate a new round of multilateral trade negotiations. The Tokyo Declaration issued by those ministers states that the focus of the new round, the "Tokyo Round," should be on non-tariff measures and on the problems of the less developed countries.

In very general terms, non-tariff measures are those policies of national governments which are intended to protect domestic markets from imports through non-tariff means, for example, quotas, and onerous customs procedures. In addition, non-tariff measures include domestic policies which, intentionally or unintentionally, result in the cost of national programs being imposed on foreign nations or foreign persons rather than on the citizens or government of the country establishing the program. Examples of the latter kind of non-tariff measure are export subsidies, regional development incentive programs, government procurement restrictions, product standards, environmental standards, and packaging and labeling requirements. The attempt to harmonize all these policies, or at least establish rules for the implementation of policies in the future so that their impact on international trade will be taken into consideration, is at the core of

the current Multinational Trade Negotiations which will be discussed in detail in the next part of this document.

II. ADMINISTRATION OF THE TRADE ACT OF 1974

A. Multilateral Trade Negotiations (Title I)

Title I of the Trade Act of 1974 delegates to the President the basic negotiating authority for the "Tokyo Round" of multilateral trade negotiations now underway in Geneva. The Act authorizes the President, for a period of five years, to enter into trade agreements with other countries for the purpose of harmonizing, reducing, or eliminating tariff and nontariff barriers to trade in international goods and services. Among other things, the President is authorized to enter into trade agreements to reduce duties within certain limitations. In the case of agreements on nontariff barriers, the Act establishes procedures requiring approval of such agreements by the Congress. In addition, the Act makes it an overall negotiating objective of the United States to obtain more open and equitable market access for U.S. exports of goods and services. The Act enumerates other negotiating objectives for the United States including reform of the General Agreement on Tariffs and Trade (GATT).

The first year of serious multilateral trade negotiations is over. It has been a slow, tedious negotiation marked by procedural impasses, particularly on agricultural issues. During 1975, the Trade Negotiations Committee (TNC), the overall coordinating body for the GATT negotiations, created six working groups to coordinate various aspects of the negotiations. The six groups have spent the past year collecting and analyzing data, sharpening issues, and generally performing the technical work which must precede substantive negotiations. The groups and their responsibilities are briefly summarized below:

1. *Nontariff Measures.*—The Nontariff Measures (NTM) Group has worked to identify and select significant nontariff barriers to international trade appropriate for negotiation. The barriers which are selected will be considered by four NTM subgroups: (a) A quantitative restrictions and import licensing subgroup which will consider quantitative restrictions and import licensing procedures; (b) a technical barriers to trade subgroup which will consider standards, packaging and labeling, and marks of origin; (c) a customs subgroup which will consider customs valuation, import documents, customs nomenclature, and customs procedures; and (d) a subsidies subgroup which will consider the related issues of subsidies and countervailing duties.

2. *Tropical Products Group.*—The Tropical Products Group was established to carry out negotiations on products grown in tropical climates which are primarily of interest to less developed countries, for example, cocoa, coffee, tea, and bananas. The Group has agreed to proceed initially with bilateral negotiations on products of interest to developing countries. Product request lists have been received from developing countries and it is anticipated that these product request lists will be the subject of intensive bilateral negotiations early in

1976, with the prospect of an agreement on tropical products by the end of the year.

3. *Tariffs.*—During the past year the Tariffs Group has directed its efforts toward the negotiation of a general tariff reduction formula, an agreement on product exemptions to such a formula, an agreement on the range of items to which the reductions would be applied (i.e., whether or not agricultural tariffs would be included), and toward defining the relationship of tariff negotiations to the interests of the less developed countries (how preferential treatment under the tariff cutting formula can be afforded the products of less developed countries). Several delegations have proposed. for purposes of discussion. tariff cutting formulas. The European Community has proposed a harmonization formula (i.e., the higher the tariff, the deeper the cut), aimed at reducing high tariffs by a larger percentage than low tariffs. possibly to a threshold level (e.g., 5 percent ad valorem), below which no further cuts would occur. The European Community asserts that such a formula would bring about substantial tariff reductions and also protect the interests of the developing countries by preserving their margin of preference under the generalized system of preferences.

The U.S. delegation has proposed for discussion three alternative formulas aimed in varying degrees at linear tariff reductions, the approach used in the Kennedy Round. The first U.S. proposal, for example, would reduce tariffs across the board by a common percentage (60 percent). A second U.S. formula provides for an across the board 60 percent linear reduction down to a 5 percent floor. A third U.S. formula combines a 60 percent linear reduction with a harmonization factor. The United States is expected to offer a concrete tariff cutting formula at the next meeting of the Tariffs Group and to push for agreement on a tariff cutting formula by the end of 1976.

4. *Agriculture Group.*—During 1975 agriculture was the focus of the most serious impasse in the GATT negotiation. The disagreement is between the United States and other agricultural exporting countries, on the one hand, and the European Community, on the other, over the manner in which agriculture should be treated in the negotiations. It is the U.S. position that agriculture issues should be negotiated "in conjunction with" industrial issues. (Section 103 of the Trade Act of 1974 requires that, to the maximum extent feasible, the negotiation of agricultural trade barriers should be undertaken "in conjunction with" the negotiation of industrial trade barriers.) The European Community, on the other hand, is of the view that the Agriculture Group should be the exclusive forum in the negotiation for discussion of any issue affecting agriculture. The purpose of the Agriculture Group, the United States contends, is to examine the "special characteristics" of certain agricultural issues and to support the efforts undertaken by the Tariff Group, the NTM Group, and other groups which should conduct the negotiation of issues which impact on agriculture. The European Community generally has declined to discuss agricultural issues in any forum outside the Agricultural Group.

The United States and the European Community have been unable to reconcile their differences over the negotiation of agricultural issues despite intensive talks during the past year. Several attempts to resolve the agricultural issue have been unsuccessful. Recently the European

Community Commission and the governments of all but one member state, France, interpreted an October understanding as between the United States and the European Community as permitting the talks to continue, as a matter of procedure, pending satisfactory resolution of the substantive issue.

Early in 1975 there was strong support from many delegations for the creation of commodity subgroups of the Agriculture Group with respect to dairy products, meat and cattle, sugar and grains. In the past, the United States has generally favored commodity subgroups for negotiating purposes. More recently, the United States has opposed establishment of commodity subgroups but agreed to the creation of subgroups for dairy, grains, and meat. Thus, procedural issues have preoccupied agricultural negotiations, and no discussions of substance have yet taken place.

