International agreements and voluntary quotas

There are three general types of so-called voluntary quotas imposed by the exporting country. The first type results from an explicit international agreement, such as the multilateral and bilateral agreements on cotton textiles. The second is unilateral in form but results from diplomatic negotiations or other types of pressures at the governmental level. The third is also unilaterally imposed by the exporting country, but as a result of an evaluation of the market situation in the importing country and without any commitment with respect to the amount or duration of the quota. It is estimated that from 30 to 40 per cent of Japan's exports to the United States are subject to restrictions of these three types.

The international agreements by which other countries limit their exports to the United States are the results of strong diplomatic pressures by the United States. Where there is an international agreement, U.S. law provides also for enforcement through U.S. import controls.

"The United States and Canada are forcing Japan to restrict exports voluntarily." This comment in the news columns of the *Japan Times* (September 22, 1963) speaks volumes. The pressures may be direct or subtle. Quotas have been found expedient in Japan in some instances where extreme competition has led to undesirable marketing practices, such as multiple offers of the same product of the same manufacturer by many different exporters or importers. It is rarely possible, however, to distinguish such a motive from the fear of import restrictions.

It is not enough to say that most of these restrictions are made by Japan and can be altered by Japan. As a matter of law, this is true; but it does not accurately describe the relationship between the United States and Japan. The Japanese have shown great sensitivity to U.S. views; and leading U.S. officials have frequently praised and endorsed Japan's "self-restraint". In some cases, the unilateral abrogation by Japan of self-imposed export restrictions would be regarded here as breach of a moral obligation by Japan. It can be said with good grace that such restrictions by Japan are truly voluntary only when the United States Government ceases to endorse them and make clear that they are inconsistent with fundamental U.S. trade policies.

It should be noted that Section 352 of the Trade Expansion Act of 1962 provides for the negotiation by the President of "orderly marketing agreements" as one form of remedy, if the Tariff Commission has found that increased imports resulting from tariff concessions have caused or are threatening serious injury to an American industry. This statutory provision obviously embodies a policy that such agreements should be negotiated only *after* such a finding has been made by the Tariff Commission. Adherence to that policy will eliminate the political pressures for extra-legal restrictions on imports imposed without impartial scrutiny by any official U.S. fact-finding body. Such pressures are strong right now in the fields of woolens and footwear.

NOTES

Agricultural quotas are based mainly on Section 22 of the Agricultural Adjustment Act as amended, 7 U.S.C.A. § 624 (1952), as amended, 7 U.S.C.A. § 624 (Supp. 1963). Sugar quotas are based on the Sugar Act of 1948 as amended, 7 U.S.C.A. §§ 1150–60, as amended, 7 U.S.C.A. §§ 1154–55, 1157–58, 1161 (Supp. 1963). The legislative authority for U.S. enforcement of the Geneva Agreement on Cotton Textiles of February 9, 1962, and other cotton textile agreements is Section 204 of the Agricultural Act of 1956 as amended, 7 U.S.C.A. § 1854 (Supp. 1963), which applies even to countries not parties to the agreement.

Citations to the national security clause and escape clause are in notes to introduction.

Some U.S. tariff quotas are negotiated duties under the Trade Agreements Act of 1934, as amended, 19 U.S.C.A. § 1351 (1960).

An unpublished study of the U.S.-Japan Trade Council of May 21, 1963, calculates the percentage of actual U.S. imports which were subject to quantitative restrictions. In 1961, 14.3 per cent were under absolute quotas, 0.5 per cent under tariff quotas, and 1.5 per cent under the Geneva cotton textile quotas. Of course, these figures do not reveal the restrictive effect.

American Embassy, Tokyo, Dispatch No. 549 of December 26, 1961, listed forty-one commodity groups that were under voluntary export controls to various destinations, all but five to the United States.

BUY-AMERICAN POLICIES

Federal

The term "Buy-American" refers in its broadest sense to purchasing practices and consumer attitudes which favor American-made goods at the expense of or to the exclusion of foreign-made goods. More specifically, the term refers to