The problem of quantitative import restrictions by Japan on the one hand and restrictions (including Japanese voluntary export controls) by industrial countries vis-à-vis Japan on the other suggests the need for a negotiated settlement. Japan maintains import restrictions in part as a bargaining lever against the discriminatory restrictions of other countries. In any Atlantic free trade area that included Japan, such a settlement would have to be made on the basis either of mutual elimination of these restrictions or agreed exceptions to free-trade treatment. Mutual elimination would necessitate a willingness on the part of the other industrial countries to adjust to increased competition from Japanese exports, which might involve assistance to affected factors of production. However, most industrial countries already have legislation to help in the adaptation or relocation of factors adversely affected by imports.

Although state trading is not a major problem among industrial countries, it would nevertheless have to be considered in any free trade area or a substantial reduction of tariffs. In a free trade area, national state-trading regimes would probably have to be eliminated or extended to include all industrial countries, just as the EEC envisages such elimination or extension. However, if tariffs were only reduced rather than eliminated, state trading could be treated in the same way as in GATT tariff negotiations. Unless otherwise agreed by the parties to the negotiation, a GATT tariff concession on a state-traded product limits the markup that may be charged by the state-trading agency (exclusive of expenses incurred and a reasonable profit) over the landed price of the imported goods. Such a commitment may be supplemented by agreement of the state-trading agency to purchase stipulated amounts of imports.[94]

Preferences to domestic producers in government procure-

[94] For example, in 1947 France granted the United States a concession on wheat, stipulating that the resale price should not exceed by more than 15 per cent the average duty-paid value of the imported grain. Italy made the same concession in 1949 on both wheat and rye. Also, in 1947 France agreed to purchase minimum annual quantities of cigarettes and leaf tobacco and to charge a price on imported cigarettes that would preserve the prewar ratio between the selling prices of foreign cigarettes and the best French brands sold by the state monopoly.