5. *Sectors Group.*—The Sectors Group has met several times during the past year and has commissioned a number of studies by the GATT Secretariat of various product sectors to determine whether they are appropriate for a sector negotiation. The United States, Canada, and others have sought sector negotiations in which barriers to trade in specific product sectors will be reduced or even eliminated on a reciprocal basis. Section 104 of the Trade Act of 1974 states that a principal U.S. negotiating objective shall be to obtain, to the maximum extent feasible, competitive opportunities in appropriate product sectors for U.S. exports equivalent to competitive opportunities afforded imports of like or similar merchandise into U.S. markets. The report of the Finance Committee on the Trade Act of 1974 lists five product sectors which the committee feels are appropriate for product sector negotiations: Steel, aluminum, electronics, chemicals and electrical machinery. The European Community and Japan have generally been opposed to sector negotiations.

6. *Safeguards Group.*—The Safeguards Group is concerned with measures taken by countries to protect their economies from imports which cause market disruption or injury to industries by import competition. During the past year, the Safeguards Group has directed its efforts to the cataloging and analysis of current safeguard practices prior to deciding how Article XIX, the GATT safeguards provision, should be amended. It is not anticipated that the Safeguards Group will conclude an agreement until a later stage in the negotiations.

At a meeting of the Trade Negotiations Committee, in December, 1975, the United States urged that the year 1977 be set as a target for the final phase of the multilateral trade negotiations. Accordingly, the United States called for accomplishment during 1976 of nine specific steps required to prepare for the final agreements during 1977. The United States urged that the following intermediate goals be reached during 1976: An agreement on tropical products, a tariff cutting formula, a framework for a subsidies/countervailing duty code, completion of a standards code, a procedure for dealing with quotas, a basis for a revised GATT safeguards system, selection of sectors for complementary negotiations, parallel progress in deciding special treatment for less developed countries, and negotiating approaches to such issues as access to supply, dispute settlement procedures, treatment of tax practices, bribes and other unethical trade practices, and

government procurement. The United States also urged that the joint declaration of western leaders at the Rambouillet Summit, calling for early progress in the trade negotiations, be adopted.

Section 135 of the Trade Act of 1974 requires the Executive Branch to establish private advisory committees to advise the U.S. negotiators on bargaining strategy and objectives in the trade negotiations. The requirement that these committees be created was added to the law in response to criticism that the U.S. private sector had not been adequately consulted on negotiating strategy during the Kennedy Round.

As of this writing, the Executive Branch has created 45 committees to advise the President on various aspects of the trade negotiations. Of these, three are policy-level committees which have been established to assure an exchange of views and information between the government and the private sectors: An Industry Policy Advisory Committee (IPAC), an Agricultural Policy Advisory Committee (APAC), and a Labor Policy Advisory Committee (LPAC). These committees have been organized and have been meeting periodically throughout the year. In addition, the Trade Act requires the Executive to establish sectoral committees to advise on matters within specific product sectors. To date, 27 Industry Sector Advisory Committees (ISAC's), 8 Agricultural Technical Advisory Committees (ATAC's), and 6 Labor Sector Advisory Committees (LSAC's) have been established and have been meeting during the past year.

The Trade Act also requires the Executive to establish a public Advisory Committee for Trade Negotiations (ACTN) to be composed of not more than 45 agricultural, consumer, retail, labor, industry, and general public members. This Committee, which is chaired by the Special Trade Representative, has been appointed by the President and has begun its work in advising the Executive Branch on the overall public interest aspects of the trade negotiations.

B. Escape Clause and Adjustment Assistance (Title II)

1. *Provisions of the Trade Act of 1974.*—Article XIX of the General Agreement on Tariffs and Trade permits countries to modify, suspend, or withdraw any obligation made under the Agreement if, as the result of obligations under the Agreement and unforeseen developments, imports increase to the extent that they cause, or threaten to cause, serious injury to domestic producers. This provision is commonly known as the "escape clause."

2. *Section 201.*—Before the Trade Act of 1974, the U.S. law implementing the escape clause was Title III of the Trade Expansion Act of 1962 (TEA). Section 201 of the Trade Act of 1974 replaces the TEA with a different escape clause provision. Under the TEA, increased imports must have been in major part the result of trade agreement concessions before import relief measures were taken. Under the Trade Act of 1974, no link to concessions is required. Furthermore, under the Act, increased imports must only be a substantial cause of serious injury or the threat thereof ("substantial cause" is defined to mean a cause which is "important" and not less than any other cause) and no longer the major factor (generally assumed to mean a cause greater than all other causes combined) causing such injury, as required by the TEA.

Under the Trade Act of 1974, if the International Trade Commission (ITC) finds that imports are a substantial cause of serious injury (or threat thereof) to an industry, the President is required, with certain exceptions, to provide some form of import relief (duty increases, tariff-rate quotas, quantitative restrictions, orderly marketing agreements, or, under appropriate circumstances and, upon a recommendation of the Commission, adjustment assistance). Under the Trade Act, the President can also choose not to provide import relief when he determines that it will not be in the national economic interest. However, if the Congress prefers the form of import relief proposed by the ITC to the relief provided by the President, or if the President determines not to provide import relief, then a majority of those present and voting of both Houses can pass a resolution requiring the President to implement the relief recommended by the ITC.

STATUS OF ACTIONS UNDER SECTION 201

Product	Date petition filed	Petition withdrawn	ITC injury determination			Presidential action
			Pending	Positive	Negative	
Birch faced plywood	Apr. 18, 1975				X	NA
Bolts, nuts, and screws	May 22, 1975				X	NA
Wrapper tobacco	May 5, 1975				X	NA
Asparagus	July 10, 1975			(tied vote)		
Specialty steel	July 16, 1975			X		X (due Mar. 15, 1976).
Frozen strawberries	July 24, 1975	X				
Slide fasteners	Aug. 18, 1975		X (due Feb. 18, 1976)			
Footwear	Aug. 20, 1975		X (due Feb. 20, 1976)			
Stainless steel flatwear	Aug. 28, 1975		X (due Feb. 28, 1976)			
Work gloves	Sept. 8, 1975		X (due Mar. 8, 1975)			
Mushrooms	Sept. 17, 1975		X (due Mar. 17, 1976)			
Blue pigments	Oct. 2, 1975		X (due Apr. 2, 1976)			
Shrimp	Nov. 17, 1975		X (due May 17, 1976)			

Source: U.S. International Trade Commission.

