APPENDIX

(The following material is included in the record at the request of Representative Thomas B. Curtis; see p. 288, this volume.)

QUANTITATIVE RESTRICTIONS AFFECTING U.S. EXPORTS (JANUARY 1962)*

The multilateral tariff conference just concluded in Geneva under the General Agreement on Tariffs and Trade (GATT) represents another important achievement in the lowering of tariff barriers to trade. These efforts would be of little value, however, if participating countries were free to impose quantitative trade restrictions without restraint to vitiate the benefits of tariff concessions. Countries party to GATT are therefore required to undertake a general obligation not to impose quantitative restrictions on imports from other GATT countries.

An undertaking as broad as this must, of course, be subject to certain exceptions and a number of these are specified in the agreement itself. These include controls necessary to protect human, animal, or plant life or health; controls designed to prevent interferences with certain types of domestic programs relating to agriculture or fisheries products; and measures necessary for the protection of a country's security interests. In addition, obligations under the agreement can be selectively suspended for individual countries in exceptional circumstances.

By far the most important restrictions applied by GATT countries, from the standpoint of their effect on U.S. exports, have been those permitted for balance-of-payments reasons under articles XII and XVIII of the agreement and the discriminatory application of these restrictions permitted under article XIV. For a number of years after the war, most nondollar countries maintained fairly extensive import control systems to conserve limited foreign exchange reserves and to channel export earnings into the purchase of goods most needed to stimulate economic recovery. Dollar exchange was in almost universal short supply so that most trade and exchange controls were applied more strictly against the dollar area than against other currency areas. As financial conditions improved, controls were relaxed, first on a regional basis. European countries established trade and payments arrangements to facilitate trade among themselves while generally maintaining strict controls vis-a-vis the dollar area so that a sizable "discriminatory gap" developed against United States and Canadian goods.

With rapid progress toward European recovery, however, currencies became more stable and the need for controls diminished. By the mid-1950's, under strong United States-Canadian pressure through the GATT, the International Monetary Fund (IMF) and other channels, European countries began to accelerate the relaxation and removal of controls against dollar goods and narrow the "discriminatory gap." At the end of 1958, the currencies in which most international trade is conducted became convertible and the financial justification for discrimination virtually disappeared. Since then a dramatic relaxation and elimination of quantitative import controls has taken place throughout the world. This broad movement was described in considerable detail in the third, fourth, and fifth reports by the President of the United States to the Congress on the trade agreements program.

Developments were summarized on a quarterly basis in the Commerce Department publication Foreign Commerce Weekly. Copies of these summaries covering the period from mid-1959 through 1961 are attached to this memorandum.

CURRENT STATUS

Most industrial countries now have few effective quantitative import restrictions in the industrial sector, although there are some important residual controls on agricultural goods. Many less developed countries still have rather

*Source: House Ways and Means Committee: Trade Expansion Act of 1962, hearings.