3. *Adjustment Assistance.*—In addition to import restrictions under the escape clause, U.S. law provides financial and technical assistance to workers, firms, and communities which suffer injury as the result of increased imports. The criteria of injury for adjustment assistance are similar to those for the escape clause. The purpose of adjustment assistance is to facilitate changes within the U.S. economy to meet new competitive conditions resulting from changes in the pattern of international trade.

(a) *Workers.*—The Trade Act of 1974 makes major modifications in adjustment assistance for workers displaced by increased imports. These changes make adjustment assistance easier for workers to obtain. In addition to easing the eligibility tests, the level of benefits is increased. Additional benefits to assist adversely affected workers find new employment, including job search, training, and relocation allowances, are provided.

Under the worker adjustment assistance provisions, workers in a firm qualify for trade adjustment benefits if the Secretary of Labor, within sixty days after the filing of a petition, finds that an absolute or relative increase in imports contributed importantly to the workers' unemployment and to a decrease in sales or production of the firm from which they have become unemployed. Workers certified as eligible for trade adjustment assistance receive benefits equal to 70 percent of each worker's average weekly earnings prior to the time he or she becomes unemployed for a period of up to 52 weeks (the duration of benefit eligibility may be extended for older workers and workers in training). This benefit level, however, cannot exceed 100 percent of the national average weekly wage in manufacturing which is currently about $180.

Under the Act, States are responsible for the costs of benefits for which workers would be eligible under existing State unemployment insurance programs. Benefits provided above that amount will be paid for by the Federal Government. The program will cost the Federal Government an estimated $335 million in its first year and will expire September 30, 1982.

SUMMARY OF TRADE ADJUSTMENT ASSISTANCE CASES, DECEMBER 31, 1975

Status	Number	Estimated number of workers
1. Petitions certified	123	51,261
2. Petitions denied	112	56,887
3. Petitions in process	283	224,542
4. Withdrawals	5	3,910
5. Terminations	5	708
Total	528	337,308

Source: U.S. Department of Labor.

WORKER PETITIONS BY STANDARD INDUSTRIAL CLASSIFICATION, APRIL 3 TO DECEMBER 31, 1975

Industry	Certified		Denied	
	Petitions	Estimated number of workers	Petitions	Estimated number of workers
02—Agricultural production, livestock			1	30
10—Metal mining	1	68		
21—Tobacco manufactures			1	630
22—Textile mill products	4	715	2	318
23—Apparel and other finished products made from fabrics and similar materials	32	8,496	38	6,582
24—Lumber and wood products, except furniture	1	300		
25—Furniture and fixtures			1	390
28—Chemicals and allied products			2	994
29—Petroleum refining and related industries			1	7
30—Rubber and miscellaneous plastics products	1	400	4	455
31—Leather and leather products	35	7,216	10	1,813
32—Stone, clay, glass, and concrete products	1	6	2	410
33—Primary metal industries	6	3,381	3	810
34—Fabricated metal products, except machinery and transp. equipment			4	1,086
35—Machinery, except electrical	5	2,050	9	1,731
36—Electrical and electronic machinery, equipment and supplies	21	11,824	18	9,055
37—Transportation equipment	12	16,230	11	30,018
39—Miscellaneous manufacturing industries	4	575	4	1,867
45—Transportation by air			1	691
Total	123	51,261	112	56,887

Source: U.S. Department of Labor.

STATE DISTRIBUTION OF WORKER PETITIONS, APRIL 3 TO DECEMBER 31, 1975

State	Certified		Denied	
	Petitions	Estimated number of workers	Petitions	Estimated number of workers
Alabama			2	960
Arkansas	3	1,300	2	325
California	2	850	1	366
Colorado			3	500
Connecticut	1	300		
Delaware			1	4,000

STATE DISTRIBUTION OF WORKER PETITIONS, APRIL 3 TO DECEMBER 31, 1975—Continued

State	Certified		Denied	
	Petitions	Estimated number of workers	Petitions	Estimated number of workers
Georgia	1	65	3	210
Illinois	4	1,254	4	6,040
Indiana	5	958	.....	.....
Kentucky	1	16	.....	.....
Louisiana	1	100	.....	.....
Maine	1	300	3	453
Maryland	7	2,596	9	1,511
Massachusetts	9	2,502	5	662
Michigan	5	10,100	7	15,945
Missouri	16	8,139	13	3,922
Nebraska	2	350	.....	.....
New Hampshire	2	360	2	900
New Jersey	2	900	3	78
New York	12	2,936	10	4,238
Ohio	1	30	5	6,358
Oregon	.....	.....	1	360
Pennsylvania	35	11,062	33	7,407
Tennessee	4	1,215	.....	.....
Utah	1	68	.....	.....
Virginia	2	5,140	2	1,239
West Virginia	.....	.....	2	1,213
Wisconsin	3	590	1	200
Wyoming	1	130	.....	.....
Total	123	51,261	112	56,887

Source: U.S. Department of Labor.

(b) *Firms and communities.*—The Trade Act of 1974 continues adjustment assistance to firms and provides it for the first time to communities effective April 3, 1975. The Act makes it somewhat easier for firms to qualify for financial and technical assistance and establishes assistance to communities through the Economic Development Administration.

To be certified eligible to apply for adjustment assistance, a firm must demonstrate that increased imports of articles like or directly competitive with those produced by the firm contributed importantly to declines in sales or production, or both, and to separation, or threat of separation of the firm's workers. Communities must show that they have been adversely impacted by similar causes.

During the last three quarters of 1975, the number of firms (by industry) which filed acceptable petitions for certification of eligibility was as follows:

Industry	Petition accepted for filing	Certification pending	Petition withdrawn (number of firms)	Certified eligible	Petition denied
Footwear	11	1	1	9	.....
Apparel	6	4	.....	2	.....
Mushrooms	4	.....	.....	4	.....
Consumer electronics	3	.....	1	2	.....
Granite	2	.....	.....	2	.....
Leather	1	.....	1	.....	.....
Marble	1	.....	.....	1	.....
Ball bearings	1	.....	.....	1	.....
Textiles	2	.....	1	1	.....
Textile machinery parts	1	.....	.....	.....	1
Total	[1] 32	5	4	[1] 22	1

[1] Includes 9 firms previously certified under the Trade Expansion Act which did not have their adjustment proposals approved before Apr. 3, 1975.

Source: U.S. Department of Commerce.

In the latter part of the year, the Department of Commerce authorized trade adjustment assistance for four firms totaling $3.5 million, including $3,050,000 in direct loans and $450,000 in guaranteed loans. Employment in the four companies whose proposals were approved currently amounts to approximately 630 persons and is projected to increase by 225 additional jobs when the recovery plans of the firms are fully implemented.

Although several trade-impacted communities expressed an interest in the trade adjustment assistance program, no petitions for certification were filed during the year, possibly because many potential petitioning communities may be considering their prospects for assistance under other community development programs of the Economic Development Administration for which they may already be eligible.

C. Unfair Trade Practices (Title III)

1. *Provisions of the Trade Act of 1974.*—The Trade Act of 1974 substantially revises Executive authority to respond to foreign unfair trade practices, including authorities under the Trade Expansion Act of 1962, the Antidumping Act, 1921, and the Tariff Act of 1930. The intention is to assure a swift response to foreign import restrictions, export subsidies, price discrimination (dumping), and other unfair foreign trade practices.

2. *Section 301.*—Section 301 of the Trade Act of 1974 gives the President new authority to act against unfair trade practices. The President is authorized to retaliate against foreign countries which impose unjustifiable or unreasonable restrictions against U.S. com-

merce, including the withholding of supplies. The section also provides the President with explicit authority to retaliate against countries which maintain such restrictions against U.S. services as well as U.S. trade in goods. Discrimination against U.S. services includes, but is not limited to, discrimination against U.S. shipping, aviation, and insurance industries. In addition, retaliatory actions may be taken with respect to foreign services as well as foreign merchandise.

In order to make section 301 an effective tool against foreign practices and policies adversely affecting the U.S. economy, the Trade Act of 1974 provides a complaint procedure whereby interested parties can petition the Special Representative for Trade Negotiations to conduct public hearings on alleged unfair practices and policies. The Special Representative is required to report to Congress on a semiannual basis concerning the status of the reviews undertaken pursuant to this section.

The Act requires that actions taken by the President under section 301 generally be on a selective basis, that is, only against those countries found to discriminate against U.S. commerce. The President has the discretion, however, to act against a single country or on a most-favored-nation (that is, against all countries) basis when retaliating against unjustifiable or unreasonable import restrictions. Congress can overrule any Presidental determination to act against "innocent" countries and require, by concurrent resolution, that the President act only against the offending country (or countries) maintaining unreasonable or unjustifiable restrictions against U.S. commerce.

The authority to retaliate in situations in which a foreign nation withholds supplies of needed commodities without justification complements other features of the Act directing the President to negotiate new, enforceable rules with respect to export restraints. In an international economic period characterized by widespread shortages and inflation, this is a vital aspect of the trade negotiations.

STATUS OF PETITIONS UNDER SEC. 301

Date petition filed	Product or service	Country involved	Unfair trade practice alleged	Disposition
Jan. 1, 1975....	Shipping.....	Guatemala..	Restriction on imports to Guatemalan flag shipping.	STR review completed and conversations with Guatemala begun.
Jan. 17, 1975..	Commercial eggs.	Canada.....	Quota on U.S. eggs...	STR review continuing and consultations with Canada begun.
Aug. 7, 1975...	Egg albumen.	European Community.	Variable levies.....	STR review continuing.
Sept. 22, 1975.	Canned fruits, juices, and vegetables.	.....do.....	Minimum import prices and a certification system.	Do.
Nov. 13, 1975..	Malt..	.....do	Export subsidy.....	Do.
Jan. 1, 1976....	Wheat flour.....	do.....	do.....	STR hearing on Jan. 28, 1976.

Source: Office of Special Representative for Trade Negotiations.

3. *Countervailing Duties.*—Section 303 of the Tariff Act of 1930 requires the Secretary of the Treasury to impose duties upon imported merchandise if its manufacture, production, or export has benefited directly or indirectly from a bounty or grant (subsidy) bestowed by a foreign government or person. Section 331 of the Trade Act of 1974,

makes major procedural changes in Section 303 to improve the operation of the statute:

(a) Under the Act, the time period for countervailing duty investigations begins to run from the date a petition is presented to the Secretary of the Treasury. Notice of the receipt of such petition must be published in the Federal Register.

(b) The Act provides that:

(1) The Secretary of the Treasury has six months from the date of the petition in which to make a preliminary determination as to the existence of a bounty or grant.

(2) If the initial determination indicates the existence of a bounty or grant is likely, the Secretary of the Treasury has an additional six months to negotiate with the particular foreign country(ies) to obtain the elimination of the bounty or grant.

(3) If the bounty or grant, or any portion thereof, remains in effect, the Secretary of the Treasury is required to issue a final countervailing duty order following the end of the second six-month period (total time period one year from date of petition). However, he may suspend the application of the order if he determines that:

(i) adequate steps have been taken substantially to reduce or eliminate the adverse effect of the bounty or grant;

(ii) there is a reasonable prospect that successful trade agreements will be entered into, under section 102, with foreign countries providing for the reduction or elimination of nontariff barriers; and

(iii) the imposition of countervailing duties would be likely to seriously jeopardize the satisfactory completion of such negotiations.

The suspension must be ended if any of the conditions described above do not continue, and may otherwise be ended at any time. The authority of the Secretary to suspend countervailing duties expires January 3, 1979. The initial determination, the results of any negotiation, and any final determination (including suspension of countervailing duties) must be made public. The waiver does not apply in the case of subsidized nonrubber footwear unless the imposition of countervailing duties will jeopardize multilateral negotiations on a nonrubber footwear agreement.

(4) Whenever the Secretary decides to suspend the imposition of countervailing duties, he must immediately report his determination to Congress. At any time thereafter, either House of Congress can, under the veto procedure, vote by simple majority to override the Secretary's decision and to require the Secretary to impose the countervailing duties immediately.

(5) Countervailing duty orders by the Secretary of the Treasury go into effect immediately upon publication in the Federal Register (no later than one year after the date a petition is submitted to the Secretary). In the case of a Congressional override, notice of countervailing duties is published and such duties go into effect the day after the date of the adoption of the resolution of disapproval.

(6) Determinations by the Secretary of the Treasury that no bounty or grant exists are subject to judicial review. Under prior law, only positive determinations were subject to judicial review.

COUNTERVAILING DUTY ACTIONS

Product	Country	Initiated	Tentative decision	Final order	Calendar year 1974 import value (millions)
		CASES PENDING JAN. 1, 1975			
Consumer electronic products.	Japan	May 18, 1972	Neg., Feb. 5, 1975	Neg., Jan. 7, 1976	$1,700.0
Steel, carbon, and high strength plates.	Mexico	Oct. 4, 1972	Neg., July 3, 1975	Affirm., Jan. 7, 1976 [1]	.8
Footwear, nonrubber	Argentina	July 16, 1974	Neg., Feb. 18, 1975	Neg., Jan. 7, 1976	23.7
Footwear, rubber	Korea	June 20, 1972	Affirm., July 3, 1975	Affirm., Jan. 8, 1976 [1]	82.1
		CASES INITIATED CALENDAR YEAR 1975			
Float glass	Belgium	Jan. 15, 1975	Affirm., July 3, 1975	Neg., Jan. 7, 1976	.5
Float glass	Italy	Jan. 15, 1975	Affirm., July 3, 1975	Affirm., Jan. 7, 1976	.5
Float glass	France	Jan. 15, 1975	Neg., June 30, 1975	Neg., Dec. 4, 1975	.1
Float glass	West Germany	Jan. 15, 1975	Affirm., June 30, 1975	Neg., Jan. 7, 1976	.1
Float glass	United Kingdom	Jan. 15, 1795	Neg., June 30, 1975	Neg., Dec. 22, 1975	1.2
Processed asparagus	Mexico	Jan. 15, 1975	Affirm., July 3, 1975	Neg., Jan. 7, 1976	1.7
Dairy products	EEC	Jan. 15, 1975	Affirm., Feb. 14, 1975	Affirm., May 19, 1975 [1]	130.0
Ferrochrome	South Africa	Jan. 15, 1975	Affirm., June 30, 1975	Neg., Jan. 7, 1976	18.0
Footwear	Taiwan	Jan. 15, 1975	Neg., July 3, 1975	Affirm., Jan. 7, 1976	170.0
Cheese	Austria	Jan. 15, 1975	Affirm., May 20, 1975	Affirm., Jan. 7, 1976 [1]	15.8

Cheese	Switzerland	Jan. 15, 1975	Affirm., July 3, 1975	Affirm., Jan. 8, 1976 [1]	8.0
Leather handbags	Brazil	Jan. 15, 1975	Affirm., June 30, 1975	Affirm., Jan. 12, 1976	5.2
Footwear, nonrubber	Korea	Jan. 15, 1975	Affirm., July 3, 1975	Affirm., Jan. 8, 1976	23.5
Canned hams	EEC	Jan. 15, 1975	Affirm., June 30, 1975	Affirm., Dec. 2, 1975 [1]	231.0
Shoes	West Germany	Jan. 15, 1975		Term., June 3, 1975	
Leather products	Argentina	Jan. 15, 1975		Term., Apr. 22, 1975	
Steel products	West Germany	Jan. 15, 1975		Term., June 3, 1975	
Steel products	France	Jan. 15, 1975		Term., June 3, 1975	
Steel products	Netherlands	Jan. 15, 1975		Term., June 3, 1975	
Steel products	Luxembourg	Jan. 15, 1975		Term., June 3, 1975	
Steel products	Belgium	Jan. 15, 1975		Term., June 3, 1975	
Steel products	United Kingdom	Jan. 15, 1975		Term., June 3, 1975	
Steel products	Austria	Jan. 15, 1975		Term., June 3, 1975	
Cotton textiles and manmade fibers.	India	Jan. 15, 1975	Neg., July 3, 1975	Neg., Dec. 17, 1975	100.0
Dried apples	Italy	Jan. 15, 1975		Term., Mar. 7, 1975	
Cast iron soil pipe and fittings.	India	Jan. 15, 1975	Neg., July 3, 1975	Neg., Nov. 24, 1975	.2
Tie fabrics	Korea	Jan. 15, 1975		Term,. June 3, 1975	
Tie fabrics	West Germany	Jan. 15, 1975		Term, June 3, 1975	
Tie fabrics	Japan	Jan. 15, 1975		Term., June 3, 1975	
Oxygen sensing probes	Canada	Jan. 15, 1975	Term., [2] June 30, 1975	Term., Dec. 12, 1975	
Steel products	Italy	Mar. 7, 1975		Term., June 3, 1975	
Glazed ceramic wall tile	Philippines	Apr. 9, 1975	Affirm., Aug. 26, 1975		1.6
Castor oil products	Brazil	Apr. 30, 1975	Affirm., Sept. 11, 1975		1.0
Cheese	Norway	June 30, 1975	Affirm., Nov. 26, 1975		10.0
Cheese	Finland	Aug. 15, 1975	Affirm., Dec. 16, 1975		11.2
Cheese	Sweden	Aug. 15, 1975	Affirm., Jan. 5, 1976		1.5
Screws	Italy	Sept. 16, 1975			1.9
Glass beads	Canada	Oct. 8, 1975			.3

[1] Waivers granted under Trade Act of 1974.
[2] Tentatively terminated.

Source: U.S. Department of the Treasury.

4. *Antidumping.*—The Antidumping Act, 1921, provides for the imposition of duties on imports into the United States which are sold at less than fair value. Section 321 of the Trade Act of 1974 makes several significant changes in procedures under the antidumping statute to improve the U.S. response to foreign price discrimination practices:

(a) The Act provides that U.S. manufacturers, producers, or wholesalers of the merchandise, as well as foreign manufacturers, exporters, and domestic importers, have an equal and automatic right to appear at hearings before the Secretary of the Treasury or the International Trade Commission in connection with less-than-fair-value or injury determinations made under the Antidumping Act.

(b) The Act authorizes the Secretary of the Treasury, when he concludes that there is substantial doubt that a U.S. industry is being injured by "dumped" imports, to refer the initial dumping complaint to the International Trade Commission for its consideration. If the Commission determines that there is no reasonable indication of injury, it will notify the Secretary within 30 days and the dumping investigation will terminate.

(c) The Act requires that the initial determination whether there is reason to believe that there are less-than-fair-value sales be made within 6 months from the date on which the antidumping proceeding notice is published. (This period for initial determination may be extended to 9 months in complicated cases.) Under the Act, the antidumping proceeding notice must be published within 30 days of the receipt of information alleging dumping by the Secretary of the Treasury.

(d) The Act requires the Secretary of the Treasury to impose dumping duties when a multinational corporation operating in several foreign countries supports low-priced exports to the United States through high-priced sales by other subsidiaries located in other foreign countries. Specifically, when the Secretary determines that:

(i) merchandise exported to the United States is produced in facilities owned or controlled by a person, firm, or corporation which also owns or controls similar facilities in other countries;

(ii) there are little or no sales in the home market of the exporting country; and

(iii) sales of like or similar merchandise made in other countries are at prices substantially higher than the prices charged for goods produced in the exporting country and such price differentials are not justified by cost differences,

the Secretary must determine the foreign market value by looking at the higher prices (adjusted for differences in cost of production) at which similar merchandise is sold from foreign facilities located outside the exporting country. The dumping duty will then be assessed in an amount equal to the difference between the purchase price in the United States (or the exporter's sale price) and the higher foreign market value of goods sold by the third country subsidiaries rather than the lower foreign market value of the goods actually exported to the United States.

(e) The Act explicitly authorizes judicial review for U.S. producers and manufacturers in the U.S. customs courts of negative antidumping decisions made by the Secretary of the Treasury. Importers and foreign producers are entitled to judicial review under existing law.

ANTIDUMPING ACTIONS

Product	Country	Initiated	Tentative	Final	Injury	Calendar year 1974 import value (millions)
CASES PENDING JAN. 1, 1975						
Rapid transit vehicle seats.	Brazil	Apr. 3, 1974	Neg., Oct. 3, 1974	Neg., Jan. 3, 1975		[1] $0.5
Lock-in amplifiers	United Kingdom.	May, 17 1974	W/A, Jan. 6, 1975	Affirm., Apr. 7, 1975.	No, July 2, 1975	.02
Chicken eggs in the shell	Canada	July 12, 1974	Neg., Jan. 13, 1975.	Neg., Apr. 14, 1975		5.6
Electric golf cars	Poland	June 14, 1974	W/A, Mar. 14, 1975.	Affirm., June 16, 1975.	Yes, Sept. 16, 1975.	3.0
Welt work shoes	Romania	Mar. 15, 1974	W/A, Dec. 16, 1974.	Affirm., Mar. 17, 1975.	No, June 13, 1975	12.0
Portable electric typewriters.	Japan	Mar. 20, 1974	W/A, Dec. 20, 1974.	Affirm., Mar. 26, 1975.	No, June 19, 1975	16.0
Vinyl clad fence fabric	Canada	Oct. 29, 1974	Neg., Apr. 29, 1975.	Affirm., July 29, 1975.	No, Oct. 24, 1975	6.0
Certain nonpowered mechanics' tools.	Japan	Sept. 5, 1974.	W/A, June 5, 1975	Affirm., Sept. 5, 1975.	No, Dec. 5, 1975	3.5
Nonpowered precision measuring tools.	Japan	Sept. 5, 1974	T/D, June 5, 1975	F/D, Sept. 5, 1975		7.5
Radial ball bearings	Japan	Dec. 23, 1974	Neg., June 23, 1975.	Neg., Sept. 23, 1975.		74.0
CASES INITIATED CALENDAR YEAR 1975						
Birch 3-ply doorskins	Japan	Jan. 13, 1975	W/A, July 14, 1975.	Affirm., Oct. 15, 1975.	Yes, Jan. 12, 1976	7.6
Rechargeable sealed nickel-cadium batteries.	Japan	Jan. 24, 1975	W/A, July 24, 1975.	Neg., Oct. 24, 1975		1.3
Water circulating pumps	Sweden	Mar. 26, 1975	T/D, Sept. 26, 1975.	F/D, Jan. 5, 1976		1.3
Butadiene acrylonitrile rubber.	Japan	Mar. 27, 1975	W/A, Sept. 29, 1975.			.7

See footnotes at end of table.

ANTIDUMPING ACTIONS—Continued

Product	Country	Initiated	Tentative	Final	Injury	Calendar year 1974 import value (millions)
Water circulating pumps	United Kingdom.	May 21, 1975	W/A, Nov. 26, 1975			$.08
Polymethyl methacrylate	Japan	June 16, 1975	W/A, Dec. 18, 1975			[2] 2.7
Acrylic sheet	Japan	July 21, 1975				2.0
Ski bindings	Austria	July 23, 1975				1.0
Ski bindings	Switzerland	July 23, 1975				.0
Ski bindings	West Germany.	July 23, 1975				2.0
Bricks	Canada	July 23, 1975				1.8
Automobiles	West Germany.	Aug. 6, 1975				1,900.0
Automobiles	United Kingdom.	Aug. 6, 1975				156.0
Automobiles	France	Aug. 6, 1975				45.5
Automobiles	Belgium	Aug. 6, 1975				217.0
Automobiles	Sweden	Aug. 6, 1975				227.0
Automobiles	Italy	Aug. 6, 1975				240.0
Automobiles	Japan	Aug. 6, 1975				1,700.0
Automobiles	Canada	Aug. 6, 1975				3,000.0
Knitting machine	Italy	Aug. 15, 1975				2.25
A.C. adapters	Japan	Oct. 7, 1975				5.6
Tantalum capacitors	Japan	Oct. 17, 1975				3.0
Portland cement	Mexico	Nov. 21, 1975				3.5
Industrial vehicle tires	Canada	Dec. 19, 1975				.5
Melamine	Japan	Dec. 19, 1975				1.0

[1] Import value for the period August 1973 to April 1974.
[2] Import value for the period January 1974 to June 1975.

Source: U.S. Department of the Treasury.

5. *Section 337.*—Before the Trade Act of 1974, section 337 of the Tariff Act of 1930 authorized the President to prohibit importation of products if the International Trade Commission determined those products were being sold by means of unfair trade practices. It was most often applied in the past to articles entering the United States in violation of U.S. patents. Under prior law, if the Commission found the effect of such methods was to destroy or substantially injure an industry efficiently and economically operated in the United States, to prevent the establishment of an industry or to restrain or monopolize trade or commerce in the United States, the articles involved *could* be excluded from entry into the United States by the President.

As amended by section 341 of the Trade Act of 1974, the Commission is authorized to order the exclusion of articles in all cases under section 337, patent and nonpatent. The Commission is also authorized to issue cease and desist orders rather than exclusion orders whenever it deems such action a more suitable remedy. If the cease and desist order is not adhered to, the exclusion order will go into effect. More specifically, the Act provides the following:

(a) International Trade Commission investigations of unfair trade practices under section 337 must be completed within a one-year period. The Commission may have an additional 6 months in complicated cases, provided that it publishes the reasons for the extension. Any period during which the Commission's investigation is suspended because of proceedings in a Federal court or agency involving the same subject matter will be excluded from the time periods.

(b) During its investigations under section 337, the Commission is directed to consult with the Departments of Justice, Health, Education, and Welfare, the Federal Trade Commission, and other government agencies when appropriate. In making its determinations as to whether or not to act, the Commission is required to take into consideration, in addition to the criteria formerly set out in section 337 (a), the effect which such action may have on the general health and welfare, on competitive conditions in the economy, on the production of like or competitive merchandise in the United States, and on consumers.

(c) Following the issuance of exclusion or cease and desist orders by the Commission, the President has 60 days in which to intervene and override the Commission's decision where he determines it necessary because of overriding policy reasons.

(d) All legal and equitable defenses may be presented in all cases under section 337. Exclusion orders arising out of section 337 cases involving patents do not apply to imports by the U.S. Government. Such actions against the Government must be brought in the U.S. Court of Claims.

(e) Temporary exclusion orders may be issued in certain circumstances under section 337. In such cases (and also during the 60-day period for Presidential intervention), entries may be made under bond. The Act requires the Secretary of the Treasury, prior to levying a bond, to acquire the advice of the Commission concerning the amount of the bond in both patent and nonpatent cases.

(f) The Commission is required to complete within one year its investigations on all section 337 cases pending on the date of enactment of the Trade Act of 1974.

(g) Decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 do not serve as res judicata or collateral estoppel in matters where U.S. District Courts have original jurisdiction.

STATUS OF ACTIONS UNDER SECTION 337

Product	Date petition filed	ITC determination [1]
Record players	Mar. 18, 1975	Due July 24, 1976.
Monolithic catalytic converters	May 2, 1975	Due July 23, 1976.
Glass fiber optic devices	May 2, 1975	Due Aug. 27, 1976.
Bismuth molybdate catalysts	May 30, 1975	Due Oct. 15, 1976.
Infants booties, sweaters, and bonnets	May 30, 1975	([2]).
Dry wall screws	Aug. 20, 1975	Due Nov. 13, 1976.
Reclosable plastic bags	Oct. 20, 1975	Due 1977.

[1] These dates assume the Commission will not suspend investigations, toll time limits, or declare the investigations "more complicated."

[2] Complainant has been requested to show cause why an ITC investigation should be instituted.

Source: U.S. International Trade Commission.

D. East-West Trade

1. *Provisions of the Trade Act.*—Title IV of the Act authorizes the President to extend, under certain circumstances, most-favored-nation (nondiscriminatory) trade concessions to countries whose products do not currently receive such treatment. Prior to the enactment of the Trade Act of 1974, the countries not receiving nondiscriminatory treatment into the U.S. market were the communist countries, with the exception of Poland and Yugoslavia. No country is eligible to receive nondiscriminatory tariff treatment or U.S. Government credits, credit guarantees, or investment guarantees if the President determines that such country:

(a) Denies its citizens the right or opportunity to emigrate;

(b) Imposes more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or

(c) Imposes more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice.

The Act contains a provision allowing the President to waive the freedom-of-emigration requirements for any country, if he reports to Congress that (1) he has determined that such a waiver would promote the objectives of freer emigration, and (2) he has received assurances that the emigration practices of such country will lead

substantially to free emigration. The waiver authority extends for an 18-month period after the date of enactment of the Act, and may be renewed for one year periods thereafter subject to congressional review. The President may terminate nondiscriminatory treatment at any time.

Under the Act, only countries entering into bilateral agreements with the United States may receive nondiscriminatory treatment. Nondiscriminatory treatment may remain in effect only so long as a trade agreement remains in force between the United States and the country concerned. All bilateral agreements entered into between the United States and a nonmarket economy nation are subject to approval by both Houses of Congress before the President may proclaim trade concessions. Trade benefits under any bilateral agreement are limited to an initial period not exceeding three years. Thereafter, an agreement may be renewed for additional periods, each of not more than three years, providing that a satisfactory balance of concessions in trade and services is maintained and that U.S. reductions in trade barriers are reciprocated by the other party. Services include transportation, insurance, and other commercial services associated with international trade.

The Act directs the President to establish an East-West Foreign Trade Board within the Executive Branch to monitor trade, credits and technology transfers between the United States and nonmarket economy countries. The Board will review to determine whether they are in the U.S. national interest, significant transactions involving (1) the transfer of U.S. Government credits, guarantees or insurance; (2) sizable trade contracts; and (3) transfers of sensitive technology. The Board must report on a quarterly basis to the Congress on East-West trade developments.

Title VI also imposes a ceiling on credits, insurance, and guarantees to the Soviet Union by any United States government agency (except the Commodity Credit Corporation). The ceiling may be exceeded only with congressional approval in a manner consistent with the Eximbank Act of 1974.

2. *Summary of Recent Events.*—

(a) *U.S.-U.S.S.R. Trade Agreement.*—On January 14, 1975, less than two weeks after the President signed the Trade Act of 1974, Secretary Kissinger announced that the Soviet Union was repudiating the U.S.-U.S.S.R. trade agreement. The trade agreement was initialed in 1972, but had never gone into effect. The Soviets claimed that the emigration clause in the Trade Act of 1974 violated the 1972 trade agreement provision which stated that tariff cuts must be unconditional. More specifically, the Soviets chafed under the provision that would have assured most-favored-nation status for an 18-month period, subject thereafter to annual Congressional review. They also felt that the limit of $300 million in EXIM bank credits over a four-year period was unsatisfactorily low.

After the Soviets repudiated the trade agreement, the Administration objected to the freedom of emigration and credit restrictions and called for changes in the Trade Act of 1974. Despite the credit and MFN restrictions in the Trade Act, U.S. trade with

the Soviet Union remained at a high level in 1975.* When the Soviets once again experienced a poor grain harvest and entered into contracts for large purchases of U.S. grain, fears arose of a repeat of the "great grain robberies" of 1972–73, and the President imposed a temporary embargo on sales to the Soviet Union. In October of 1975, the President signed an agreement with the Soviets governing the long-term purchase of U.S. grain. The agreement on grain sales commits the Soviet Union to purchase a minimum of six million metric tons of wheat and corn annually. It permits the U.S.S.R. to purchase an additional two million tons annually, provided that the total estimated U.S. grain supply exceeds 225 million tons. The U.S. Government agreed to facilitate Soviet purchases under the agreement and not to exercise its authority to control shipments of these amounts except that it may reduce the quantity to be sold if the estimated total U.S. grain supply is less than 225 million tons. The agreement also provides for consultations by the two governments in advance of purchases in excess of 8 million tons of wheat and corn in any one crop year. Shipment of grain under the agreement is to be in accord with the U.S.–U.S.S.R. Agreement on Maritime Matters.

(b) *U.S.-Romania Trade Agreement.*—On April 24, 1975, President Ford transmitted to the Congress for approval a bilateral commercial agreement with the Socialist Republic of Romania. It was the first agreement with a nonmarket economy country to be transmitted to the Congress pursuant to Title IV since the enactment of the Trade Act of 1974. The President also submitted a waiver of section 402, the freedom of emigration requirement. The Senate approved the agreement on July 25 by a vote of 88 to 2, and the House of Representatives approved the measure on July 28 by a vote of 355 to 41.

Following the requirements of Section 405 of the Trade Act, the Romanian Commercial Agreement is limited to an initial term of three years. The Agreement may thereafter be extended for additional three-year periods providing that a satisfactory balance of concessions in trade and services has been maintained during the life of the Agreement and providing that the President determines that the actual or forseeable future reductions of U.S. tariff and nontariff barriers are satisfactorily reciprocated by Romania. During its hearings on S. Con. Res. 35, the Committee on Finance received assurances that a satisfactory balance of concessions will be maintained. As required in Section 405, the Agreement is also subject to suspension or termination by either party and does not limit the right of either party to take action for the protection of its security interests.

Also, consistent with section 405, article III of the Agreement permits consultations at the request of either party whenever imports are threatening or contributing to market disruption within a domestic industry of the requesting party. In addition, either party may impose such restrictions as it deems appropriate on the imports of the other party to prevent or remedy such actual or threatened market disruption. The Administation assured the Committee that the safeguards written in the Trade Act of 1974 will be fully utilized to prevent serious injury to American industries and workers.

* For the first 11 months of 1975 U.S. exports to the Soviet Union were $1,600 million, and imports from the Soviet Union were $230 million; in 1974, U.S. exports to the Soviet Union were $607 million and imports were $350 million.

Article V of the Agreement provides for the protection of the patents and trademarks, copyrights, and industrial rights and processes. In addition, the Agreement provides for the settlement of disputes, the facilitation of trading arrangements and for consultations on the operations of the Agreement as required by Section 405 of the Trade Act.

E. The Generalized System of Preferences (Title V)

In 1964, the UN Conference on Trade and Development (UNCTAD) adopted a resolution calling for the developed countries to provide tariff preferences for products imported from less developed countries (LDC's.) UNCTAD hoped preferences would provide an incentive to economic development in the LDC's and lessen their dependence on foreign aid.

The United States eventually accepted the concept of preferences for products from the LDC's as a way to encourage economic development, reduce foreign aid, and prevent the expansion, particularly by the European Community, of existing regional preference programs between developed countries and their former colonies. Such regional preference programs would, in the U.S. view, create serious barriers to U.S. trade and result in the division of the world market into a small number of regional trade groups consisting of developed countries and their LDC satellites. With the enactment of the Trade Act of 1974, the United States became the twenty-third developed country to establish a general system of preferences for the products of LDC's.

Title V of the Trade Act requires the President to designate which countries will be "beneficiary developing countries" eligible for duty free treatment of specified eligible articles. The criteria for beneficiary developing country status includes an expression by the country of its desire to be a beneficiary developing country, the level of economic development of such country and whether or not other major developed countries extend preferential tariff treatment to the country under their generalized systems of preferences. Certain countries are specifically excluded from beneficiary developing country status, such as the member states of the European Community, Japan, and the U.S.S.R. In addition, most Communist countries are excluded as are most members of OPEC. Other exclusions relate to whether or not the country has nationalized property owned by a U.S. corporation or citizen without prompt, adequate, and effective compensation, whether or not such country has taken adequate steps to cooperate with the United States to prevent narcotics traffic, and so on.

On November 24, 1975, the President issued Executive Order 11888 implementing the Generalized System of Preferences (GSP) established under Title V of the Trade Act of 1974. This program will provide for duty free entry of 2,724 otherwise dutiable articles from 137 LDC's and territories beginning January 1, 1976.

In 1974, imports into the United States of the 2,724 articles which will be eligible under the GSP from the 137 LDC's and territories which will be eligible under GSP amounted to $2.6 billion. This figure is 2.6 percent of total U.S. imports for 1974 and 19 percent of U.S. dutiable nonpetroleum imports for that year. Total U.S. imports of the 2,724 articles from all countries amounted to $25 billion in 1974.

Eligible Countries and Territories

INDEPENDENT COUNTRIES

Afghanistan
Angola
Argentina
Bahamas
Bahrain
Bangladesh
Barbados
Bhutan
Bolivia
Botswana
Brazil
Burma
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Chile
Colombia
Congo (Brazzaville)
Costa Rica
Cyprus
Dahomey
Dominican Republic
Egypt
El Salvador
Maldive Islands
Mali
Malta
Mauritania
Mauritius
Mexico
Morocco
Mozambique
Nauru
Nepal
Nicaragua
Niger
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Romania
Rwanda
Sao Tome and Principe
Senegal
Equatorial Guinea
Ethiopia
Fiji
Gambia
Ghana
Grenada
Guatemala
Guinea
Guinea Bissau
Guyana
Haiti
Honduras
India
Israel
Ivory Coast
Jamaica
Jordan
Kenya
Korea, Republic of
Laos
Lebanon
Lesotho
Liberia
Malagasy Republic
Malawi
Malaysia
Sierra Leone
Singapore
Somalia
Sri Lanka
Sudan
Surinam
Swaziland
Syria
Taiwan
Tanzania
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Upper Volta
Uruguay
Western Samoa
Yemen Arab Republic
Yugoslavia
Zaire
Zambia

NON-INDEPENDENT COUNTRIES AND TERRITORIES

Afars and Issas, French Territory of the Antigua
Belize
Bermuda
British Indian Ocean Territory
British Solomon Islands
Brunei
Cayman Islands
Christmas Island (Australia)
Cocos (Keeling) Islands
Comora Islands
Cook Islands
Dominica
Falkland Islands (Malvinas) and Dependencies
French Polynesia
Gibraltar
Gilbert and Ellice Islands
Heard Island and McDonald Islands
Hong Kong
Macao
Monteserrat
Netherlands Antilles
New Caledonia
New Hebrides Condominium
Niue
Norfolk Island
Pitcairn Island
Portuguese Timor
Saint Christopher-Nevis-Anguilla
Saint Helena
Saint Lucia
Saint Vincent
Seychelles
Spanish Sahara
Tokelau Islands
Trust Territory of the Pacific Islands
Turks and Caicos Islands
Virgin Islands, British
Wallis and Futuna Islands

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